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

AMENDMENT NO. 1
TO
FORM 40-F

☒ Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934
☐ Annual Report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended:
Commission File Number:

AURINIA PHARMACEUTICALS INC.
(Exact name of Registrant as specified in its charter)

Alberta, Canada	**2834**	**Not Applicable**
(Province or other jurisdiction of incorporation or organization)	**(Primary standard industrial classification code number (if applicable))**	**(I.R.S. employer identification number (if applicable))**

#1203-4464 Markham Street
Victoria, British Columbia
V8Z7X8
(250) 708-4272
(Address and telephone number of registrant's principle executive offices)

CT Corporation
111 Eighth Avenue, 13th Floor
New York, New York 10011
(212) 590-9331
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common Shares, no par value	**Toronto Stock Exchange**
Common Shares, no par value	**The NASDAQ Stock Market LLC**

Securities registered or to be registered pursuant to Section 12(g) of the Act. **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. **None**

For annual reports, indicate by check mark the information filed with this form:

☐ Annual Information Form ☐ Audited Annual Financial Statements

Indicate the number of outstanding shares of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: **31,354,082 Common Shares, no par value**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes ☐ No ☐

Cautionary Statement Regarding Forward-Looking Statements

Certain statements in this Registration Statement on Form 40-F are forward-looking statements. Please see "Forward-Looking Information" on page 1 of the Annual Information Form, which is filed as Exhibit 99.16 to this Registration Statement on Form 40-F.

Principal Documents

The following documents are filed as part of this Registration Statement on Form 40-F:

A. Annual Information Form

For the Registrant's Annual Information Form for the year ended December 31, 2013, see Exhibit 99.16 hereto.

B. Management's Discussion and Analysis of Financial Condition

For the Registrant's Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2013, see Exhibit 99.28 hereto.

C. Audited Annual Financial Statements

For the Registrant's Audited Consolidated Financial Statements for the year ended December 31, 2013, including the Independent Auditor's Report with respect thereto, see Exhibit 99.19 hereto.

Description of Common Shares

The Registrant's authorized share capital consists of an unlimited number of common shares, all without nominal or par value. Each common share entitles the holder thereof to one vote at any meeting of the shareholders of the Registrant. As at March 31, 2014, the Registrant had 31,354,082 common shares issued and outstanding. The additional required disclosure containing a description of the securities to be registered is included under the heading "Dividend Policy" on page 24 of Registrant's Annual Information Form for the year ended December 31, 2013, attached as Exhibit 99.16, and under the heading "Share Capital" on page 28 of Registrant's Audited Consolidated Financial Statements for the year ended December 31, 2013, attached as Exhibit 99.19.

Off-Balance Sheet Arrangements

The Registrant does not have any "off-balance sheet arrangements" (as that term is defined in paragraph 11(ii) of General Instruction B to Form 40-F) that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Tabular Disclosure of Contractual Obligations

The required disclosure is included under the heading "Contractual Obligations" on page 18 of Registrant's Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2013, filed as Exhibit 99.28 hereto and is incorporated herein by reference.

Undertaking

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

Consent to Service of Process

The Registrant has filed a Form F-X with the Commission together with this Registration Statement on Form 40-F.

Signatures

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing this Amendment No. 1 to Form 40-F and has duly caused this registration statement to be signed on its behalf by the undersigned, thereto duly authorized on June 18, 2014.

AURINIA PHARMACEUTICALS INC.

By: /s/ Dennis Bourgeault
Name: Dennis Bourgeault
Title: Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
99.1	Certification of Annual Filings – Chief Executive Officer, dated April 3, 2013, for the year ended December 31, 2012
99.2	Certification of Annual Filings – Chief Financial Officer, dated April 3, 2013, for the year ended December 31, 2012
99.3	Certification of Refiled Annual Filings – Chief Executive Officer, dated April 1, 2014, for the year ended December 31, 2013
99.4	Certification of Refiled Annual Filings – Chief Financial Officer, dated April 1, 2014, for the year ended December 31, 2013
99.5	Certification of Annual Filings – Chief Executive Officer, dated March 31, 2014, for the year ended December 31, 2013
99.6	Certification of Annual Filings – Chief Financial Officer, dated March 31, 2014, for the year ended December 31, 2013
99.7	Certification of Interim Filings – Chief Executive Officer, dated May 15, 2013, for the period ended March 31, 2013
99.8	Certification of Interim Filings – Chief Financial Officer, dated May 15, 2013, for the period ended March 31, 2013
99.9	Certification of Interim Filings – Chief Executive Officer, dated August 13, 2013, for the period ended June 30, 2013
99.10	Certification of Interim Filings – Chief Financial Officer, dated August 13, 2013, for the period ended June 30, 2013
99.11	Certification of Interim Filings – Chief Executive Officer, dated November 21, 2013, for the period ended September 30, 2013
99.12	Certification of Interim Filings – Chief Financial Officer, dated November 21, 2013, for the period ended September 30, 2013
99.13	Certification of Interim Filings – Chief Executive Officer, dated May 15, 2014, for the period ended March 31, 2014
99.14	Certification of Interim Filings – Chief Financial Officer, dated May 15, 2014, for the period ended March 31, 2014
99.15	Annual Information Form, for the year ended December 31, 2012
99.16	Annual Information Form, for the year ended December 31, 2013
99.17	Consolidated Financial Statements, for the year ended December 31, 2012 and 2011
99.18	Consolidated Financial Statements, for the year ended December 31, 2013 and 2012
99.19	Amended Consolidated Financial Statements, for the year ended December 31, 2013 and 2012
99.20	Interim Condensed Consolidated Financial Statements, for the quarter ended March 31, 2013
99.21	Interim Condensed Consolidated Financial Statements, for the quarter ended June 30, 2013
99.22	Interim Condensed Consolidated Financial Statements, for the quarter ended September 30, 2013
99.23	Interim Condensed Consolidated Financial Statements, for the quarter ended March 31, 2014
99.24	Management's Discussion and Analysis, for the year ended December 31, 2012
99.25	Management's Discussion and Analysis, for the quarter ended March 31, 2013
99.26	Management's Discussion and Analysis, for the quarter ended June 30, 2013
99.27	Management's Discussion and Analysis, for the quarter ended September 30, 2013
99.28	Management's Discussion and Analysis, for the year ended December 31, 2013
99.29	Management's Discussion and Analysis, for the quarter ended March 31, 2014
99.30	Business Acquisition Report, dated November 15, 2013
99.31	Evans & Evans Consent letter, dated July 19, 2013
99.32	KPMG Consent letter, dated July 19, 2013
99.33	Cover letter to Amended 2013 Annual Consolidated Financial Statements, dated April 1, 2014
99.34	Form of Proxy – Annual General and Special Meeting to be held on August 15, 2013
99.35	Form of Proxy – Annual General and Special Meeting to be held on May 7, 2014
99.36	Notice of Annual & Special Meeting of Shareholders and Management Information Circular, dated July 19, 2013

Exhibit No.	Description
99.37	Notice of Annual & Special Meeting of Shareholders and Management Information Circular, dated April 2, 2014
99.38	Material Change Report, dated September 30, 2013
99.39	Material Change Report, dated February 24, 2014
99.40	Arrangement Agreement between Isotechnika Pharma Inc., Aurinia Pharmaceuticals Inc. and ILJIN Life Science Co. Ltd., dated August 6, 2013
99.41	Registration Rights Agreement, dated February 14, 2014
99.42	Subscription Agreement, dated February 14, 2014
99.43	News release, dated January 15, 2013
99.44	News release, dated February 5, 2013
99.45	News release, dated April 3, 2013
99.46	News release, dated April 17, 2013
99.47	News release, dated May 15, 2013
99.48	News release, dated June 18, 2013
99.49	News release, dated June 27, 2013
99.50	News release, dated July 25, 2013
99.51	News release, dated August 13, 2013
99.52	News release, dated August 16, 2013
99.53	News release, dated September 23, 2013
99.54	News release, dated September 26, 2013
99.55	News release, dated October 22, 2013 (Leadership Change)
99.56	News release, dated October 22, 2013 (Name Change)
99.57	News release, dated November 6, 2013
99.58	News release, dated November 21, 2013
99.59	News release, dated December 9, 2013
99.60	News release, dated February 14, 2014
99.61	News release, dated February 19, 2014
99.62	News release, dated February 25, 2014
99.63	News release, dated March 4, 2014
99.64	News release, dated March 31, 2014
99.65	News release, dated May 15, 2014
99.66	Notice of the Meeting and Record Date, dated February 22, 2013
99.67	Notice of the Meeting and Record Date (cancelled), dated March 14, 2013
99.68	Notice of the Meeting and Record Date, dated April 30, 2013
99.69	Notice of the Meeting and Record Date (cancelled), dated May 15, 2013
99.70	Notice of the Meeting and Record Date, dated May 16, 2013
99.71	Notice of the Meeting and Record Date, dated June 3, 2013
99.72	Notice of the Meeting and Record Date (amended), dated June 28, 2013
99.73	Notice of Meeting, dated July 19, 2013
99.74	Notice of the Meeting and Record Date, dated March 7, 2014
99.75	Notice of Meeting, dated April 2, 2014
99.76	Notice of Change of Status, dated September 30, 2013
99.77	Notice of Change in Corporate Structure, dated October 29, 2013
99.78	Report of Voting Results, dated August 15, 2013
99.79	Certificate of Amendment, dated October 23, 2013
99.80	Class 1 Reporting Issuers – Participation Fee, for the year ended December 31, 2012
99.81	Class 1 Reporting Issuers – Participation Fee, for the year ended December 31, 2013
99.82	Consent of PricewaterhouseCoopers, dated June 16, 2014

99.83 Consent of KPMG, dated June 13, 2014

99.84 News release, dated June 11, 2014

99.85 News release, dated June 18, 2014

Exhibit 99.1

FORM 52-109F1
CERTIFICATION OF ANNUAL FILINGS
FULL CERTIFICATE

I, ***Robert T. Foster, President and Chief Executive Officer of Isotechnika Pharma Inc.***, certify the following:

1. ***Review:*** I have reviewed the AIF, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of ***Isotechnika Pharma Inc.*** (the "issuer") for the financial year ended ***December 31, 2012***.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

4. ***Responsibility:*** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the financial year end

A. designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

I. material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and

II. information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

B. designed ICFR, or caused it 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 the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is that of the *Committee of Sponsoring Organizations of the Treadway Commission* ("COSO").

5.2 ***ICFR – material weakness relating to design:*** N/A

5.3 ***Limitation on scope of design:*** N/A

6. ***Evaluation:*** The issuer's other certifying officer(s) and I have

A. evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and

B. evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuer has disclosed in its annual MD&A

I. our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and

II. N/A

7. ***Reporting changes in ICFR:*** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on ***October 1, 2012*** and ended on ***December 31, 2012*** that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

8. ***Reporting to the issuer's auditors and board of directors or audit committee:*** The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: ***April 3, 2013***

Signed: "*Robert T. Foster"*
Robert T. Foster, M.Pharm., Ph.D.
President & Chief Executive Officer

Exhibit 99.2

FORM 52-109F1
CERTIFICATION OF ANNUAL FILINGS
FULL CERTIFICATE

I, ***Dennis Bourgeault, Chief Financial Officer of Isotechnika Pharma Inc.***, certify the following:

1. ***Review:*** I have reviewed the AIF, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of ***Isotechnika Pharma Inc.*** (the "issuer") for the financial year ended ***December 31, 2012***.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

4. ***Responsibility:*** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the financial year end

A. designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

I. material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and

II. information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

B. designed ICFR, or caused it 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 the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is that of the *Committee of Sponsoring Organizations of the Treadway Commission* ("COSO").

5.2 ***ICFR – material weakness relating to design:*** N/A

5.3 ***Limitation on scope of design:*** N/A

6. ***Evaluation:*** The issuer's other certifying officer(s) and I have

A. evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and

B. evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuer has disclosed in its annual MD&A

I. our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and

II. N/A

7. ***Reporting changes in ICFR:*** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on ***October 1, 2012*** and ended on ***December 31, 2012*** that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

8. ***Reporting to the issuer's auditors and board of directors or audit committee:*** The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: ***April 3, 2013***

Signed: *"Dennis Bourgeault"*
Dennis Bourgeault, C.A.
Chief Financial Officer

Exhibit 99.3

Form 52-109F1R
Certification of Refiled Annual Filings

This certificate is being filed on the same date that Aurinia Pharmaceuticals Inc. (the "issuer") has refiled its annual financial statements for the year ended December 31, 2013.

I, STEPHEN W. ZARUBY, Chief Executive Officer of AURINIA PHARMACEUTICALS INC., certify the following:

1. ***Review:*** I have reviewed the AIF, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of the issuer for the financial year ended December 31, 2013.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

Date: April 1, 2014

Signed: *"Stephen W. Zaruby"*
STEPHEN W. ZARUBY
Chief Executive Officer

NOTE TO READER

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Exhibit 99.4

Form 52-109F1R
Certification of Refiled Annual Filings

This certificate is being filed on the same date that Aurinia Pharmaceuticals Inc. (the "issuer") has refiled its annual financial statements for the year ended December 31, 2013.

I, DENNIS BOURGEAULT, Chief Financial Officer of AURINIA PHARMACEUTICALS INC., certify the following:

1. ***Review:*** I have reviewed the AIF, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of the issuer for the financial year ended December 31, 2013.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

Date: April 1, 2014

Signed: *"Dennis Bourgeault"*
DENNIS BOURGEAULT
Chief Financial Officer

NOTE TO READER

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Exhibit 99.5

FORM 52-109FVI
CERTIFICATION OF ANNUAL FILINGS
VENTURE ISSUER BASIC CERTIFICATE

I, STEPHEN W. ZARUBY, Chief Executive Officer of AURINIA PHARMACEUTICALS INC., certify the following:

1. ***Review:*** I have reviewed the AIF, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of AURINIA PHARMACEUTICALS INC. (the "issuer") for the financial year ended December 31, 2013.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

Date: March 31st, 2014

Signed: *"Stephen W. Zaruby"*
STEPHEN W. ZARUBY
Chief Executive Officer

NOTE TO READER

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Exhibit 99.6

FORM 52-109FVI
CERTIFICATION OF ANNUAL FILINGS
VENTURE ISSUER BASIC CERTIFICATE

I, DENNIS BOURGEAULT, Chief Financial Officer of AURINIA PHARMACEUTICALS INC., certify the following:

1. ***Review:*** I have reviewed the AIF, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of AURINIA PHARMACEUTICALS INC. (the "issuer") for the financial year ended December 31, 2013.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

Date: March 31st, 2014

Signed: *"Dennis Bourgeault"*
DENNIS BOURGEAULT
Chief Financial Officer

NOTE TO READER

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Exhibit 99.7

FORM 52-109F2
CERTIFICATION OF INTERIM FILINGS
FULL CERTIFICATE

I, ROBERT FOSTER, Chief Executive Officer of ISOTECHNIKA PHARMA INC., certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A, (together, the "interim filings") of **Isotechnika Pharma Inc.** (the "issuer") for the interim period ended **March 31, 2013**.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. ***Responsibility:*** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the end of the period covered by the interim filings

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it 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 the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is the COSO control framework published by the Committee of Sponsoring Organizations of the Treadway Commission.

5.2 N/A

5.3 N/A

6. ***Reporting changes in ICFR:*** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on **January 1, 2013** and ended on **March 31, 2013** that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: **May 15, 2013**

Signed: *"Robert Foster"*
Robert Foster, M.Pharm., Ph.D.
Chief Executive Officer

Exhibit 99.8

FORM 52-109F2
CERTIFICATION OF INTERIM FILINGS
FULL CERTIFICATE

I, DENNIS BOURGEAULT, Chief Financial Officer of ISOTECHNIKA PHARMA INC., certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A, (together, the "interim filings") of **Isotechnika Pharma Inc.** (the "issuer") for the interim period ended **March 31, 2013**.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. ***Responsibility:*** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the end of the period covered by the interim filings

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it 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 the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is the COSO control framework published by the Committee of Sponsoring Organizations of the Treadway Commission.

5.2 N/A

5.3 N/A

6. ***Reporting changes in ICFR:*** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on **January 1, 2013** and ended on **March 31, 2013** that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: **May 15, 2013**

Signed: *"Dennis Bourgeault"*
Dennis Bourgeault, C.A.
Chief Financial Officer

Exhibit 99.9

FORM 52-109F2
CERTIFICATION OF INTERIM FILINGS
FULL CERTIFICATE

I, ROBERT FOSTER, Chief Executive Officer of ISOTECHNIKA PHARMA INC., certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A, (together, the "interim filings") of **Isotechnika Pharma Inc.** (the "issuer") for the interim period ended **June 30, 2013**.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. ***Responsibility:*** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the end of the period covered by the interim filings

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it 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 the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is the COSO control framework published by the Committee of Sponsoring Organizations of the Treadway Commission.

5.2 N/A

5.3 N/A

6. ***Reporting changes in ICFR:*** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on **April 1, 2013** and ended on **June 30, 2013** that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: **August 13, 2013**

Signed: *"Robert Foster"*
Robert Foster, M.Pharm., Ph.D.
Chief Executive Officer

Exhibit 99.10

FORM 52-109F2
CERTIFICATION OF INTERIM FILINGS
FULL CERTIFICATE

I, DENNIS BOURGEAULT, Chief Financial Officer of ISOTECHNIKA PHARMA INC., certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A, (together, the "interim filings") of **Isotechnika Pharma Inc.** (the "issuer") for the interim period ended **June 30, 2013**.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. ***Responsibility:*** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the end of the period covered by the interim filings

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it 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 the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is the COSO control framework published by the Committee of Sponsoring Organizations of the Treadway Commission.

5.2 N/A

5.3 N/A

6. ***Reporting changes in ICFR:*** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on **April 1, 2013** and ended on **June 30, 2013** that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: **August 13, 2013**

Signed: *"Dennis Bourgeault"*
Dennis Bourgeault, C.A.
Chief Financial Officer

Exhibit 99.11

Form 52-109FV2
Certification of Interim Filings
Venture Issuer Basic Certificate

I, **STEPHEN W. ZARUBY**, Chief Executive Officer of AURINIA PHARMACEUTICALS INC., certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of **Aurinia Pharmaceuticals Inc.** (the "issuer") for the interim period ended **September 30, 2013**.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: **November 21, 2013.**

Signed: *"Stephen W. Zaruby"*
Stephen W. Zaruby
Chief Executive Officer

Exhibit 99.12

Form 52-109FV2
Certification of Interim Filings
Venture Issuer Basic Certificate

I, **DENNIS BOURGEAULT**, Chief Financial Officer of AURINIA PHARMACEUTICALS INC., certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of **Aurinia Pharmaceuticals Inc.** (the "issuer") for the interim period ended **September 30, 2013**.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: **November 21, 2013.**

Signed: *"Dennis Bourgeault"*
Dennis Bourgeault
Chief Financial Officer

Exhibit 99.13

Form 52-109FV2
Certification of Interim Filings
Venture Issuer Basic Certificate

I, **STEPHEN W. ZARUBY**, Chief Executive Officer of AURINIA PHARMACEUTICALS INC., certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of **Aurinia Pharmaceuticals Inc.** (the "issuer") for the interim period ended **March 31, 2014**.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: **May 15, 2014.**

Signed: *"Stephen W. Zaruby"*
Stephen W. Zaruby
Chief Executive Officer

Exhibit 99.14

Form 52-109FV2
Certification of Interim Filings
Venture Issuer Basic Certificate

I, **DENNIS BOURGEAULT**, Chief Financial Officer of AURINIA PHARMACEUTICALS INC., certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of **Aurinia Pharmaceuticals Inc.** (the "issuer") for the interim period ended **March 31, 2014**.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: **May 15, 2014.**

Signed: *"Dennis Bourgeault"*
Dennis Bourgeault
Chief Financial Officer

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Exhibit 99.15

2012
ANNUAL
INFORMATION
FORM

For the year ended December 31, 2012
April 3, 2013

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BASIS OF PRESENTATION

The information in this AIF is as of April 3, 2013, unless otherwise stated or where information in documents incorporated by reference has a different date.

This AIF describes the Company and its operations, its prospects, risks and other factors that affect its business.

References to the "Company" in this AIF refer to Isotechnika Inc. ("Isotechnika") prior to June 18, 2009 and to Isotechnika Pharma Inc. ("Pharma") after June 18, 2009. Pharma is a successor to Isotechnika pursuant to a Plan of Arrangement completed on June 18th, 2009 pursuant to the provisions of the Business Corporations Act (Alberta).

All dollar figures are in Canadian dollars, unless stated otherwise.

FORWARD–LOOKING INFORMATION

A statement is forward-looking when it uses what we know and expect today to make a statement about the future. Forward-looking statements may include words such as "*anticipate", "believe", "expect", "goal", "may", "outlook", "plan", "seek", "should", "strive", "target", "could", "continue", "potential"* and *"estimated"*, or the negative of such terms or comparable terminology. You should not place undue reliance on the forward-looking statements, particularly those concerning anticipated events relating to the development, clinical trials, regulatory approval, and marketing of the Company's products and the timing or magnitude of those events, as they are inherently risky and uncertain.

Securities laws encourage companies to disclose forward-looking information so that investors can get a better understanding of the Company's future prospects and make informed investment decisions. These statements may include, without limitation, plans to fund the Company's operations, statements concerning strategic alternatives and include partnering activities. These statements also may include, without limitation, summary statements relating to results of the voclosporin trials, plans to advance the development of voclosporin, plans to fund our current activities, statements concerning partnership activities and health regulatory discussions, strategy, future operations, future financial position, future revenues, projected costs, plans and objectives of management. This AIF contains forward-looking statements about the Company's objectives, strategies, financial condition, and results of operations, cash flows and businesses. These statements are forward-looking because they are based on our current expectations, estimates and assumptions. It is important to know that:

- *Forward-looking statements in this AIF describe our expectations as of April 3, 2013;*
- *Actual results could be materially different from what we expect if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, we cannot guarantee that any forward-looking statement will materialize and, accordingly, you are cautioned not to place undue reliance on these forward-looking statements;*
- *Forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made may have on our business. For example, they do not include the effect of mergers, acquisitions, other business combinations or transactions, dispositions, sales of assets, asset write-downs or other charges announced or occurring after the forward-looking statements are made. The financial impact of such transactions and non-recurring and other special items can be complex and necessarily depends on the facts particular to each of them. Accordingly, the expected impact cannot be meaningfully described in the abstract or presented in the same manner as known risks affecting our business;*
- *We disclaim any intention and assume no obligation to update any forward-looking statements even if new information becomes available, as a result of future events or for any other reason.*

The factors discussed below and other considerations discussed in the "Risk Factors" section of this AIF could cause the Company's actual results to differ significantly from those contained in any forward-looking statements.

Specifically, this AIF and the documents incorporated by reference in this AIF contain forward-looking information regarding:

- The Company's plan to continue the clinical development of voclosporin ;
- The Company's intention to seek regulatory approvals in the United States and Europe for voclosporin; and
- The Company's intention to seek additional corporate alliances to support the commercialization of our products.

Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, performance, or achievements to differ materially from any further results, performance or achievements expressed or implied by such forward-looking statements. Important factors that could cause such differences include, among other things, the following:

- The need for additional capital in the immediate future for working capital and longer term to fund the Company's development programs and the effect of capital market conditions and other factors on capital availability;
- Difficulties, delays, or failures the Company may experience in the conduct of and reporting of results of its clinical trials for voclosporin;
- Difficulties, delays or failures in obtaining regulatory approvals for the initiation of clinical trials;
- Difficulties, delays or failures in obtaining regulatory approvals to market voclosporin;
- Difficulties the Company may experience in completing the development and commercialization of voclosporin;
- Insufficient acceptance of and demand for voclosporin;
- Difficulties, delays, or failures in obtaining appropriate reimbursement of voclosporin; and/or
- Difficulties that the Company may experience in identifying and successfully securing appropriate corporate alliances to support the development and commercialization of its products.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance or achievements. The forward-looking statements are made as of the date hereof and we disclaim any intention and have no obligation or responsibility, except as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

Isotechnika, founded in 1993, is a biopharmaceutical company that is focused on the discovery and development of immunomodulating therapeutics. The Company's lead drug, voclosporin, is a calcineurin inhibitor and is targeted at the estimated US$3.0 billion market for this class of immunosuppressants. It is being investigated for the prevention of kidney rejection following transplantation, for the treatment of lupus and for ophthalmic diseases such as uveitis and dry eye syndrome. As a result, voclosporin can be considered a drug useful for several potential indications. In the future, voclosporin could also be tested for additional transplantation indications including liver and heart.

CORPORATE STRUCTURE

Isotechnika Pharma Inc. is headquartered in Edmonton, Alberta, Canada. The head office of the Company is located at 5120 – 75th Street, Edmonton, Alberta T6E 6W2. Isotechnika Pharma Inc. is incorporated pursuant to the *Business Corporations Act* (Alberta). As of January 1, 2011, the Company amalgamated with its only active operating wholly–owned subsidiary, Isotechnika Labs Inc. Isotechnika Labs Inc. was incorporated pursuant to the *Business Corporations Act* (Alberta). The Company is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador, and its common shares are listed and posted for trading under the symbol "ISA" on the Toronto Stock Exchange. The Company's primary business is the development of therapeutic drugs.

GENERAL DEVELOPMENT OF THE BUSINESS AND RECENT DEVELOPMENTS

RECENT CORPORATE DEVELOPMENTS

The Company and privately-held Aurinia Pharmaceuticals Inc. ("Aurinia") on February 5, 2013 signed a Binding Term Sheet ("Term Sheet") for the merger of the two companies, creating a clinical stage pharmaceutical company focused on the global nephrology market.

Aurinia is a spin-out from Vifor Pharma ("Vifor"). The Company signed a global Licensing and Collaboration Agreement effective December 30, 2011 with Vifor (International) AG ("Vifor"), the specialty pharma company of Switzerland based Galenica Group. The agreement granted Vifor an exclusive license for voclosporin, for the treatment of lupus and all proteinuric nephrology indications (the "Vifor License"). The Vifor License is for the United States and other regions outside of Canada, South Africa, Israel, China, Taiwan and Hong Kong (the "Vifor Territory"). Aurinia's current leadership team is comprised primarily of former senior managers, directors and officers of Aspreva Pharmaceuticals ("Aspreva"), which Galenica acquired for $915 million in 2008. While at Aspreva, this management team executed one of the largest and most important lupus nephritis studies ever conducted, called the Aspreva Lupus Management Study ("ALMS"), which resulted in the emergence of mycophenolate mofetil as a new standard treatment for patients suffering from this devastating and potentially fatal disease. Aurinia now holds certain rights to this large ALMS database and holds the license for voclosporin in lupus nephritis. Aurinia's lupus rights and database will be combined in the newly merged company with the transplantation and autoimmune rights, and the database held by Isotechnika.

The Term Sheet sets forth the main criteria to be incorporated into a definitive merger agreement under which Isotechnika will acquire 100% of the outstanding securities of Aurinia. The merger is expected to be effected by an exchange of Isotechnika shares for securities of Aurinia, resulting in a 65:35 post-merger ownership split between Isotechnika and Aurinia, respectively. In addition, Isotechnika and Aurinia have negotiated a tripartite settlement with ILJIN Life Science Co. Ltd. ("ILJIN") pursuant to which, upon the successful completion of the proposed merger, the combined company will re-acquire full rights to voclosporin for autoimmune indications including lupus, and transplantation in the United States, and other regions of the world, outside of Europe, Canada, Israel, South Africa, China, Taiwan and Hong Kong. In return, ILJIN will be entitled to receive certain pre-defined future milestone payments in the aggregate amount of $10 million, plus up to $1.6 million upon the new company reaching certain financing milestones. ILJIN will also own 25% of the issued and outstanding shares of the merged company.

The transaction is subject to certain closing conditions including, among others, the negotiation and completion of a merger agreement, acceptance and approval by the Toronto Stock Exchange (the "TSX"), the approval of Isotechnika's shareholders and Isotechnika securing a minimum of $3 million in debt or equity financing satisfactory for it to fulfill its obligations as contemplated by the Term Sheet. The merged entity is expected adopt Aurinia Pharmaceuticals Inc. as its new corporate name.

Aurinia has used and benefited from the ALMS dataset to develop and adequately power a new study in which voclosporin will be layered on top of standard of care in a multi-target approach to treating lupus nephritis. It is the Company's belief that this combination has the potential to rapidly and significantly improve patient outcomes. The consolidation of the intellectual property of these two companies ensures that this significant market opportunity is well protected and provides a powerful platform to create true stakeholder value.

2012 CORPORATE DEVELOPMENTS

PRIVATE PLACEMENT FINANCING

The Company, in the fourth quarter of 2012, pursuant to a non-brokered private placement comprised of two tranches raised proceeds of $758,000 by the issuance of 18,950,000 units at a price of $0.04 cents per unit. Each unit consisted of one common share and one non-transferable common share purchase warrant exercisable at $0.05 cents for a period of two years from the closing dates. No commissions or finder's fees were paid. The fair value attributed to the warrants was $244,000 with $514,000 attributed to the common shares issued.

ILJIN LIFE SCIENCE CO., LTD.

Effective January 28, 2011 (the "Effective Date") the Company completed a Development, Distribution and License Agreement (the "DDLA") with ILJIN for the further clinical and commercial development of voclosporin for use in transplant indications applicable to voclosporin. The Company granted to ILJIN an exclusive license to voclosporin for transplant and autoimmune indications for the United States and other regions outside of Europe, Canada, Israel, South Africa, China, Taiwan and Hong Kong. The Company retained the rights over voclosporin in Europe for future development and commercialization.

Pursuant to the DDLA, the Company was to receive a total license fee of US$5 million. In addition, ILJIN was to purchase 90,700,000 common shares of the Company for gross proceeds of US$19.88 million in three tranches.

The Company was obligated under the terms of the agreement to complete a single Phase 3 clinical trial for the prevention of kidney transplant rejection. A Joint Steering Committee ("JSC") with equal membership from the Company and ILJIN was to have been formed to oversee the development and commercialization of voclosporin in the ILJIN territories.

The Company received $4.51 million (US$4.5 million) of the license fee and the first private placement tranche of $2.38 million (US$2.38 million) on January 28, 2011 which was the Effective Date of the Agreement. The Company issued 11,500,000 common shares at a price of $0.207 per share (US$0.207) to ILJIN pursuant to the subscription agreement for securities. On or before January 28, 2012 ILJIN was to pay US$500,000 to the Company as the Second Development Payment and purchase 39,600,000 common shares of the Company issued from treasury for an aggregate subscription price of US$8.5 million. On or before January 28, 2013, ILJIN was to purchase the final tranche of 39,600,000 common shares of the Company issued from treasury for an aggregate subscription price of US$9 million.

Prior to the January 28, 2012 date, ILJIN verbally indicated their intent to alter the economics of the DDLA. Consequently, payment under the DDLA was not received as required per the agreement of January 28, 2011. The Company on January 30, 2012 notified ILJIN that it was terminating the DDLA. At that time the Company believed that the termination of the original DDLA was valid. As a result of the Company terminating the DDLA with ILJIN the remaining deferred revenue balance of $4.4 million was recorded as licensing revenue on January 30, 2012.

The Company received notification in March, 2012 that ILJIN submitted a request for arbitration to the International Chamber of Commerce ("ICC") Court of Arbitration relating to Isotechnika's termination of the DDLA. The Arbitration hearing to determine the Company's right to terminate the agreement was held early in the fourth quarter of 2012.

In November, 2012 the Company received notification from the ICC that a Partial Award regarding its right to terminate the DDLA with ILJIN had been issued to the parties.

In the result, the Partial Award provided that the DDLA had not been terminated and, therefore, the Company's contractual relationship with ILJIN still subsisted. As such the Partial Award rejected the Company's interpretation of the DDLA's termination provision.

In January of 2013, ILJIN formally notified Isotechnika and the arbitral tribunal that ILJIN had withdrawn all claims for damages in the parties' pending arbitration arising from the Development, Distribution and License Agreement.

Subsequent to the year end, the Company, ILJIN and Aurinia entered in to a definitive tripartite settlement agreement whereby the DDLA will be terminated as more fully discussed in the "Recent Corporate Developments' section above.

LUX BIOSCIENCES, INC.

On May 24, 2006 Isotechnika Inc. signed a Distribution and License Agreement ("DLA") with Lux Biosciences Inc. granting Lux worldwide rights to develop and commercialize voclosporin for the treatment and prophylaxis of all ophthalmic diseases. Under the terms of the agreement, Lux made an upfront payment, is paying for the costs of clinical trials, and is supposed to make further payments upon achieving specific milestones. Assuming all development milestones were to be achieved, the potential amount of this deal would be US$32.7 million plus future royalties. Isotechnika Inc. received an upfront payment of $3.32 million (US$3.0 million) upon signing the agreement. Lux would also pay royalties based on a percentage of net sales if the drug receives regulatory approval. Lux is responsible for the clinical development, registration, and marketing of voclosporin for all ophthalmic indications. Regulatory approvals in the U.S. and Europe, of the first indication, would have triggered milestone payments of US$7.20 million and US$3.60 million, respectively, to the Company. Lux has been investigating voclosporin (branded Luveniq™) for the treatment of uveitis and dry eye syndrome.

In February, 2010, Lux filed a New Drug Application ("NDA") with the FDA and a Marketing Authorization Application ("MAA") with the European Medicines Agency ("EMA") for voclosporin for the treatment of non-infectious uveitis.

In August, 2010, Lux received a Complete Response Letter ("CRL") from the FDA regarding their NDA for voclosporin. A CRL is issued by the FDA when the review of a file is completed and questions remain that prevent the approval of the NDA in its current form. The FDA requested additional information and recommended that an additional clinical trial be conducted in order to consider future approval of voclosporin for this indication.

In February, 2011, Lux commenced the required additional pivotal Phase 3 trial. The study was a 6-month randomized trial of voclosporin versus placebo in 150 patients in North America and Europe with active non-infectious intermediate, posterior, or pan-uveitis.

In March, 2010, the EMA validated the MAA and the dossier was distributed to members of the Committee for Medicinal Products for Human Use ("CHMP") for formal review. On June 27, 2011 the Company announced that Lux appealed the EMA's decision not to approve voclosporin as a treatment for noninfectious uveitis involving the intermediate or posterior segments of the eye.

In late December of 2012 the Company received notice from Lux that its Phase 3 clinical trial using voclosporin for the treatment of non-infectious uveitis did not meet its primary endpoint of change from baseline in vitreous haze at 12 weeks or at the time of treatment failure, if earlier. As a result, the Company is uncertain as to whether Lux will proceed with the development of voclosporin for ophthalmic diseases under this license. The Company also does not expect Lux to move forward with its submission of regulatory approval applications for non-infectious uveitis in the United States and Europe. Without submission of these regulatory approval applications by Lux and regulatory marketing approvals the Company will not receive the milestone payments noted above.

THE COMPANY'S DRUG DEVELOPMENT PROGRAMS

(A) VOCLOSPORIN

Voclosporin, Isotechnika's lead drug, belongs to a class of drugs called *Calcineurin Inhibitors* ("CNIs"), the cornerstone of therapy for the prevention of organ transplant rejection. This drug class includes two currently available drugs, cyclosporine and tacrolimus. Worldwide sales of CNIs in 2010 were approximately US$3 billion. Importantly, voclosporin is the only novel CNI in development which means limited future competition in the CNI class. Voclosporin is also the only CNI with chemical composition patent protection. Chemical composition patents for both cyclosporine and tacrolimus have expired. Furthermore, leading experts in the transplantation field have been increasingly outspoken about the important role of CNIs to prevent transplant rejection. Approximately 95% of all transplant patients are discharged from hospital with lifelong CNI therapy.

Voclosporin has successfully completed comprehensive phase 2a and 2b renal transplant clinical programs in which it demonstrated safety and efficacy. Since tacrolimus is the more commonly used CNI, transplant physicians are looking for a drug that is equivalent in efficacy to tacrolimus, yet offering a better side effect profile, ease of dosing and the ability to reach targeted blood concentrations for therapeutic drug monitoring ("TDM"). In a phase 2b trial versus tacrolimus, voclosporin showed (i) similar efficacy, (ii) a wider therapeutic window, and (iii) lower incidence of new onset diabetes after transplant ("NODAT"), in the proposed target therapeutic range.

One of the most important key benefits of voclosporin over tacrolimus is the markedly reduced incidence of NODAT. This new-onset, drug-induced diabetes is difficult to manage, significantly adds to overall healthcare costs, and greatly compromises the life-saving benefit of a transplant by causing increased organ rejection, morbidity and death. NODAT is an important concern with tacrolimus. The literature indicates that, on average, patients with NODAT lose their transplanted organ 3 years earlier, have a 23% increase in death after 5 years post transplant, and costs the medical system an additional $12,000 per year when compared to patients without NODAT. The data suggests that voclosporin can provide a superior profile versus tacrolimus on this key issue, as well as cause less diarrhea and sustained tremors (neurotoxicity). Furthermore, the clear relationship between blood concentrations of voclosporin and clinical outcomes is another distinct advantage as it should enhance ease of dosing and monitoring for both physicians and patients. This latter advantage relates to the pharmacokinetic-pharmacodynamic (PK-PD) properties of voclosporin. Greater PK-PD predictability is a key advantage of voclosporin over the other two CNIs.

The phase 3 program for transplant would consist of two clinical trials, each enrolling approximately 600 new kidney transplant patients. One trial will be conducted primarily in the United States and Canada, while the second trial will enroll patients primarily in Europe. The trials aim to demonstrate non-inferiority in a composite endpoint, primarily driven by biopsy proven acute rejection ("BPAR"), compared to tacrolimus. A key secondary endpoint will be the incidence of NODAT, as well as the overall safety and tolerability of voclosporin relative to tacrolimus.

The Company, in October 2011, received positive Scientific Advice ("SA") from the European Medicines Agency ("EMA") on the proposed phase 3 clinical trial protocol for voclosporin. Receipt of positive Scientific Advice ensures a clear regulatory path forward in the European Union. In March, 2012 the Company received an agreement letter from the United States Food & Drug Administration ("FDA") on a Special Protocol Assessment ("SPA") for the planned Phase 3 trial.

In the fourth quarter of 2012 the Company received permission (Investigational New Drug. "IND") from the U.S. Food and Drug Administration ("FDA") to commence the first of two planned phase 3 kidney transplant trials for its lead product candidate, voclosporin. These regulatory events mark significant steps for the Company on the path to initiate final testing of voclosporin to prevent kidney transplant rejection.

Alongside the regulatory and clinical preparations, another key process step requires having active pharmaceutical ingredient ("API") ready to be formulated into soft gelatin capsules and then administered to patients. A new batch of voclosporin API was ordered from the manufacturer in 2011. The manufacturing process was completed in April, 2012 upon the Company receiving a Certificate of Analysis indicating that the API met specifications. The Company in the third quarter of 2012 completed the process of encapsulating the API and packaging the capsules for clinical supply.

Financing Initiatives

The costs of the clinical trials are estimated to be in the range of $27.5 million to $30 million for each of the two renal transplant trials. The Company has been pursuing opportunities to fund the trials through strategic partnerships and/or equity financing. One of the difficulties encountered in raising these funds by issuing equity from Treasury is the Company's current low market capitalization. Raising the entire approximately $30 million for one trial is dilutive to current shareholders and raising the funds for the two required pivotal phase 3 trials is highly dilutive and difficult to achieve. Licensing voclosporin for the transplant indication is therefore a preferred pathway. However, as ILJIN currently has the rights to commercialize voclosporin in the US and most of the rest of world (ROW), including Asia-Pacific (excluding China, Hong Kong and Taiwan), the global transplant rights are unavailable to a new potential licensee. This is one of the reasons for the Tripartite Agreement Settlement between Isotechnika-ILJIN-Aurinia. A return of the rights and license for the ILJIN territories for voclosporin would enhance the Company's ability to seek a global licensing partner to further the development and commercialization of voclosporin transplantation.

Another reason for the Tripartite Agreement is so that the rights associated with the intellectual property (IP) would be consolidated back into a single corporate entity, post-merger with Aurinia. By having the consolidated rights held by a single entity, the need for sophisticated sales tracking methodology and cross-field sales would be obviated. The indication split between transplantation and lupus nephritis would be contained within one company. By obtaining the rights and license back for the ILJIN territories and by limiting cross-indication splitting, the Company believes it is optimizing its chances of successfully attracting a global development and commercialization partner for transplantation.

Post-merger with Aurinia, it is believed that the Company would be in a good position to raise needed funding for a lupus nephritis trial, as: 1) a lupus nephritis trial is less expensive than a renal transplant trial (and therefore less dilutive); 2) consolidating the voclosporin rights into one company increases the chances of successfully raising the needed capital; and 3) cross-indication sales tracking is less problematic. It is for these reasons and the preceding considerations that it is believed the best course of action at present is to complete the Tripartite Agreement between Isotechnika-ILJIN-Aurinia, and to complete the merger/acquisition of Aurinia by Isotechnika. The Company, therefore, believes it is prudent to raise sufficient capital for a lupus nephritis trial, while being opportunistic where possible with the transplantation indication. For reasons already stated, the Company may likely pursue a development and commercialization partner that has a more broad interest in nephrology, as opposed to purely one indication or the other.

Lupus Nephritis (LN) indication

The Lupus Foundation of America (LFA) estimates that ~1.5 million people in the US and up to 5.0 million people worldwide suffer from Systemic Lupus Erythematosus (SLE). Of these patients, 40-50% experience renal manifestations of the disease resulting in inflammation of the kidney. These patients are considered to have LN. Using Vifor/Aspreva diagnosis calculations generated from multiple longitudinal data sources, we estimate that the number of diagnosed patients with SLE in the Unites States is ~500,000. Of these, ~200,000 are suffering from LN.

Based on the work performed by the Aspreva/ Vifor lupus team, publications of the ALMS data has appeared in several respected journals. These publications include those published in the *New England Journal of Medicine* and the *Journal of the American Society of Nephrology*, which has established CellCept© mycophenolate mofetil (MMF) as the standard of care for the treatment of LN. This evolving use of CellCept© as a treatment option has allowed the lupus market to evolve into an attractive and mature market opportunity. In 2011 over 125,000 patients were being treated with CellCept© in the United States alone for their lupus symptoms. This represents a very mature market which the Company plans to exploit.

Despite that fact that CellCept© is the current standard of care for the treatment of LN, it remains far from perfect with only ~5-20% (depending on how measured) of patients on therapy actually achieving disease remission after 6

months of therapy. Data suggest that an LN patient who does not achieve rapid disease remission in response to therapy is more likely to experience renal failure or require dialysis at 10 years (Chen et al). Therefore, it is critically important to achieve disease remission as quickly and as effectively as possible. Additionally, a recent syndicated report published by BioTrends™ has shown that if a LN patient is receiving CellCept© they still experience, on average, 1.7 clinical exacerbations of disease per year. This would suggest that the majority of patients in the US suffering with LN are inadequately treated. The Company believes that the addition of voclosporin to the standard of care will significantly improve patient outcomes.

(B) NICAMs

The Company has discovered a portfolio of non-immunosuppressive cyclophilin antagonist molecules ("NICAMs") Cyclophilin binding has garnered considerable attention as a novel therapy in the treatment of a wide range of diseases including Hepatitis C, stroke, and chronic neurological disorders such as Parkinson's, Lou Gehrig's, and Alzheimer's. Cyclosporine A is a well-known cyclophilin binder, however its additional strong binding to calcineurin results in powerful immunosuppression and limits its therapeutic potential to transplantation and various autoimmune disorders. NICAMs do not bind to calcineurin, yet retain the ability to inhibit various cyclophilins. This program is in an early stage of development and will require additional funding to continue to advance its development.

In February, 2010, the Company signed an agreement with National Research Council's Industrial Research Assistance Program ("NRC-IRAP") whereby the NRC provided a non-repayable contribution of $237,000 for the period to August 31, 2011 to assist the Company to conduct specific research activities related to the Company's NICAMs program.

In April, 2012 the Company announced the signing of a three year Non-Clinical Evaluation Agreement with the National Institute of Allergy and Infectious Diseases ("NIAID"), part of the U.S. National Institutes of Health ("NIH"). Pursuant to the agreement, NIAID-funded contractors will evaluate the Company's portfolio of NICAMs as anti-viral agents.

Isotechnika's NICAM portfolio will be tested through NIAID's preclinical services program for use in biodefense and against emerging infectious disease threats including Hepatitis C, Herpes viruses, Corona viruses (including SARS), Poxviruses (cowpox), Yellow Fever, West Nile, Dengue and Papillomavirus.

The Company, in July 2012, received approval for additional funding from the NRC-IRAP for a project which extends Isotechnika's research into the use of NICAMs for reducing ischemia-reperfusion injury, the major disease mechanism that occurs in heart attacks, strokes, and other traumatic events involving impaired blood flow to vital organs. A second project received grant approval from the NRC-IRAP program in November 2012 for the identification and evaluation of NICAMs as inhibitors of replication in infectious disease. The Company is to receive the NRC contribution over a period of approximately four months.

In November, 2012 the Company also received positive results from the first round of screening of its portfolio of NICAMs through the contract testing laboratories of NIAID. Several NICAM compounds have been found to be highly active in primary *in vitro* assays against a number of important viruses including Hepatitis C virus, Human Papillomavirus, Human Cytomegalovirus and Varicella-Zoster virus (causative agent of shingles). Some of the compounds are currently undergoing secondary level *in vitro* testing, through NIAID's contract testing laboratories, towards selection of lead drug candidates for preclinical development.

In December 2012, the Company received positive anti-hepatitis C virus ("HCV") results from the second round of *in vitro* testing of its NICAMs. Contractors funded by NIAID carried out the testing.

Several NICAM compounds were tested for cross genotype activity using quantitative polymerase chain reaction in HCV replicons, as well as combinatorial effects with alpha interferon using a luciferase reporter assay. Results demonstrate that the NICAMs are highly active (low nanomolar potency) against HCV genotypes, 1 and 2, which represent approximately 85% of the HCV infections globally. Direct-acting HCV anti-viral drugs currently on the market are approved only for genotype 1 infections. Testing also revealed that the NICAM compounds acted

synergistically with alpha interferon, the current standard of care treatment, in reducing viral activity. The presence of synergistic activity means that significantly lower drug doses may be possible, thereby limiting the adverse events associated with interferon treatment. These findings support the view that NICAMs will broaden the therapeutic treatment window by complementing other classes of HCV drugs in development.

THREE YEAR HISTORY

The Company, in 2011 and prior years, had signed licensing agreements and partnerships to further the advancement of its lead drug, voclosporin as noted below:

(A) VIFOR (INTERNATIONAL) AG

The Company signed a global Licensing and Collaboration Agreement ("LCA") effective December 30, 2011 with Vifor (International) AG ("Vifor"), the specialty pharma company of Switzerland based Galenica Group. The agreement granted Vifor an exclusive license for voclosporin, for the treatment of lupus and all proteinuric nephrology indications (the "Vifor License"). The Vifor License was for the United States and other regions outside of Canada, South Africa, Israel, China, Taiwan and Hong Kong (the "Vifor Territory"). Under the terms of the Agreement, the Company was to receive milestone payments, as well as royalties on commercial sales. In connection with this agreement, Vifor was to purchase voclosporin active pharmaceutical ingredient ("API") from the Company. Vifor was to carry the burden of the costs associated with these clinical trials. On December 13, 2012, the LCA was assigned to Aurinia Development Corp. by Vifor. Aurinia Development Corp. is a subsidiary of Aurinia Pharmaceuticals Inc ("Aurinia").

ILJIN had provided a License Back for the field of lupus and proteinuric kidney diseases for the Territory defined in the ILJIN DDLA of certain rights to the Company in order for these rights to be licensed to Vifor specifically for the indications of lupus and proteinuric kidney disease, in return for certain milestones and royalties to be paid by Vifor.

On December 10, 2012 pursuant to this agreement, the Company received as a milestone payment, an investment in Aurinia. Aurinia issued the Company a share certificate representing 10% of the common shares of Aurinia. Aurinia had the option of granting the Company these shares or $592,000 in cash (US$600,000).

See the section "Current Corporate Developments" earlier in this document for an update regarding this license.

(B) ILJIN LIFE SCIENCE CO., LTD.

Effective January 28, 2011 the Company completed a Development, Distribution and License Agreement ("DDLA") with ILJIN Life Science Co., Ltd. ("ILJIN") for the further clinical and commercial development of voclosporin for use in transplant indications applicable to voclosporin.

The Company granted to ILJIN an exclusive license to voclosporin for transplant and autoimmune indications for the United States and other regions outside of Europe, Canada, Israel, South Africa, China, Taiwan and Hong Kong. The Company retained the rights over voclosporin in Europe for future development and commercialization.

The Company received a $4.51 million (US$4.5 million) license fee and the first private placement tranche of $2.38 million (US$2.37 million) on January 28, 2011 which was the Effective Date of the Agreement. The Company issued 11,500,000 common shares to ILJIN pursuant to the subscription agreement for securities.

According to the terms of the DDLA, ILJIN was required to further purchase 39,600,000 common shares of the Company issued from treasury for an aggregate subscription price of US$8.5 million and pay US$500,000 as the final license fee on or before January 28, 2012.

The significant terms of the DDLA agreement, at the time the agreement was signed on January 28, 2011, were as follows:

The Company granted to ILJIN an exclusive license to voclosporin for transplant and autoimmune indications for the ILJIN Territories. The Company retains the rights over voclosporin in Europe for future development and commercialization.

Pursuant to the DDLA, the Company was to receive total license fees of US$5.0 million. In addition, ILJIN was to purchase 90,700,000 common shares of the Company for gross proceeds to the Company of US$19.87 million in three tranches pursuant to the terms of a share subscription Agreement.

The Company was obligated under the terms of the agreement to complete a single Phase 3 clinical trial for the prevention of kidney transplant rejection.

The Company was to be responsible for commercialization of voclosporin, directly on its own in the United States and other countries of the ILJIN Territories as decided between the Company and ILJIN through the JSC by unanimous vote, and was not to sublicense any right to commercialize voclosporin in the United States and other countries of the ILJIN Territories to any third party without the permission of the JSC by unanimous vote. The detailed responsibilities and obligations of the Company related to such commercialization of voclosporin were to be determined through the JSC by unanimous vote. In other countries of the territory in which the Company was not directly responsible for commercializing voclosporin as indicated in the paragraph above, ILJIN was to be responsible for commercialization of voclosporin in these countries, either directly or through sub-licensees.

With respect to the sales and other similar revenues obtained by either the Company or ILJIN, by directly distributing and selling licensed products to any third party for use in the ILJIN Territories, the Company and ILJIN was to share net profit derived from such commercialization of voclosporin in the proportion of fifty percent (50%) of net profit to the Company and fifty percent (50%) of net profit to ILJIN.

With respect to the royalties, commercial milestone payments and other similar consideration received by ILJIN from its sub-licensees, inside the ILJIN Territories, upon obtaining any marketing approval required in such country within the ILJIN Territories for the sale of voclosporin, ILJIN was to receive fifty percent (50%) and the Company was to receive fifty percent (50%) of such royalties, commercial milestone payments and other similar consideration received by ILJIN.

See the sections "Current Corporate Developments" and "2012 Corporate Developments" sections earlier in this document for the 2012 and subsequent update regarding the ILJIN DDLA.

(C) 3SBIO, INC.

The Company and 3SBio, Inc., ("3SBio"), a China-based biotechnology company focused on researching, developing, manufacturing and marketing biopharmaceutical products, on August 23, 2010, completed a Development, Distribution and License Agreement for voclosporin. Under the terms of the agreement, the Company granted 3SBio exclusive rights to all transplant and autoimmune indications of voclosporin in China, including Hong Kong and Taiwan, excluding ophthalmic indications and medical devices which were previously licensed to Lux and Atrium, respectively. 3SBio will be responsible for the clinical development, registration and commercialization of voclosporin in China. The Company will also receive ongoing royalties based on sales of voclosporin by 3SBio. The Company will provide, under separate agreement, commercial supply to 3SBio on a cost-plus basis.

The transaction with 3SBio consisted of a non-refundable licensing fee of $1.58 million (US$1.5 million) and a convertible debenture of $4.73 million (US$4.5 million). The licensing fee was recorded as deferred revenue of $1.58 million upon closing of the transaction on August 23, 2010.

The Company issued a three-year convertible debenture in the amount of $4.73 million with an interest rate of 7% payable semi-annually to 3SBio. Under the terms of the debenture, the Company had the option to pay interest in cash or to issue new shares at the prevailing price when the interest was payable while 3SBio had the right to convert the debenture at any time into common equity of Isotechnika at a conversion price of $0.155 per share. The convertible debenture was secured by any payment obligations that 3SBio had to the Company for royalties under the Development, Distribution and License Agreement.

Under the notice to convert, 3SBio converted $2.02 million (US$1.92 million) of the convertible debenture into common shares pursuant to the conversion terms provided by the debenture certificate on September 2, 2010. The Company issued 13,000,000 common shares at $0.155 per common share to 3SBio. On November 12, 2010, 3SBio converted the remaining amount of the convertible debenture with the Company issuing a total of 16,734,877 common shares. The Company also issued an additional 1,000,000 common shares to 3SBio allocated as follows: 149,238 common shares for interest earned to the date of the conversion and 850,762 common shares as an early incentive to convert the debenture into common shares.

On June 28, 2012 the Company announced that 3SBio received approval from the State Food and Drug Administration ("SFDA") to conduct a multi-center phase 3 trial of voclosporin in China. According to the approved protocol, this will be a phase 3, randomized, multi-center, concentration-controlled and comparison study in kidney transplant patients. Patient enrollment has been delayed by 3SBio pending commencement of Isotechnika's Phase 3 kidney transplant trial.

(D) LUX BIOSCIENCES, INC.

See the section "2012 Corporate Developments" earlier in this document for the 2012 update regarding Lux together with the three-year history.

(E) PALADIN LABS INC.

On June 18, 2009 the Company completed a Plan of Arrangement transaction with Paladin Labs Inc. ("Paladin"). This Plan of Arrangement has been amended various times and includes the following amendments.

Amendment of the Plan of Arrangement with Paladin on January 31, 2012

The last amendment dated January 31, 2012 included the return of the Development and Licensing agreements with Lux and Atrium to the Company. Paladin's economic interest in these licensing agreements has been reduced from 12% to 10%. Additionally, the Company has been granted a license to Canada, Israel and South Africa ("Paladin Territories") to the extent necessary to allow the Company to fulfill its obligations under its agreements with Lux and Atrium.

As a result of the various amendments, including the last amendments made on January 31, 2012, the following highlight the current economic terms of the agreements with Paladin:

- The ownership and rights in and to all voclosporin patents and patent applications (with the exception of the Canada, Israel and South Africa patents and patent applications) belong to the Company.
- The Development and Licensing agreements with Lux and Atrium are back directly with the Company. Paladin will receive 10% of all royalties, milestones and other consideration paid to the Company in relation to these agreements.
- Paladin has the rights to market, sell, and distribute voclosporin in the Paladin Territories and is required to make payments to the Company equal to: (i) 20% of net sales, if any, in the Paladin Territories, less manufacturing costs until June 18, 2016; and (ii) 20% of net royalties received from third party sales, if any, in the Paladin Territories until June 18, 2016.
- Paladin will receive 2% of any milestone payments, development payments, royalties, net profit splits paid to the Company, related to voclosporin transplant and autoimmune indications, excluding ophthalmic diseases which are licensed under the Lux agreement.

- The Company shall have the option at its sole discretion to purchase Paladin's remaining interests in voclosporin exercisable at any time in the year 2018 and at a price to be determined through good faith negotiations between Paladin and the Company utilizing a third-party independent valuation.
- Paladin retains all of its current third party manufacture and supply contracts until December 31, 2014. However, Third Party Licensees and their respective sub-licensees, of the Company will not be required to purchase voclosporin API from Paladin. The Company will make all commercially reasonable efforts to enter into Supply Contracts with all third party licensees and their sub-licensees to supply voclosporin API and voclosporin finished product for both clinical and commercial supply.

In the fourth quarter of 2010, Paladin submitted a New Drug Submission to the Canadian regulatory authority to request approval for the use of voclosporin in the treatment of psoriasis in Canada. Subsequent to December 31, 2011, given the estimated costs to further advance the regulatory submission for voclosporin for the treatment of psoriasis in the Canadian marketplace, Paladin decided to withdraw its New Drug Submission at Health Canada. Paladin, through its agreement with the Company continues to advance the clinical development program for voclosporin as an immunosuppressant in transplant patients.

Amendment of the Plan of Arrangement with Paladin with an effective date of January 28, 2011

Pursuant to the Plan of Arrangement, Paladin held the patents and patent applications relating to voclosporin, third party manufacturing and supply contracts, the right to develop voclosporin in certain countries and the right to supply the Company with its required bulk voclosporin. In order to support the proposed transaction with ILJIN, Paladin agreed to amend those agreements in order to transfer to the Company certain ownership and rights in and to all voclosporin patents and patent applications and Paladin held voclosporin know-how and improvements to voclosporin as of January 28, 2011. Paladin also sold 12,500,000 common shares of Isotechnika Pharma to ILJIN for $3.25 million at closing.

Key elements of the amendments were as follows:

The ownership and rights in and to all voclosporin patents and patent applications (with the exception of Canada, Israel and South Africa patents and patent applications), Paladin held voclosporin know-how and improvements to voclosporin, were transferred to the Company by Paladin.

Paladin transferred the rights to market, sell, and distribute voclosporin in Central and South America and Mexico. Paladin retains the rights to Canada, South Africa and Israel and is to make payments to Isotechnika equal to 20% of net sales, (previously 30%) in these three territories, less manufacturing costs, for a period of seven years.

Paladin will receive 2% of the commercial milestone payments, development payments, royalties, net profit splits and other consideration received by the Company for commercialization of voclosporin in the fields of transplant and autoimmune indications, whereas previously under the original License Agreement with Paladin, the Company was to pay Paladin royalties of 12% on its future revenue in the Isotechnika territories which included the United States, Europe, and Asia. Paladin retains its right to 12% of all royalties, milestones and other consideration paid to the Company in relation to the Lux Distribution and License Agreement and the Atrium License and Supply Agreement. Paladin also gave up all rights of first negotiation over any products or applications derived from or related to NICAMs developed by the Company.

The Company paid Paladin $750,000 to purchase the patents and patent applications and $250,000 as consideration for Paladin surrendering the rights to the territories of Mexico, Central America and South America that Paladin previously held.

The Parties amended the Plan of Arrangement to delete the commitment by Paladin to pay a one-time success fee of $400,000 to the Company upon successful screening acceptance of the Canadian NDS for voclosporin for the proposed treatment of psoriasis.

The Parties also amended the Plan of Arrangement to delete the commitment by Paladin to make a payment equal to 25% of the 2010 Net Sales to a maximum of $350,000 payable on January 31, 2011 as the final payment for the purchase of the Isodiagnostika royalty stream. As a result, the $350,000 which had been recorded as a receivable from Paladin was reclassified to deferred transaction costs on the balance sheet at December 31, 2010. The remaining amount of deferred transaction costs ($79,000) at December 31, 2010 represent deferred professional and other fees incurred related to the ILJIN transaction.

Plan of Arrangement completed with Paladin in 2009

On June 18, 2009 the Company completed a Plan of Arrangement transaction with Paladin. This Plan of Arrangement has subsequently been amended, effective January 28, 2011, as more fully discussed above. The terms of the original Plan of Arrangement are discussed below.

As a result of the Plan of Arrangement, Paladin acquired 100% of Isotechnika Inc. ("Inc.") and also owned 19% of a newly created company, Isotechnika Pharma Inc. ("Pharma"). Previous shareholders of Inc. exchanged all of their shares in Inc. for shares in Pharma and subsequent to the issuance of Pharma shares to Paladin owned the remaining 81% of Pharma. Pharma maintained a listing on the Toronto Stock Exchange and continued the business of Isotechnika Inc., subject to certain changes as described below.

The Plan of Arrangement provided Pharma with gross proceeds of $7.0 million upon completion of the Plan of Arrangement and a total of $3.95 million in research and development payments for the period, June 19, 2009 to June 30, 2010.

Key elements of the Plan of Arrangement and the related collaboration agreements were as follows:

- Issuance of 19% of the outstanding common shares of Pharma and disposition of assets of Inc. as described in the Plan of Arrangement for consideration of $7.0 million. The consideration received was allocated to the shares issued to Paladin ($3.74 million) based on the fair value of the shares, with the residual amount ($3.26 million) allocated to those assets disposed in the Plan of Arrangement. Transaction costs to complete the Plan of Arrangement totalled $922,000. Transaction costs of $398,000 were applied against the Gain on disposal of assets, while $524,000 of transaction costs were allocated to share issue costs. The asset sale resulted in a net gain of $2.35 million which was recorded in other income in 2009.
- Paladin obtained the rights to market, sell, and distribute voclosporin in Canada, Israel, Central and South America, South Africa and Mexico, ("Paladin Territories") and was required to make payments to Pharma equal to: (i) 30% of net sales, if any, in the Paladin Territories, less manufacturing costs, for a period of seven years; and (ii) 20% of net royalties received from third party sales, if any, in the Paladin Territories for a period of seven years.
- Under a License Agreement, Pharma owned the commercialization rights to voclosporin in the rest of the world, including the United States, Europe, Japan and Asia, ("Pharma Territories") and was to pay Paladin royalties of 12% on its future revenues, if any, in the Pharma Territories.
- In addition to acquiring voclosporin, Paladin obtained the Diagnostic business of Isotechnika, however, Pharma was to receive payments equal to 88% of the net profit from the sale of any Helikit product for a period of seven years.
- Pharma retained, in substance, the economic benefit and obligations related to the Lux and Atrium licensing agreements, and will receive an amount equal to 88% of any revenues derived from these licensing agreements, including future milestone payments.
- Virtually all of the tax attributes of non-capital losses, scientific research and development expenditures and investment tax credits of Isotechnika Inc. were disposed.

As the transfer of business assets, liabilities and operations from Isotechnika Inc. to Pharma represented a transaction with no substantive change in shareholder ownership, the transaction has been accounted for using the continuity of interest method. Pursuant to continuity of interest accounting, the assets transferred and liabilities assumed by Pharma have been recorded at their carrying values as reported by Isotechnika Inc. immediately prior to the closing of the Plan of Arrangement.

The future income tax benefits of Isotechnika Inc.'s Canadian non-capital losses, capital losses, scientific research and development expenditures and investment tax credits generated through to the date of the closing of the Plan of Arrangement were no longer available to Pharma as a result of the completion of the Plan of Arrangement. Therefore, the gross future income tax assets related to these Canadian tax pools were reduced to approximately $2.5 million, with a corresponding reduction in the related valuation allowance. See also the *Material Contract* section of this document for discussion of the specific Paladin agreements.

REVENUE AND DEFERRED REVENUE

The Company's primary business is the development of therapeutic drugs.

Revenue is composed of:

	2012 $	2011 $
Licensing revenue		
Aurinia	62	—
3SBio	132	132
Lux	60	74
ILJIN	4,402	103
	4,656	309
Research and development revenue		
Paladin	111	131
Contract services	59	61
Other	1,300	446
	6,126	947

	(a) Aurinia $	(b) 3SBio $	(c) Lux $	(d) ILJIN $	(e) Paladin $	Total $
At January 1, 2011	—	1,545	866	—	630	3,041
Deferred licensing fee received	—	—	—	4,505	—	4,505
R&D revenues recognized	—	—	—	—	(131)	(131)
Licensing revenue recognized	—	(132)	(74)	(103)	—	(309)
At December 31, 2011	—	1,413	792	4,402	499	7,106
Current portion – December 31, 2011	—	(131)	(61)	(943)	(111)	(1,246)
Long-term portion – December 31, 2011	—	1,282	731	3,459	388	5,860
At January 1, 2012	—	1,413	792	4,402	499	7,106
Deferred licensing fee received	592	—	—	—	—	592
R&D revenues recognized	—	—	—	—	(111)	(111)
Licensing revenue recognized	(62)	(132)	(60)	(4,402)	—	(4,656)
At December 31, 2012	530	1,281	732	—	388	2,931
Current portion – December 31, 2012	(35)	(131)	(61)	—	(111)	(338)
Long-term portion – December 31, 2012	495	1,150	671	—	277	2,593

Licensing and research and development fee revenues represent the amortization of deferred revenue from fee payments received by the Company. The deferred revenue is recorded as revenue as the Company incurs the costs related to meeting its obligations under the terms of the applicable agreements.

(a) Licensing and Collaboration Agreement with Aurinia Pharmaceuticals Inc.

The Company signed a global Licensing and Collaboration Agreement ("LCA") effective December 30, 2011 with Vifor, the specialty pharma company of Switzerland based Galenica Group. The agreement granted Vifor an exclusive license for voclosporin, for the treatment of lupus and all proteinuric nephrology indications. The Vifor License was for the United States and other regions outside of Canada, South Africa, Israel, China, Taiwan and Hong Kong (the "Vifor Territory"). Under the terms of the Agreement, the Company was to receive milestone payments, as well as royalties on commercial sales. In connection with this agreement, Vifor was to purchase voclosporin active pharmaceutical ingredient ("API") from the Company. Vifor was to carry the burden of the costs associated with these clinical trials. On December 13, 2012, the LCA was assigned to Aurinia Development Corp. by Vifor. Aurinia Development Corp. is a subsidiary of Aurinia Pharmaceuticals Inc ("Aurinia").

On December 10, 2012 pursuant to this agreement, the Company received as a milestone payment, an investment in Aurinia. Aurinia issued the Company a share certificate representing 10% of the common shares of Aurinia. Aurinia had the option of granting the Company these shares or $592,000 in cash (US$600,000). The Company determined that the fair value of the shares in Aurinia approximated $592,000 and therefore recorded the value of the investment in Aurinia shares at $592,000. The Company has recorded this milestone payment as deferred revenue upon receipt. Under the LCA, the primary substantive obligations of the Company were to maintain the patent portfolio and pay for drug supply if costs exceed a certain amount. Deferred revenue has been amortized into licensing revenue as the Company incurs the costs related to meeting its obligations under the LCA as at December 31, 2012.

ILJIN had provided a License Back for the field of lupus and proteinuric kidney diseases for the Territory defined in the ILJIN DDLA of certain rights to the Company in order for these rights to be licensed to Vifor specifically for the indications of lupus and proteinuric kidney disease, in return for certain milestones and royalties to be paid by Vifor.

Subsequent to year end, the Company entered into a term sheet to merge with Aurinia and a tripartite settlement agreement between the Company, ILJIN and Aurinia as more fully described in the "Current Corporate Developments" section of this document.

(b) Development, Distribution and License Agreement with 3SBio, Inc.

On August 23, 2010, the Company and 3SBio, Inc. ("3SBio") completed a Development, Distribution and License Agreement for voclosporin for the territories of China, Hong Kong and Taiwan. The transaction with 3SBio included a non-refundable licensing fee of $1.58 million (US$1.5 million) which was originally recorded as deferred revenue.

Under the agreement, the primary substantive obligations of the Company are to grant the license and transfer intellectual knowledge to 3SBio. Management believes it had fulfilled these obligations by December 31, 2010. However, under the agreement, the Company is also required to maintain the patent portfolio in China, Taiwan and Hong Kong, and to provide further support and cooperation to 3SBio over the life of the agreement, which coincides with the life of the patents. Any additional assistance which may be provided to 3SBio will be performed on a full cost recovery basis. For accounting purposes, when services are to be performed by an indeterminate number of acts over a specific period of time, revenue is recognized on a straight-line basis over this future period. As a result, the balance in deferred revenue at January 1, 2011 is being amortized into licensing revenue on a straight-line basis to 2022 as the Company incurs patent maintenance costs.

(c) Development, Distribution and License Agreement with Lux Biosciences, Inc.

Upon signing a Distribution and License Agreement with Lux Biosciences, Inc. ("Lux") in 2006, Isotechnika Inc. received an upfront payment of $3.32 million (US$3.0 million) which was recorded as deferred revenue. The balance of deferred revenue at January 1, 2011 is being recorded as revenue on a straight line basis as the Company incurs costs to 2024 relating to meeting its remaining obligation which consists of maintaining the patent portfolio. In late December, 2012 the Company received notice from Lux that its Phase 3 clinical trial using voclosporin for the treatment of non-infectious uveitis did not meet its primary endpoint. As a result, it is uncertain as to whether Lux will proceed with the development of voclosporin for ophthalmic diseases under this license.

(d) Development, Distribution and License Agreement with ILJIN Life Science Co., Ltd.

Effective January 28, 2011 (the "Effective Date") the Company completed a Development, Distribution and License Agreement (the "DDLA") with ILJIN Life Science Co., Ltd. ("ILJIN") for the further clinical and commercial development of voclosporin for use in transplant indications applicable to voclosporin. The Company granted to ILJIN an exclusive license to voclosporin for transplant and autoimmune indications for the United States and other regions outside of Europe, Canada, Israel, South Africa, China, Taiwan and Hong Kong. The Company retained the rights over voclosporin in Europe for future development and commercialization.

Pursuant to the DDLA, the Company was to receive a total license fee of US$5.0 million. In addition, ILJIN was to purchase 90,700,000 common shares of the Company for gross proceeds of US$19.87 million in three tranches.

The Company was obligated under the terms of the agreement to complete a single Phase 3 clinical trial for the prevention of kidney transplant rejection. A Joint Steering Committee ("JSC") with equal membership from the Company and ILJIN was to have been formed to oversee the development and commercialization of voclosporin in the ILJIN territories.

The Company received $4.50 million (US$4.5 million) of the license fee and the first private placement tranche of $2.38 million (US$2.37 million) on January 28, 2011 which was the Effective Date of the Agreement. The Company issued 11,500,000 common shares at a price of $0.207 per share (US$0.207) to ILJIN pursuant to the subscription agreement for securities. On or before January 28, 2012 ILJIN was to pay US$500,000 to the Company as the Second Development Payment and purchase 39,600,000 common shares of the Company issued from treasury for an aggregate subscription price of US$8.5 million. On or before January 28, 2013, ILJIN was to purchase the final tranche of 39,600,000 common shares of the Company issued from treasury for an aggregate subscription price of US$9.0 million.

Prior to the January 28, 2012 date, ILJIN verbally indicated their intent to alter the economics of the DDLA. Consequently, payment under the DDLA was not received as required per the agreement of January 28, 2011. The Company on January 30, 2012 notified ILJIN that it was terminating the DDLA. At that time the Company believed that the termination of the original DDLA was valid. As a result, the remaining deferred revenue balance of $4.40 million was recorded as licensing revenue on January 30, 2012.

For update on ILJIN, see “2012 Corporate Developments”.

(e) Plan of Arrangement with Paladin Labs Inc.

Research and development revenues represent the amortization of the deferred monthly research and development fee payments received by the Company from Paladin for the period July 1, 2009 to June 30, 2010, pursuant to the terms of the Research and Development Agreement. Under the agreement, the primary substantive obligations of the Company had been achieved by the Company by December 31, 2010. However, under the agreement, the Company is also required to maintain the patent portfolio in Canada, South Africa and Israel and to provide further support and cooperation to Paladin over the life of the agreement. As a result, the balance in deferred revenue at January 1, 2011 is being amortized into research and development revenue on a straight-line basis over the remaining life of the agreement, which ends in June 2016.

Other revenue

In January, 2012 the Company satisfied an outstanding condition pursuant to an agreement with Lux for the sale of Active Pharmaceutical Ingredient (API) such that $1.32 million (US$1.3 million) was due and payable in two instalments of $661,000 (US$650,000) each on July 29, 2012 and July 29, 2013, respectively. The Company recorded the sale of API in the amount of $1.3 million as other income in the first quarter ended March 31, 2012. The Company, in a previous year, had recorded the cost of this API as a research and development expense.

The US$1.3 million amount is owed by Lux to the Company but the timing and collectability of the amount is uncertain, particularly as a result of Lux not meeting the primary endpoint in the Phase 3 uveitis clinical trial. Therefore, the Company has recorded a provision for doubtful collection of $1.31 million for the year ended December 31, 2012.

The Company received $446,000 from Lux in 2011 to reimburse the Company for the costs of the midazolam drug interaction clinical study that the Company had completed in the previous year. The payment was triggered as a result of Lux not receiving regulatory approval for the uveitis indication by a specified date. The Company recorded this amount as other revenue.

REGULATORY REQUIREMENTS

The development, manufacturing and marketing of the Company’s products are subject to regulations relating to the demonstration of safety and efficacy of the products as established by the government (or regulatory) authorities in those jurisdictions where these products are to be marketed. The Company would require regulatory approval in Canada, the United States, and Europe where activities would be conducted by the Company or on the Company’s behalf. Depending upon the circumstances surrounding the clinical evaluation of a product candidate, the Company itself may undertake clinical trials, contract clinical trial activities to contract research organizations, or rely upon corporate partners for such development. The Company believes this approach will allow the Company to make cost effective developmental decisions in a timely fashion. The Company cannot predict or give any assurances as to whether regulatory approvals will be received or how long the process of seeking regulatory approvals will take.

Although only the jurisdictions of the United States and Europe are discussed in this section, the Company also intends to seek regulatory approval in other jurisdictions in the future and will initiate clinical studies where appropriate.

United States

In the United States, all drugs are regulated under the Code of Federal Regulations and are enforced by the FDA. The regulations are similar to those in Canada and require that non-clinical and clinical studies be conducted to demonstrate the safety and effectiveness of products before marketing, and that the manufacturing be conducted according to Good Manufacturing Practice.

Subsequent to the initial proof-of-concept and preliminary safety studies, the application submitted to the FDA prior to conducting human clinical trials of new drugs is referred to as an IND application. This application contains similar information to the Canadian CTA, and the FDA has 30 days in which to notify the Company if the application is unsatisfactory. If the application is deemed satisfactory, then the Company may proceed with the clinical trials. As in Canada, before a clinical trial can commence at each participating clinical trial site, the site's IRB/REB must approve the clinical protocol and other related documents.

After completing all required non-clinical and clinical trials, and prior to selling a novel drug in the United States, the Company must also comply with NDA procedures required by the FDA. The NDA procedure includes the submission of a package containing similar information as to that required in the NDS in Canada to indicate safety and efficacy of the novel drug and describe the manufacturing processes and controls. FDA approval of the submission is required prior to commercial sale or shipment of the product in the United States. Pre- and/or post-approval inspections of manufacturing and testing facilities are necessary. The FDA may also conduct inspections of the clinical trial sites and the non-clinical laboratories conducting pivotal safety studies to ensure compliance with Good Clinical Practice and Good Laboratory Practice requirements. The FDA has the authority to impose certain post-approval requirements, such as post-market surveillance clinical trials. In addition, FDA approval can be withdrawn for failure to comply with any post-marketing requirements or for other reasons, such as the discovery of significant adverse effects.

Europe

In Europe, the evaluation of new products is coordinated by the EMA. The regulations are similar to those in Canada and the United States and require that non-clinical and clinical studies be conducted to demonstrate the safety and effectiveness of products before marketing, and that the manufacturing be conducted according to Good Manufacturing Practice.

Subsequent to the initial proof-of-concept and preliminary safety studies, and prior to conducting human clinical trials, a CTA must be submitted to the Competent Authority in the country where the clinical trial will be conducted. This application contains similar information to the Canadian CTA and United States IND. In Europe, the clinical trials are regulated by the European Clinical Trial Directive (2001/20/EC). As in Canada and the United States, before a clinical trial can commence at each participating clinical trial site, the site's IRB/REB must approve the clinical protocol and other related documents.

A major difference in Europe, when compared to Canada and the United States, is with the approval process. In Europe, there are different procedures that can be used to gain marketing authorization in the European Union ("EU"). The first procedure is referred to as the Centralized Procedure and requires that a single application be submitted to the EMA and, if approved, allows marketing in all countries of the EU. The centralized procedure is mandatory for certain types of medicines and optional for others. The second procedure is referred to as National Authorization and has two options; the first is referred to as the Mutual Recognition Procedure and requires that approval is gained from one Member State, after which a request is made to the other Member States to mutually recognize the approval, whilst the second is referred to as the Decentralised Procedure which requires a member state to act as the Reference Member State through a simultaneous application made to other member states.

DRUG DEVELOPMENT PROCESS

Clinical trials involve the administration of an investigational pharmaceutical product to individuals under the supervision of qualified medical investigators. Clinical studies are conducted in accordance with protocols that detail the objectives of a study, the parameters to be used to monitor safety, and the efficacy criteria to be evaluated. Each protocol is submitted to the appropriate regulatory body and to a relevant IRB/REB prior to the commencement of each clinical trial. Clinical studies are typically conducted in three sequential phases which may overlap in time-frame.

In summary, the following steps must be completed prior to obtaining approval for marketing in Canada, the United States and Europe:

1. **Nonclinical Animal Studies** – These studies evaluate the safety and potential efficacy of a therapeutic product and form part of the application which must be reviewed by the appropriate regulatory authority prior to initiation of human clinical trials.

2. **Phase 1 Clinical Trials** – These trials test the product in a small number of healthy volunteers to determine toxicity (safety), maximum dose tolerance, and pharmacokinetic properties.

3. **Phase 2 Clinical Trials** – These trials are conducted in the intended patient population and include a larger number of subjects than in Phase 1. The primary goal is to determine the safety of a product in a larger number of patients and ultimately in the intended patient population. These trials may also provide early information on the potential effectiveness of a product.

4. **Phase 3 Clinical Trials** – These trials are conducted in an expanded patient population at multiple sites to determine longer-term clinical safety and efficacy of the product. It is from the data generated in these trials that the benefit/risk relationship of a product is established and the final drug labelling claims are defined.

In the course of conducting clinical trials for a drug candidate, a company may conduct more than one trial of a particular phase in order to evaluate the drug against a variety of indications or in different patient populations. In such a case, industry practice is to differentiate these trials by way of designations such as “Phase 2a” or “Phase 2b”.

A key factor influencing the rate of progression of clinical trials is the rate at which patients can be recruited to participate in the research program. Patient recruitment is largely dependent upon the incidence and severity of the disease and the alternative treatments available.

Even after marketing approval for a drug has been obtained, further trials may be required (referred to as Phase 4 trials). Post-market trials may provide additional data on safety and efficacy necessary to gain approval for the use of the product as a treatment for clinical indications other than those for which the product was initially tested. These trials may also be used for marketing purposes.

MANUFACTURING

Voclosporin

Drug supply costs are comprised of third party charges for manufacturing, encapsulating and packaging of voclosporin.

On June 8 2004, Isotechnika Inc. signed a manufacturing agreement with Lonza to manufacture voclosporin for clinical trial and regulatory purposes.

In December 2007 Lonza completed the manufacture of the API validation batches of voclosporin required for regulatory approval. Lonza has completed the manufacture of the API required for the Company’s Phase 3 kidney transplant program. It will also manufacture the API required by commercial supply purposes. Lonza manufactures the API in Switzerland.

Paladin is responsible for the API drug supply function with the Company until December 31, 2014. Pursuant to the Supply Agreement (see “*Material Contracts – The Supply Agreement”*), Paladin shall supply all of the Company’s required API for use in clinical studies and for commercial purposes. The purchase price of the API shall be the fully allocated supply costs, including allocable overhead, plus 5%.

The Company, pursuant to a revised R&D Agreement, effective January 31, 2012 with Paladin, will receive an amount equal to 90% (previously 88%) of all royalties, milestone payments and other consideration, including the purchase price for the supply of voclosporin less the manufacturing costs, in connection with the Lux Agreement and Atrium Agreement.

INTELLECTUAL PROPERTY RIGHTS

Patents and other proprietary rights are essential to the Company’s business. The Company’s policy has been to file patent applications to protect technology, inventions, and improvements to its inventions that are considered important to the development of its business.

Prior to June 18, 2009, the Company owned the patents and patent applications related to voclosporin and TAFA93 in the United States, Canada and in other jurisdictions around the world. Pursuant to the terms of the Plan of Arrangement, Paladin obtained ownership of these patents and patent applications with Pharma having the exclusive licensed patent rights and interests in and to issued patents and pending patent applications in any country or jurisdiction within its territory for voclosporin and TAFA93.

Pursuant to the completion of the ILJIN transaction on January 28, 2011 and amendment of the Paladin Agreements, the Company regained ownership of the patents and patents applications for all countries except for Canada, South Africa and Israel, which remained with Paladin.

The Company, to the extent commercially reasonable, at its cost, is responsible for patent filing, prosecution and maintenance. As at April 3, 2013 there are 214 granted patents for voclosporin worldwide. These patents cover synthesis, composition of matter, method of use and formulation.

The Company has also filed 23 patent applications related to its NICAM program. As of April 3, 2013 one NICAM patent has been granted. These patent applications are also owned by the Company.

COMPETITIVE ENVIRONMENT

The pharmaceutical and biotechnology industries are characterized by rapidly evolving technology and intense competition. Many companies, including major pharmaceutical as well as specialized biotechnology companies, are engaged in activities focused on medical conditions that are the same as, or similar to, those targeted by the Company. Many of these companies have substantially greater financial and other resources, larger research and development staff, and more extensive marketing and manufacturing organization than the Company does. Many of these companies have significant experience in preclinical testing, human clinical trials, product manufacturing, marketing and distribution, and other regulatory approval procedures. In addition, colleges, universities, government agencies, and other public and private research organizations conduct research and may market commercial products on their own or through collaborative agreements. These institutions are becoming more active in seeking patent protection and licensing arrangements to collect royalties for use of technology that they have developed. These institutions also compete with the Company in recruiting and retaining highly qualified scientific personnel.

EMPLOYEES

	December 31, 2012	December 31, 2011	December 31, 2010
Total	21	26	26

As at December 31, 2012 the Company employed 21 employees, 14 of whom held advanced degrees in science and business, including 9 with Ph.D. degrees.

Of the Company’s total 13 full-time equivalent employees as at December 31, 2012, 10 employees were engaged in, or directly support, research and development activities; and 3 were engaged in corporate and administration activities.

The Company’s employees are not governed by a collective agreement. The Company has not experienced a work stoppage and believes its employee relations are satisfactory given the current economic conditions.

FACILITY

The Company's corporate, administrative and lab operations are located at 5120—75 Street in Edmonton, Alberta. This 33,798 square foot leased facility provides 25,318 square feet of laboratory space dedicated to research, development and testing and 8,480 square feet of corporate and administration office space. The lease on this facility expired on August 31, 2012 and the Company presently is leasing the facility on a month-to-month basis. The Company sub-leases to third parties 6,270 square feet of building space that it does not currently require in order to reduce its facility costs.

ENVIRONMENTAL PROTECTION

The Company believes it is in material compliance with applicable environmental protection laws, and believes that ongoing compliance with applicable environmental protection laws will not have a material effect on the business. Expenditures for environmental compliance have not been, and are not anticipated to be, material. The Company is unable to predict what changes may be made to environmental laws in the jurisdictions in which it operates and may operate in the future, although it anticipates that such laws will likely become more stringent.

CODE OF CONDUCT

The Company has adopted a Code of Business Conduct (the "Code") that governs the behaviour of its directors, officers, and employees. No waivers or requests for exemptions from the Code have been either requested or granted to date. The Code may be viewed on our website at www.isotechnika.com, and has also been filed on SEDAR, and is available at www.sedar.com.

RISK FACTORS

The risks and uncertainties described below are those that we currently believe may materially affect us. Additional risks and uncertainties that we are unaware of or that we currently deem immaterial may also become important factors that affect us. If any of the following events were to actually occur, our business, operating results or financial condition could be adversely affected in a material manner.

RISKS RELATED TO THE COMPANY'S BUSINESS

The continued operation and future success of the Company and its ability to complete the development of its pharmaceutical products and, in particular, voclosporin, is directly related to the Company's ability to raise additional financial resources.

LIQUIDITY AND CAPITAL REQUIREMENTS

At December 31, 2012, the Company had $184,000 in cash and cash equivalents, $183,000 in accounts receivable, accounts payable and accrued liabilities totaling $1.57 million, drug supply payable of $1.70 million and finance lease liability of $36,000. For the year ended December 31, 2012, the Company reported a loss of $9.69 million and as at December 31, 2012 had an accumulated deficit of $215.96 million.

In order to undertake further development and commercialization of voclosporin and continue operating as a going concern, the Company needs to raise funds in the immediate future.

The Company and Aurinia are in the process of merging the two companies, as described earlier in this document. The transaction is subject to certain closing conditions including, among others, the negotiation and completion of a merger agreement, acceptance and approval by the Toronto Stock Exchange, the approval of Isotechnika's shareholders and Isotechnika securing a minimum of $3 million in debt or equity financing satisfactory for it to fulfill its obligations as contemplated by the Term Sheet.

The consolidation of the intellectual property through the merger, and reaching a settlement agreement with ILJIN provides the combined entity with a much higher chance of being able to raise the necessary funding to continue the development of voclosporin for the lupus indication. The Company will also then be able to continue to explore strategic global licensing transactions for the transplant indication.

The Company has also come to terms with Paladin on the drug supply payable, which extends the term of repayment.

The company is actively working to secure interim capital to facilitate the completion of the merger process.

The outcome of these matters is dependent on a number of factors outside of the Company's control. Given the nature of the biotechnology sector there is no assurance that any new financings or partnerships will materialize on a timely basis or be obtained on favourable terms.

The Company, prior to January 30, 2012 was reliant upon the payments from ILJIN to fund a significant portion of one of the two required Phase 3 clinical trials for kidney transplantation. According to the terms of the DDLA, ILJIN was required to further purchase 39,600,000 common shares of the Company issued from treasury for an aggregate subscription price of US$8.5 million and pay US$500,000 as the final license fee on or before January 28, 2012 with the final purchase of 39,600,000 common shares for $9 million due on January 28, 2013. Prior to this anniversary date, ILJIN verbally indicated their intent to alter the economics of the DDLA. Consequently, payment under the DDLA was not received as required per the agreement of January 28, 2011. The Company on January 30, 2012 notified ILJIN that it was terminating the DDLA. At that time the Company believed that the termination of the original DDLA was valid. The Company received notification in March, 2012 that ILJIN submitted a request for arbitration to the International Chamber of Commerce ("ICC") Court of Arbitration relating to Isotechnika's termination of the DDLA. The Arbitration hearing to determine the Company's right to terminate the agreement was held early in the fourth quarter of 2012. In November, 2012 the Company received notification from the ICC that a Partial Award regarding its right to terminate the DDLA with ILJIN had been issued to the parties. In the result, the Partial Award provided that the DDLA had not been terminated and, therefore, the Company's contractual relationship with ILJIN still subsisted. As such the Partial Award rejected the Company's interpretation of the DDLA's termination provision. In January of 2013, ILJIN formally notified Isotechnika and the arbitral tribunal that ILJIN had withdrawn all claims for damages in the parties' pending arbitration.

Subsequent to the year end, the Company, ILJIN and Aurinia entered in to a definitive tripartite settlement agreement whereby the DDLA will be terminated as more fully described earlier in this document.

The success of the Company and recoverability of amounts expended on research and development to date, including capitalized intangible assets, is dependent on the ability of the Company and its partners to complete development activities, receive regulatory approval and to be able to commercialize voclosporin in the key markets and indications, whereby the Company can achieve future profitable operations. Depending on the results of the research and development programs and availability of financial resources, the Company may accelerate, terminate, cut back on certain areas of research and development, commence new areas of research and development, or curtail certain of the Company's operations.

NO ASSURANCE OF SUCCESSFUL DEVELOPMENT

The Company has not completed the development of any therapeutic products and in particular, voclosporin, and therefore there can be no assurance that any product will be successfully developed. None of the Company's therapeutic products have received regulatory approval for commercial use and sale in any jurisdiction. The Company cannot market a pharmaceutical product in any jurisdiction until it has completed thorough preclinical testing and clinical trials in addition to that jurisdiction's extensive regulatory approval process. In general, significant research and development and clinical studies are required to demonstrate the safety and effectiveness of its products before submission of any regulatory applications. The Company may never obtain the required regulatory approvals for any of its products. Product candidates require significant additional research and development efforts, including clinical trials, prior to regulatory approval and potential commercialization, however, there can be no assurance that the results of all required clinical trials will demonstrate that these product candidates are safe and effective or, even if the results of all required clinical trials do demonstrate that these product candidates are safe and effective, or even if the results of the clinical trials are considered successful by the Company, that the

regulatory authorities will not require the Company to conduct additional clinical trials before they will consider approving such product candidates for commercial use. Approval or consent by regulatory authorities to commence a clinical trial does not indicate that the device, drug, or treatment being studied can or will be approved. Preparing, submitting, and advancing applications for regulatory approval is complex, expensive, and time intensive and entails significant uncertainty.

The results of our completed preclinical studies and clinical trials may not be indicative of future clinical trial results. A commitment of substantial resources to conduct time-consuming research, preclinical studies, and clinical trials will be required if the Company is to complete the development of its products.

There can be no assurance that unacceptable toxicities or adverse side effects will not occur at any time in the course of preclinical studies or human clinical trials or, if any products are successfully developed and approved for marketing, during commercial use of its products. The appearance of any such unacceptable toxicities or adverse side effects could interrupt, limit, delay, or abort the development of any of the Company's products or, if previously approved, necessitate their withdrawal from the market. Furthermore, there can be no assurance that disease resistance or other unforeseen factors will not limit the effectiveness of its products. Any products resulting from the Company's programs are not expected to be successfully developed or made commercially available in the near term and may not be successfully developed or made commercially available at all. Should one of the Company's products prove to have insufficient benefit and/or have an unsafe profile, its development will likely be discontinued.

The future performance of the Company will be impacted by a number of important factors, including, in the short-term, its ability to continue to generate cash flow from equity financings, and in the longer term, its ability to generate royalty or other revenues from licensed technology and bring new products to the market. The Company's future success will require efficacy and safety of its products and regulatory approval for these products. Future success of commercialization of any product is also dependant on the ability of the Company to obtain patents, enforce such patents and avoid patent infringement. There can be no assurance that the Company will successfully develop such products, or these products will be developed in a timely manner or that the Company will achieve significant revenues from such products if they are successfully developed.

HEAVY DEPENDENCE ON VOCLOSPORIN

The Company has invested a significant portion of its time and financial resources in the development of voclosporin. The Company anticipates that its ability to generate revenues and meet expectations will depend primarily on the successful development and commercialization of voclosporin. The successful development and commercialization of voclosporin will depend on several factors, including the following:

- successful completion of clinical programs;
- receipt of marketing approvals from the FDA and other regulatory authorities with a commercially viable label;
- securing and maintaining partners with sufficient expertise and resources to help in the continuing development and eventual commercialization of voclosporin for autoimmune indications and/or transplant;
- maintaining suitable manufacturing and supply agreements to ensure commercial quantities of the product through validated processes; and
- acceptance and adoption of the product by the medical community and third-party payors.

It is possible that the Company may decide to discontinue the development of voclosporin at any time for commercial, scientific, or regulatory reasons. If voclosporin is developed, but not marketed, the Company will have invested significant resources and its future operating results and financial conditions would be significantly adversely affected. If the Company is not successful in commercializing voclosporin, or significantly delayed in doing so, its business will be materially harmed and the Company may need to curtail or cease operations.

DEPENDENCE ON KEY PERSONNEL

The Company is highly dependent upon certain members of its senior management team the loss of whose services might impede the achievement of the Company's business objectives and have an adverse effect on the Company's operating results and prospects.

SUPPLY AND MANUFACTURE OF RAW MATERIALS

The Company's lead drug, voclosporin, requires a specialized manufacturing process. Lonza is currently the sole source manufacturer of voclosporin.

The FDA and other regulatory authorities require that drugs be manufactured in accordance with the current good manufacturing practices regulations, as established from time to time. Accordingly, in the event the Company receives marketing approvals for voclosporin, it may need to rely on a limited number of third parties to manufacture and formulate voclosporin. The Company may not be able to arrange for its products to be manufactured on reasonable terms or in sufficient quantities.

Manufacturers of pharmaceutical products often encounter difficulties in production, especially in scaling up initial production. These problems include difficulties with production costs and yields, quality control and assurance, and shortages of qualified personnel, as well as compliance with strictly enforced federal, provincial and foreign regulations. The Company relies on a limited number of third parties to manufacture and supply raw materials for its products. The third parties the Company chooses to manufacture and supply raw materials for its products are not under its control, and may not perform as agreed or may terminate their agreements with the Company, and the Company may not be able to find other third parties to manufacture and supply raw materials on commercially reasonable terms, or at all. If either of these events were to occur, the Company's operating results and financial condition would be adversely affected.

USE OF HAZARDOUS MATERIALS

The Company's discovery and development processes involve the controlled use of hazardous materials. The Company is subject to federal, provincial and local laws and regulations governing the use, manufacture, storage, handling and disposal of such materials and certain waste products. Although the Company believes that its safety procedures for handling and disposing of such materials comply with the standards prescribed by such laws and regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, the Company could be held liable for any damages that result and such liability could exceed the Company's resources. Although the Company believes that it is in compliance in all material respects with applicable environmental laws and regulations and currently does not expect to make material capital expenditures for environmental control facilities in the near-term, there can be no assurance that the Company will not be required to incur significant costs to comply with environmental laws and regulations in the future, or that its operations, business or assets will not be materially adversely affected by current or future environmental laws or regulations.

ANTICIPATED REVENUES MAY BE DERIVED FROM LICENSING ACTIVITIES

The Company anticipates that its revenues in the foreseeable future may be derived primarily from products licensed to pharmaceutical and biotechnology companies. Accordingly, these revenues will depend, in large part, upon the success of these companies, and the Company's operating results may fluctuate substantially due to reductions and delays in their research, development and marketing expenditures. These reductions and delays may result from factors that are not within the Company's control, including:

- changes in economic conditions;
- changes in the regulatory environment, including governmental pricing controls affecting health care and health care providers;
- pricing pressures; and
- other factors affecting research and development spending.

LACK OF OPERATING PROFITS

The Company has incurred losses and anticipates that its losses will increase as it continues its development and clinical trials and seeks regulatory approval for the sale of its therapeutic products. There can be no assurance that it will have earnings or positive cash flow in the future.

As at December 31, 2012 the Company had an accumulated deficit of $215.96 million. The net operating losses over the near-term and the next several years are expected to continue as a result of initiating new clinical trials and activities necessary to support regulatory approval and commercialization of its products. There can be no assurance that the Company will be able to generate sufficient product revenue to become profitable at all or on a sustained basis. The Company expects to have quarter-to-quarter fluctuations in expenses, some of which could be significant, due to research, development, and clinical trial activities, as well as regulatory and commercialization activities.

LIABILITY AND INSURANCE

The testing, marketing and sale of human pharmaceutical products involves unavoidable risks. If the Company succeeds in developing new pharmaceutical products, the sale of such products may expose the Company to potential liability resulting from the use of such products. Such liability might result from claims made directly by consumers or by regulatory agencies, pharmaceutical companies or others. The obligation to pay any product liability claim in excess of whatever insurance the Company is able to acquire, or the recall of any of its products, could have a material adverse effect on the business, financial condition and future prospects of the Company.

The Company entered into indemnification agreements with its officers and directors. The maximum potential amount of future payments required under these indemnification agreements is unlimited. However, the Company maintains director and officer liability insurance coverage of $5 million to reduce the exposure of the Company.

COMPETITION AND TECHNOLOGICAL CHANGE

The industry in which the Company operates is highly competitive and the Company has numerous domestic and foreign competitors, including major pharmaceutical and chemical companies, specialized biotechnology companies, universities, academic institutions, government agencies, public and private research organizations and large, fully-integrated pharmaceutical companies which have extensive resources and experience in research and development, process development, clinical evaluation, manufacturing, regulatory affairs, distribution and marketing. Many of the Company's potential competitors possess substantially greater research and development skills, financial, technical and marketing expertise and human resources than the Company, and may be better equipped to develop, manufacture and market products. There is a risk that new products and technologies may be developed which may be more effective or commercially viable than any products being developed or marketed by the Company, thus making the Company's products non-competitive or obsolete. There may also be market resistance to the acceptance of any of the Company's new products and a risk that a product, even though clinically effective, is not economically viable in the commercial production stage.

PATENTS AND PROPRIETARY TECHNOLOGY

Patents and other proprietary rights are essential to the Company's business. The Company's policy has been to file patent applications to protect technology, inventions, and improvements to its inventions that are considered important to the development of its business.

The Company's success will depend in part on its ability to obtain patents, defend patents, maintain trade secret protection and operate without infringing on the proprietary rights of others. Interpretation and evaluation of pharmaceutical patent claims present complex and often novel legal and factual questions. Accordingly, there is some question as to the extent to which biopharmaceutical discoveries and related products and processes can be effectively protected by patents. As a result, there can be no assurance that:

- patent applications will result in the issuance of patents;

- additional proprietary products developed will be patentable;
- patents issued will provide adequate protection or any competitive advantages;
- patents issued will not be successfully challenged by third parties; or
- the patents issued do not infringe the patents or intellectual property of others.

A number of pharmaceutical, biotechnology, medical device companies and research and academic institutions have developed technologies, filed patent applications or received patents on various technologies that may be related to the business of the Company. Some of these technologies, applications or patents may conflict with or adversely affect the technologies or intellectual property rights of the Company. Any conflicts with the intellectual property of others could limit the scope of the patents, if any, that the Company may be able to obtain or result in the denial of patent applications altogether.

Further, there may be uncertainty as to whether the Company may be able to successfully defend any challenge to its patent portfolio. Moreover, the Company may have to participate in interference proceedings in the various jurisdictions around the world. An unfavorable outcome in an interference or opposition proceeding could preclude the Company or its collaborators or licensees from making, using or selling products using the technology, or require the Company to obtain license rights from third parties. It is not known whether any prevailing party would offer a license on commercially acceptable terms, if at all. Further, any such license could require the expenditure of substantial time and resources and could harm the business of the Company. If such licenses are not available, the Company could encounter delays or prohibition of the development or introduction of the products of the Company.

The Company may need to obtain additional licenses for the development of its products. If available, these licenses may obligate the Company to exercise diligence in the development of technology and may obligate the Company to make minimum guarantees, milestone payments or purchases from specific suppliers. These diligence and milestone payments may be costly and affect the business of the Company. The Company may be obligated to make royalty payments on the sales, if any, of products resulting from licensed technology and may be responsible for the costs of filing and prosecuting patent applications.

RELIANCE ON PARTNERS AND OTHER THIRD PARTIES

Partners

The Company’s strategy for the research, development, and commercialization of its products requires entering into various arrangements with its partners, (Lux, 3SBio, Aurinia, ILJIN and Paladin). The Company’s success is dependent upon these partners performing their respective contractual responsibilities. The amount and timing of resources such third parties will devote to these activities may not be within the Company’s control. There can be no assurance that its partners will perform their obligations as expected.

The license and research and development agreements with the third parties noted above include indemnification and obligation provisions that are customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of third party claims or damages arising from these transactions. These provisions may survive termination of the underlying agreement. The nature of the potential obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay.

The Company intends to seek additional collaborative arrangements to develop and commercialize voclosporin for the transplant indication. There can be no assurance that the Company will be able to negotiate collaborative arrangements on favorable terms, or at all, in the future, or that current or future collaborative arrangements will be successful.

Other third parties

For some products, the Company depends on third parties for the sourcing of components or for the product itself. Furthermore, as with other pharmaceutical companies, the Company relies on medical institutions for testing and clinically validating its prospective products. The Company does not anticipate any difficulties in obtaining required components or products or any difficulties in the validation and clinical testing of its products but there is no guarantee that they will be obtained.

The Company currently relies on CROs for the conduct of its clinical trials. All of the Company's CROs operate in accordance with good clinical management practices mandated by the regulatory authorities and are subject to regular audits by regulatory authorities and by the Company.

The Company also has arrangements for the manufacturing, encapsulation and packaging of voclosporin through Paladin. Contract manufacturers must operate in compliance with regulatory requirements. Failure to do so could result in, among other things, the disruption of product supplies. The Company's dependence upon third parties for the manufacturing of its therapeutic products may adversely affect the Company's profit margins and its ability to develop and deliver such products on a timely and competitive basis.

MARKETING AND DISTRIBUTION

The Company has limited experience in the sales, marketing, and distribution of pharmaceutical products. There can be no assurance that the Company will be able to establish sales, marketing, and distribution capabilities or make arrangements through collaborations, licensees, or others to perform such activities, or that such efforts would be successful. If the Company decides to market any of its products directly, the Company must either acquire or internally develop a marketing and sales force with technical expertise and provide supporting distribution capabilities. The acquisition or development of a sales and distribution infrastructure would require substantial resources, which may divert the attention of management and key personnel, and have a negative impact on product development. If the Company contracts with third parties for the sales and marketing of its products, the Company's revenue will be dependent on the efforts of these third parties, whose efforts may not be successful. If the Company fails to establish successful marketing and sales capabilities or to make arrangements with third parties, the business, financial condition and results of operations will be materially adversely affected.

PRODUCT DEVELOPMENT GOALS AND TIME FRAMES

The Company sets goals for, and makes public statements regarding, timing of the accomplishment of objectives material to its success, such as the commencement and completion of clinical trials, anticipated regulatory approval dates, and time of product launch. The actual timing of these events can vary dramatically due to factors such as delays or failures in clinical trials, the uncertainties inherent in the regulatory approval process, and delays in achieving product development, manufacturing, or marketing milestones necessary to commercialize its products. There can be no assurance that the Company's clinical trials will be completed, that regulatory submissions will be made or receive regulatory approvals as planned, or that the Company will be able to adhere to the current schedule for the validation of manufacturing and launch of any of its products. If the Company fails to achieve one or more of these milestones as planned, the price of the Company's common shares could decline.

MARKET ACCEPTANCE

Even if the Company's products are approved for sale, they may not be successful in the marketplace. Market acceptance of any of the Company's products will depend upon a number of factors, including demonstration of clinical effectiveness and safety; the potential advantages of its products over alternative treatments; the availability of acceptable pricing and adequate third party reimbursement; and the effectiveness of marketing and distribution methods for the products. If the Company's products do not gain market acceptance among physicians, patients, and others in the medical community, the Company's ability to generate significant revenues from its products would be limited.

HEALTH CARE REIMBURSEMENT

In both domestic and foreign markets, sales of the Company's products, if any, will be dependent in part on the availability of reimbursement from third party payors, such as government and private insurance plans. Third party payors are increasingly challenging the prices charged for medical products and services. There can be no assurance that the Company's products will be considered cost effective by these third party payors, that reimbursement will be available or if available that the payor's reimbursement policies will not adversely affect the Company's ability to sell its products on a profitable basis.

GOVERNMENT REGULATION

The production and marketing of the Company's products and its ongoing research and development activities are subject to regulation by numerous federal, provincial, state and local governmental authorities in Canada, the United States and any other countries where the Company may test or market its products. These laws require the approval of manufacturing facilities, including adhering to "good manufacturing" and/or "good laboratory" practices during production and storage, the controlled research and testing of products, governmental review and approval of submissions requiring manufacturing, pre-clinical and clinical data to establish the safety and efficacy of the product for each use sought in order to obtain marketing approval, and the control of marketing activities, including advertising and labeling. The process of obtaining required approvals (such as, but not limited to, the approval of the FDA in the United States, the Board of Health in Europe and Health Canada) can be costly and time consuming and there can be no assurance that future products will be successfully developed, proven safe and effective in clinical trials or receive applicable regulatory approvals. Potential investors should be aware of the risks, problems, delays, expenses and difficulties which may be encountered by the Company in view of the extensive regulatory environment which controls its business.

In addition, there can be no assurance that the Company will be able to achieve or maintain regulatory compliance with respect to all or any part of its current or future products or that the Company will be able to timely and profitably produce its products while complying with applicable regulatory requirements. If the Company fails to maintain compliance, regulatory authorities may not allow the continuation of the drug development programs, or require the Company to make substantial changes to the drug. Any such actions could have a material adverse effect on the business, financial condition, and results of operations.

DEPENDENCE ON SUPPLY AGREEMENT

The Company is dependent upon Paladin for the timely supply of API for the Company's use and clinical studies or for other research and development uses pursuant to the terms of the Supply Agreement. There can be no assurance that Paladin will be able to supply the API in the quantities and timeframes required by the Company. Any prolonged delays in supply of API may adversely affect the Company's business, results of operations and financial condition. See "*Material Contracts – Supply Agreement*".

RISKS RELATED TO THE COMPANY'S SECURITIES

VOLATILITY OF SHARE PRICE

The trading price of the Company's common shares has been highly volatile and could continue to be subject to wide fluctuations in price in response to various factors, many of which are beyond our control, including:

- actual or anticipated period-to-period fluctuations in financial results;
- failure to achieve, or changes in, financial estimates by securities analysts;
- announcements regarding new or existing products or services or technological innovations by competitors;
- comments or opinions by securities analysts or major shareholders;
- conditions or trends in the pharmaceutical, biotechnology and life science industries;
- announcements by the Company of significant acquisitions, strategic partnerships, joint ventures or capital commitments;

- announcements by the Company of results of, and developments in, its research and development efforts, including results and adequacy of, and development in, clinical trials and applications for regulatory approval;
- additions or departures of key personnel;
- economic and other external factors or disasters or crises;
- limited daily trading volume;
- if any of the Company's products do not become commercially viable for any reason, including the failure of preclinical studies and clinical trials, the Company may not achieve profitability and the Company's share price would likely decline; and
- developments regarding the Company's licensed intellectual property or that of the Company's competitors.

In addition, the stock market in general, and the market for biotechnology companies in particular, have experienced significant price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Further, there has been significant volatility in the market prices of securities of biotechnology companies. Factors such as the results and adequacy of the Company's preclinical studies and clinical trials, as well as those of its collaborators, or its competitors; other evidence of the safety or effectiveness of the Company's products or those of its competitors; announcements of technological innovations or new products by the Company or its competitors; governmental regulatory actions; developments with collaborators; developments (including litigation) concerning patent or other proprietary rights of the Company or competitors; concern as to the safety of the Company's products; period-to-period fluctuations in operation results; changes in estimates of the Company's performance by securities analysts; market conditions for biotechnology stocks in general; and other factors not within the control of the Company could have a significant adverse impact on the market price of the Company's securities, regardless of its operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. A class action suit against the Company could result in substantial costs, potential liabilities and the diversion of management's attention and resources.

There is no guarantee that an active trading market for the Company's common shares will be maintained on the Toronto Stock Exchange. Investors may not be able to sell their shares quickly or at the latest market price if the trading in our common shares is not active.

The Company expects to issue common shares in the future. Holders of stock options may elect to exercise their options into common shares depending on the stock price. Future issuances of common shares, or the perception that such issuances are likely to occur, could affect the prevailing trading prices of the common shares. Future issuances of the Company's common shares could result in substantial dilution to its shareholders. In addition, the existence of warrants may encourage short selling by market participants.

Sales of common shares could cause a decline in the market price of the Company's common shares. Two of the Company's major shareholders (3SBio and ILJIN) own an aggregate of approximately 28% of the Company's outstanding common shares as at April 3, 2013. Any sales of common shares by these shareholders or other existing shareholders or holders of options may have an adverse effect on the Company's ability to raise capital and may adversely affect the market price of its common shares.

DIVIDEND POLICY

The Company has not paid dividends on its outstanding common shares in the past and has no established dividend policy for its common shares. The Company plans to use future earnings, if any, to finance further research and development and the expansion of its business and does not anticipate paying out dividends on its common shares in the foreseeable future. The payment of dividends in the future will depend upon the earnings and financial condition of the Company and such other factors as the Board of Directors considers appropriate.

CAPITAL STRUCTURE

The Company's authorized share capital consists of an unlimited number of common shares, all without nominal or par value.

Common Shares: Each common share entitles the holder thereof to one vote at any meeting of the shareholders of the Company. All common shares now outstanding and to be outstanding upon exercise of the outstanding options and warrants are, or will be, fully paid and non-assessable.

On October 18, 2012 the Company completed the first tranche of a non-brokered private placement, raising gross proceeds of $607,000 by the issuance of 15,175,000 units at a price of 4 cents per unit. Each unit consisted of one Common Share in the capital of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one Common Share of the Company for two years from the closing date, at a price of 5 cents per Common Share.

On October 30, 2012 the Company completed the second tranche of its non-brokered private placement, raising gross proceeds of $151,000 by the issuance of 3,775,000 units at a price of 4 cents per unit. Each unit consisted of one Common Share in the capital of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one Common Share of the Company for two years from the closing date, at a price of 5 cents per Common Share.

As at December 31, 2012, the Company had 192,871,249 common shares issued and outstanding.

Warrants: On June 18, 2008 the Company completed a US$13.0 million Loan and Security Agreement with two lenders resulting in gross proceeds of $13.23 million. The Loan and Security agreement was repaid in full in 2009. However, pursuant to the agreement, the Company also issued 401,388 warrants to purchase common shares at $1.00 per share. These warrants have a term of seven years and expire on June 18, 2015.

Pursuant to the private placement which was completed on October 30, 2012, there were an additional 18,950,000 common share purchase warrants outstanding, as described above, making a total of 19,351,388 warrants outstanding as at December 31, 2012.

Options: As at December 31, 2012 there were 16,037,000 common shares issuable upon the exercise of outstanding options granted under the Company's stock option plans, which had a weighted average exercise price of $0.11 per common share. Subsequent to December 31, 2012, and prior to the date of this AIF, 343,333 stock options were cancelled or expired unexercised.

MARKET FOR SECURITIES

TRADING PRICE AND VOLUME OF ISOTECHNIKA SHARES

The Company is a reporting issuer in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador, and its common shares are listed and posted for trading on the TSX under the trading symbol “ISA”.

2012	High	Low	Volume traded
December	$0.090	$0.050	3,019,288
November	$0.130	$0.030	4,843,424
October	$0.040	$0.025	2,174,824
September	$0.050	$0.030	2,475,814
August	$0.065	$0.040	1,590,067
July	$0.110	$0.060	669,207
June	$0.090	$0.055	1,247,319
May	$0.110	$0.065	1,233,789
April	$0.125	$0.090	831,198
March	$0.145	$0.110	865,286
February	$0.160	$0.115	863,653
January	$0.175	$0.120	2,220,511

PRIOR SALES

The following table summarizes the distribution of securities other than our common shares that were issued during the most recently completed financial year, identifying the type of security, the price per security, the number of securities issued, expiry date and the date on which the securities were issued.

Date	Type of Security	Price per Security	Number of Securities	Expiry Date
February 13, 2012	Stock options	$ 0.13	100,000	February 13, 2022
August 17, 2012	Stock options	$ 0.05	225,000	August 17, 2022
October 18, 2012	Warrants	$ 0.05	15,175,000	October 18, 2014
October 30, 2012	Warrants	$ 0.05	3,775,000	October 30, 2014
December 11, 2012	Stock options	$ 0.07	2,100,000	December 11, 2015
December 11, 2012	Stock options	$ 0.07	6,500,000	December 11, 2022

DIRECTORS AND OFFICERS

The Directors of the Company are elected by the shareholders at each Annual General Meeting and typically hold office until the next Annual General Meeting, at which time they may be re-elected or replaced. The officers are appointed by the Board of Directors and hold office pursuant to individual contractual obligations.

The names and municipalities of residence of the Directors and Officers of the Company and their principal occupations within the five preceding years are set forth below:

Name and Municipality of Residence	Position with the Company	Director/Officer since	Principal Occupation for Five Preceding Years
Dr. Robert Foster *Edmonton, Alberta, Canada*	President, and Chief Executive Officer; Director	June, 1993	President and CEO of the Company since January 4, 2012; Chairman and CEO of the Company from July 28, 2011 to January 4, 2012; President and CEO of the Company from January 28, 2009 to July 28, 2011; Chairman and CEO of the Company from October 1, 2007 to January 28, 2009.
Mr. Dennis Bourgeault *Edmonton, Alberta, Canada*	Chief Financial Officer and Corporate Secretary	CFO since May, 1998; Corporate Secretary since January 1, 2011	Chief Financial Officer of the Company since May, 1998.
Dr. Launa Aspeslet *Edmonton, Alberta, Canada*	Chief Operating Officer	January, 2001	Chief Operating Officer of the Company since January, 2006.
Dr. Derrick Freitag Sherwood Park, *Alberta, Canada*	Chief Scientific Officer	October, 2007	Chief Scientific Officer of the Company since October, 2007, prior thereto was Senior Director of Biopharmaceutics of the Company.
Mr. Robert Huizinga *St. Albert, Alberta, Canada*	Vice President, Clinical Affairs	August, 2011	Vice President, Clinical Affairs of the Company since August, 2011, prior thereto was Senior Director of Clinical Affairs of the Company.
Dr. Peter Wijngaard *Duggingen, Switzerland*	Director; Chairman of the Board	Director since February, 2011; Chairman of the Board since January 4, 2012	February 2011 to present – Vice President, Innovation Leader Research & Development, The Medicines Company (Schweiz) GmbH, a global pharmaceutical company; prior thereto Senior Director Medical Affairs at ViroPharma Inc. and Global Alliance Director in Transplantation at Hoffman-La Roche.
Prakash Gowd *Toronto, Ontario Canada*	Director	December, 2010	Currently CEO of InDanio Bioscience Inc., a drug discovery and development company, and Gowdra Capital, a management consulting and investment analysis firm; July 2006 to May 2008 – Sr. Healthcare Analyst, National Bank Financial; prior thereto Sr. Biotech Analyst, Canaccord Capital.
Donald W. Wyatt *Seattle, Washington U.S.A.*	Director	December, 2011	From 2009 to present – Principle, The Wyatt Group, LLC, an Intellectual Property Consulting firm; 2005 to 2009 – Vice President of Legal Affairs and Corporate Secretary for Cell Therapeutics, Inc., a biopharmaceutical company

Directors and Officers of the Company, as of April 3, 2013, beneficially own, directly or indirectly, 11,286,914 common shares representing 5.85% of the outstanding common shares of the Company.

EXECUTIVE OFFICERS AND DIRECTORS

The following are brief biographies of our senior management team and directors.

Robert Foster, **B.Sc. Pharm., M.Pharm., Ph.D.,** ***President and Chief Executive Officer***

Dr. Robert Foster founded the Company and has been an officer and director of the Company since 1993. He is also a member of the Institute of Corporate Directors. Dr. Foster was an Associate Professor (clinical pharmacokinetics) in the Faculty of Pharmacy and Pharmaceutical Services at the University of Alberta until December 1997. From 1990 to 1994, Dr. Foster was Medical Staff, Scientific and Research Associate in the Department of Laboratory Medicine at the Walter C. MacKenzie Health Sciences Centre. He has published approximately 150 papers and abstracts focused on drug analysis and development. Dr. Foster has received numerous awards for both pharmaceutical research and teaching. Dr. Foster has served on the Alberta Science and Research Authority Technology Commercialization Task Force, was a member of the Board of Management for the Alberta Research and Science Authority, has served as Division Chairman of Pharmacy Practice at the University of Alberta and has acted as a consultant with many pharmaceutical companies. He also served as a board member of BioAlberta, on the Alberta Premier's Advisory Council on Health and as a member of the Board of Management of Alberta Economic Development Authority. Dr. Foster is named as an inventor on 205 granted patents currently maintained by the Company, which includes 198 granted patents for voclosporin.

Dennis Bourgeault, ***C.A.*****,** ***Chief Financial Officer***

Dennis Bourgeault has been the Chief Financial Officer of the Company since 1998 and is responsible for the financial operations of the Company. Prior to joining Isotechnika he was the controller for a private industrial distribution company for six years and was a Senior Manager in public accounting at KPMG. Mr. Bourgeault obtained his chartered accountant designation in 1984.

Launa Aspeslet, Ph.D., RAC, ***Chief Operating Officer***

Dr. Launa Aspeslet has been with the Company since 1996 and was appointed Chief Operating Officer on January 4, 2006. During Dr. Aspeslet's fifteen years with the Company she has held numerous positions in the diagnostic, medical, and regulatory departments. Prior to January 4, 2006, Dr. Aspeslet held the position of Senior Vice President, Regulatory Affairs where she was responsible for the overall management of investigational new drug applications and related correspondence with the United States and Canadian Health Authorities. Dr. Aspeslet also ensured that the Company followed all applicable regulations while conducting trials, and managed the quality assurance and quality control departments. Dr. Aspeslet received her Bachelor of Science (Chemistry) degree from the University of Lethbridge in 1989. She went on to receive her Ph.D. in Pharmaceutical Sciences (Neurochemistry) from the University of Alberta in 1994. Dr. Aspeslet also received her Regulatory Affairs certification in 2000 and completed the Executive Program at the Richard Ivey School of Business in 2004. To date, Dr. Aspeslet has had seven patents issued; one patent is pending.

Derrick Freitag, Ph.D, ***Chief Scientific Officer***

Dr. Derrick Freitag has been with Isotechnika since 1996 and prior to his appointment as Chief Scientific Officer in October, 2007, Dr. Freitag held the position of Senior Director, Biopharmaceutics. Throughout his many years with the Company Dr. Freitag has also held numerous senior positions with increasing responsibilities in the drug metabolism program, the analytical chemistry laboratory and the toxicology and drug development programs. Currently Dr. Freitag is responsible to ensure that scientific resources are deployed to optimally support the Company's drug development programs. Dr. Freitag received his Ph.D. in Pharmaceutical Sciences, specializing in drug metabolism, from the University of Alberta in 1994. Since 2005, he has also been an Adjunct Professor with the faculty of Pharmacy and Pharmaceutical Sciences.

Robert B. Huizinga, RN NNC, MSc(Epi), CNeph(C), ***Vice President, Clinical Affairs***

Mr. Huizinga has been with the Company since 2002, and most recently served as Senior Director, Clinical Affairs, focused on managing the global clinical development of voclosporin. Before joining Isotechnika, Mr. Huizinga was a Nephrology and Transplantation nursing specialist with 14 years of clinical and research experience where he was involved in more than 60 clinical trials from Phase I through Phase IV. He has acted as a consultant to nephrology and transplantation pharmaceutical companies, and has lectured extensively. Over the years, Mr. Huizinga has established and nurtured close relationships in the nephrology and transplant communities, and has fostered strong connections with transplant investigators and clinical trial sites.

Mr. Huizinga has numerous articles published in leading medical journals, including the *New England Journal of Medicine, Lancet*, and the *American Journal of Transplantation.* Mr. Huizinga is a member of many professional societies related to nephrology, transplantation and nursing, has served on many nephrology and transplantation committees, and is the founder of RenalPro, a moderated forum for renal professionals. Mr. Huizinga holds a M.Sc. in Medicine (Epidemiology) from the University of Alberta, is a Registered Nurse, certified in Nephrology, and a member of Sigma Theta Tau (Honor Society of Nursing).

Peter Wijngaard, Ph.D., ***Director, Chairman of the Board***

Dr. Peter Wijngaard is the Vice President, Innovation Leader Research & Development for The Medicines Company (Schweiz) GmbH. Prior to this he served as the Senior Director Medical Affairs at ViroPharma Incorporated, and as the Global Alliance Director, Life Cycle Leader in Transplantation, International Medical Manager in Transplantation, and Country Medical Manager Transplantation at Hoffmann-La Roche. He brings extensive experience in the areas of Global Project Leadership, Business Development, Medical Affairs, and Pharmaceutical Marketing. Dr. Wijngaard has a B.Sc. in Clinical Chemistry, and his Ph.D. in Transplantation Immunology from Utrecht University examining the immunological aspects of human heart transplantation. He conducted his Postdoctoral Fellowships at Pharmacia Diagnostics, Inselspital Bern, and Sandoz. He has published extensively in the area of transplant immunology and immunosuppression, with emphasis on the use of mycophenolate mofetil (CellCept ®). From 2005 to 2008, Dr. Wijngaard was a member of the Board of Trustees of the Roche Organ Transplant Research Foundation, which supports important and innovative clinically oriented research projects in organ transplantation. During his tenure, the Foundation managed a total of 67.5 million Swiss Francs donated by F. Hoffmann-La Roche Ltd.

Prakash Gowd, B.Sc. Pharm, MBA, ***Director***

Prakash Gowd has extensive experience in the healthcare and investment fields attained over the last twenty years. He is currently CEO of InDanio Bioscience, a drug discovery and development company with a novel screening platform focused on molecules that target nuclear receptors. He is also President of Gowdra Capital, a life sciences management consulting and investment analysis firm. Mr. Gowd spent eight years as a respected Healthcare Equity Research Analyst with an exemplary track record at National Bank Financial and Canaccord Capital. As an investment professional, he conducted comprehensive company and industry analysis in the biotech, drug development, medical device, and pharmaceutical sectors, then communicated investment recommendations to institutional and retail clients in North America and Europe, and assisted in financing numerous life sciences companies. His experience in the capital markets is balanced by a strong foundation in the pharmaceutical industry, where Mr. Gowd specialized at GSK in market research, marketing and new product development. His consulting work has helped pharma and health sciences companies design, execute and evaluate their drug development and marketing initiatives. Prakash Gowd holds an MBA from McGill University, and a Pharmacy degree from the University of British Columbia.

Donald W. Wyatt, B.S., J.D., ***Director***

Donald Wyatt has over 20 years of experience in the pharmaceutical industry, including research and legal representation. He has worked in research in large pharmaceutical companies, as an attorney in a law firm, and as in-house patent and general legal counsel. Mr. Wyatt is founder of The Wyatt Group, a consulting firm serving

companies worldwide in strategic transactions, relationships and intellectual property strategies. Donald Wyatt was appointed to the Board on December 7, 2011 as the nominee of 3SBio, Inc. pursuant to the terms of a Development, Distribution and License Agreement among the Company and 3SBio Inc. dated August 6, 2010.

COMMITTEES OF THE BOARD OF DIRECTORS

The Company has two standing committees: the Audit Committee and the Compensation, Corporate Governance & Nominating Committee. Current members of these committees are identified in the following table:

Committee	Members
Audit Committee (1)	Mr. Prakash Gowd (Chair) Dr. Peter Wijngaard Mr. Donald W. Wyatt
Compensation, Corporate Governance & Nominating Committee	Mr. Donald W. Wyatt (Chair) Dr. Peter Wijngaard Mr. Prakash Gowd

(1) Detailed information on the Audit Committee is attached as Schedule 1

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Unless otherwise disclosed in this AIF, to the knowledge of the directors and officers of the Company, no director or executive officer of the Company:

(a) is, or has been within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity

  (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was issued while the proposed director was acting in the capacity as a director, chief executive officer or chief financial officer; or

  (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while he was acting in the capacity of a director, chief executive officer or chief financial officer; or

(b) is, or has been within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or

(c) has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

No director has been subject to:

(d) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(e) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not aware of, as of April 3, 2013, any legal proceedings against the Company that would involve a claim for damages that exceed ten per cent of the current assets of the Company.

No penalties or sanctions have been imposed against the Company by a court relating to securities legislation or any securities regulatory authority in 2012, nor has the Company entered into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority during such financial year ended December 31, 2012. No other penalties or sanctions have been imposed by a court or regulatory body against the Company which would likely be considered important to a reasonable investor in making an investment decision respecting the Company.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

This section includes a description of the material interest, direct or indirect, of directors or executive officers of the Company, persons or companies that beneficially own, control, or direct more than 10% of the voting securities of the Company, or an associate or affiliate of any of such directors, executive officers, persons or companies, in the transactions conducted by the Company within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

(A) The Company and ILJIN entered into the DDLA, effective January 28, 2011, for the further clinical and commercial development of voclosporin for use in transplant indications applicable to voclosporin. Mr. Chin-Kyu Huh was elected a Director of Pharma on December 15, 2010 at a Special Meeting of the Shareholders. Mr. Huh was appointed Chairman of the Board on March 18, 2011 and resigned from the Board on July 28, 2011. As a result of completing the DDLA transaction, ILJIN currently owns 24,000,000 shares of the Company, of which Mr. Huh is the beneficial owner as he owns 100% of ILJIN. For additional information on the DDLA, please see *Corporate Update – Recent Developments – Development, Distribution and License Agreement with ILJIN Life Science Co., Ltd.*

(B) The Company signed, on February 12, 2010, an amendment to the Research and Development Agreement with Paladin, with an effective date of December 31, 2009, concerning its remaining stake in the revenue stream from the Isodiagnostika business sold to Paladin on June 18, 2009. Paladin owned more than 10% of Pharma at the date of this transaction. Mr. Jonathan Goodman, the Chief Executive Officer of Paladin, also served as the Chairman of the Board of Pharma for the period of June 19, 2009 to March 31, 2010.

(C) Pursuant to various agreements between the Company and Paladin, Paladin held the patents and patent applications relating to voclosporin, third party manufacturing and supply contracts, the right to develop voclosporin in certain countries, and the right to supply the Company with its required bulk voclosporin. In order to support the proposed transaction between the Company and ILJIN, Paladin agreed to amend the agreements between the Company and Paladin in order to transfer to the Company (i) certain ownership and rights in and to voclosporin patents, (ii) rights to certain patent applications, and (iii) certain intellectual property rights held by Paladin with respect to voclosporin, as of the effective date of January 28, 2011 of the transaction. Paladin owned more than 10% of Pharma as at the effective date of the amending agreement. At December 31, 2012 Paladin’s ownership interest was less than 10%.

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for the common shares of Isotechnika Pharma Inc. is Computershare Trust Company of Canada located at 100 University Avenue, Toronto, Ontario, Canada M5J 2Y1.

INTERESTS OF EXPERTS

PricewaterhouseCoopers LLP are the auditors who prepared the auditors' report and the report on Canadian generally accepted audit standards for the Company's consolidated financial statements for the period ended December 31, 2012. PricewaterhouseCoopers LLP is "independent" from the Company in accordance with the relevant professional standards.

MATERIAL CONTRACTS

1. VIFOR (INTERNATIONAL) AG. Licensing & Collaboration Agreement effective December 30, 2011

See section entitled *Three Year History* beginning on page 9 of this AIF. See also agreement as filed on SEDAR on February 3, 2012 referenced as "Material Document".

2. ILJIN License Back Agreement effective December 30, 2011

Pursuant to a Development, Distribution and License Agreement between the Company and ILJIN, ILJIN held an exclusive license to voclosporin for transplant and autoimmune indications for some of the same geographic areas that comprise the Vifor Pharma Territory. In order to facilitate the Vifor Pharma License, ILJIN and the Company reached an agreement in which ILJIN licensed back to the Company the autoimmune indications in the countries that fall within the Vifor Pharma Territory. As the Company exercised its right to terminate the DDLA with ILJIN effective January 30, 2012, the License Back Agreement will terminate on July 30, 2012.

See also agreement as filed on SEDAR on February 3, 2012 referenced as "Material Document".

3. ILJIN Development, Distribution and License Agreement with an effective date of January 28, 2011.

See section entitled *Three Year History* beginning on page 9 of this AIF. See also agreement as filed on SEDAR on March 25, 2011 referenced as "Material Document".

4. Paladin Agreements

The significant agreements related to the Plan of Arrangement and the amendments are as follows:

(a) **The Assignment Agreement**

Assignment Agreement dated January 17, 2011. Paladin assigned the voclosporin patent portfolio with the exception of voclosporin patents and patent applications for Canada, Israel and South Africa to the Company.

(b) **The R&D Agreement and Amendments**

(i) ***Second Amendment to the R&D Agreement dated January 17, 2011***

The R&D Agreement was amended to i) reduce the royalty paid by Paladin to Pharma to twenty percent (20%) from thirty percent (30%) of the net sales of voclosporin sold by Paladin and its affiliates in the Paladin Territories; ii) remove the obligation for Paladin to pay the remaining $350,000.00 in January, 2011 for the sale of the net profit stream from the sale of the Helikit Product; and iii) provide an option for Pharma to purchase Paladin's 12% interest in the Lux

Agreements and the Atrium Agreement. This option is exercisable at any time in the year 2018 and at a price to be determined through good faith negotiations utilizing a third-party independent valuation. In the case of a disagreement over the valuation, Paladin is not obligated to sell its interest to the Company.

(iii) ***First Amendment to the R&D Agreement dated February 12, 2010***

On February 12, 2010, with an effective date of December 31, 2009, the R&D Agreement was amended whereby the Company sold to Paladin its 88% share of the net profit stream from the sale of the Helikit Product for the remaining 6.5 year term for proceeds of up to $2.0 million with $1.65 million payable January 22, 2010 and the remaining amount to be paid in January, 2011 on the basis of 25% of net sales achieved from the sale of the Helikit Product in 2010 to a maximum of $350,000.

(iv) ***R&D Agreement dated June 19, 2009***

Pursuant to the R&D Agreement, Pharma will provide research and development services to Paladin to develop voclosporin in the Paladin Territories and the Helikit Product on a worldwide basis. In consideration of such services, Pharma will receive: (i) a monthly payment of $329,000 for the first 12 months of the R&D Agreement; (ii) a monthly payment of $20,000 for the first seven years of the R&D Agreement; (iii) for the first seven years of the R&D Agreement, an amount equal to 88% of Paladin net profit from the sale of the Helikit Product; (iv) for the first seven years of the R&D Agreement, an amount equal to 30% of the net sales of voclosporin sold by Paladin and its affiliates in the Paladin Territories less the manufacturing costs and an amount equal to 20% of royalties received by Paladin in connection with the sale of voclosporin by a third party licensee net of Paladin costs to license out voclosporin in the Paladin Territories; (v) a payment of $400,000 upon securing acceptance of product submission for voclosporin, following the filing of a drug approval application with TPD for the treatment of psoriasis; and (vi) during the subsistence of the License Agreement, an amount equal to 88% of all royalties, milestone payments and other consideration, including the purchase price for the supply of voclosporin or API less the manufacturing costs, in connection with the Lux Agreement and Atrium Agreement.

(c) **Supply Agreement dated June 19, 2009**

Pursuant to the Supply Agreement, Paladin shall supply, and Pharma shall purchase, all of Pharma's required API for use in clinical studies and other research and development projects and for use in products intended for sale in the Pharma Territories. The purchase price of the API shall be the fully allocated supply costs, including allocable overhead, plus 5%.

(d) **License Agreement and Amendments**

(i) ***Second Amendment to the License Agreement dated January 17, 2011***

Paladin will receive 2% of the commercial milestone payments, development payments, royalties, net profit splits and other consideration received by the Company for commercialization of voclosporin in the fields of transplant and autoimmune indications, whereas previously under the original License Agreement with Paladin, the Company was to pay Paladin royalties of 12% on its future revenue in the Isotechnika territories which included the United States, Europe, and Asia.

The License Agreement was also amended to grant Pharma a non-exclusive royalty-bearing irrevocable license in Canada, (including the right to grant sublicenses in Canada) to continue to develop voclosporin.

(ii) ***Amendment to the License Agreement effective date of December 31, 2009***

License Agreement amendment to delete Diatest patents from Pharma license as a result of the Sale of the Isodiagnostika royalty stream to Paladin.

(iii) ***License Agreement dated June 19, 2009***

The License Agreement granted to Pharma a perpetual exclusive royalty-bearing license to develop, market and distribute voclosporin in the Pharma Territories, except for those rights previously licensed out to Lux and Atrium pursuant to the Lux Agreement and the Atrium Agreement. In consideration of the license, Pharma will pay Paladin 12% of the gross sales or licensing revenues received by the Company with respect to voclosporin.

(e) **Assignment, Assumption and Indemnity Agreement and Amendment**

(i) ***Amendment to Assignment, Assumption and Indemnity Agreement dated January 17, 2011***

The Assignment Agreement was amended such that Paladin no longer has the right of first negotiation to license the right to sell any products or applications derived from or relating to NICAMs from the Company in the Paladin Territories.

(ii) ***Assignment, Assumption and Indemnity Agreement dated June 19, 2009***

Pursuant to the Assignment Agreement: (i) Paladin transferred to Pharma all intellectual property rights relating to NICAMs, all contracts of Isotechnika (excluding the Lux Agreement, the Atrium Agreement, the Lonza Agreements and contracts with employees not being transferred to Pharma), all employees of Isotechnika and its subsidiaries (excluding 6-8 employees), all Employee Benefit Plans, the name "Isotechnika" and all related trademarks, certain regulatory approvals, certain net working capital assets of Isotechnika and the Lease; (ii) Pharma assumed all liabilities of Isotechnika except for the long term debt and accounts payable that could be paid with cash in Isotechnika and Isodiagnostika immediately prior to the effective date of the Plan of Arrangement; (iii) Paladin leased all furniture, equipment, fixtures, leaseholds and other moveable property owned by Isotechnika to the Company for a term of seven (7) years; and (iv) Paladin received a right of first negotiation to license the right to sell any products or applications derived from or relating to NICAMs from the Company in the Paladin Territories.

5. 3SBio Development, Distribution and License Agreement with an effective date of August 23, 2010

See section entitled *Three Year History* beginning on page 9 of this AIF.

6. Lux Distribution and License Agreement with an effective date of May 24, 2006

See section entitled *Three Year History* beginning on page 9 of this AIF.

ADDITIONAL INFORMATION

Additional information with respect to the Company, including Directors' and Officers' compensation, principal holders of the Company's common shares and securities authorized for issuance under equity compensation plans is contained in the Company's Information Circular for its most recent annual and special meetings of the shareholders that involved the election of Directors. The Company's financial information is also provided in the Management Discussion and Analysis and comparative consolidated financial statements for the financial year ended December 31, 2012.

Additional information regarding the Company is available on the SEDAR website located at www.sedar.com, the Company's corporate website located at www.isotechnika.com or upon request addressed to Dennis Bourgeault, Corporate Secretary, at 5120-75 Street, Edmonton, Alberta, Canada T6E 6W2. Except when the Company's securities are in the process of distribution pursuant to a prospectus, the Company may charge reasonable fees if the request is from a person who does not hold any of the Company's securities.

SCHEDULE 1 – AUDIT COMMITTEE INFORMATION

1. The Audit Committee's Charter

The Company's Audit Committee Charter is available in the governance section of the Company's website at www.isotechnika.com and is attached as Schedule 1A to this AIF.

2. Composition of the Audit Committee

Name	Independent	Financially Literate
Mr. Prakash Gowd (Chair)	Yes	Yes
Dr. Peter Wijngaard	Yes	Yes
Mr. Donald W. Wyatt	Yes	Yes

3. Relevant Education and Experience

Prakash Gowd, B.Sc Pharm, MBA

Prakash Gowd has extensive experience in the healthcare and investment fields attained over the last twenty years. He is currently CEO of InDanio Bioscience, a drug discovery and development company with a novel screening platform focused on molecules that target nuclear receptors. He is also President of Gowdra Capital, a life sciences management consulting and investment analysis firm. Mr. Gowd spent eight years as a respected Healthcare Equity Research Analyst with an exemplary track record at National Bank Financial and Canaccord Capital. As an investment professional, he conducted comprehensive company and industry analysis in the biotech, drug development, medical device, and pharmaceutical sectors, then communicated investment recommendations to institutional and retail clients in North America and Europe, and assisted in financing numerous life sciences companies. His experience in the capital markets is balanced by a strong foundation in the pharmaceutical industry, where Mr. Gowd specialized at GSK in market research, marketing and new product development. His consulting work has helped pharma and health sciences companies design, execute and evaluate their drug development and marketing initiatives. Prakash Gowd holds an MBA from McGill University, and a Pharmacy degree from the University of British Columbia.

Peter Wijngaard, Ph.D.

Dr. Peter Wijngaard is the Vice President, Innovation Leader Research & Development for The Medicines Company (Schweiz) GmbH. Prior to this he served as the Senior Director Medical Affairs at ViroPharma Incorporated, and as the Global Alliance Director, Life Cycle Leader in Transplantation, International Medical Manager in Transplantation, and Country Medical Manager Transplantation at Hoffmann-La Roche. He brings extensive experience in the areas of Global Project Leadership, Business Development, Medical Affairs, and Pharmaceutical Marketing. Dr. Wijngaard has a B.Sc. in Clinical Chemistry, and his Ph.D. in Transplantation Immunology from Utrecht University examining the immunological aspects of human heart transplantation. He conducted his Postdoctoral Fellowships at Pharmacia Diagnostics, Inselspital Bern, and Sandoz. He has published extensively in the area of transplant immunology and immunosuppression, with emphasis on the use of mycophenolate mofetil (CellCept ®). From 2005 to 2008, Dr. Wijngaard was a member of the Board of Trustees of the Roche Organ Transplant Research Foundation, which supports important and innovative clinically oriented research projects in organ transplantation. During his tenure, the Foundation managed a total of 67.5 million Swiss Francs donated by F. Hoffmann-La Roche Ltd.

Donald W. Wyatt, B.S., J.D.

Donald Wyatt has over 20 years of experience in the pharmaceutical industry, including research and legal representation. He has worked in research in large pharmaceutical companies, as an attorney in a law firm, and as in-house patent and general legal counsel. Mr. Wyatt is founder of The Wyatt Group, a consulting firm serving companies worldwide in strategic transactions, relationships and intellectual property strategies.

External Auditor Service Fees (By Category)

The aggregate fees recorded for professional services rendered by PricewaterhouseCoopers LLP for the Company and its subsidiaries for the years ended December 31, 2012 and 2011, respectively are as follows:

Fiscal year ended	2012	2011
Audit fees (for audit of the Company's annual financial statements and services provided in connection with statutory and regulatory filings)(1)	$24,893	$ 73,498
Audit related fees, including review of the Company's quarterly financial Statements(2)	$15,645	$ 79,275
Tax fees (tax compliance, tax advice and planning)(3)	$ 5,145	$ 8,158
All other fees	$ 1,260	—
Total fees	**$46,943**	**$160,931**

(1) Audit Fees

These fees include professional services provided by the external auditor for the statutory audits of the annual financial statements.

(2) Audit-related fees

These fees relate to consulting on financial accounting and reporting standards and issues and performing review engagement services on the Company's quarterly financial statements.

(3) Tax fees

These fees include professional services for tax compliance, tax advice, tax planning and advisory services relating to the preparation of corporate tax, capital tax and commodity tax returns.

SCHEDULE 1A – AUDIT COMMITTEE CHARTER

ISOTECHNIKA PHARMA INC.

AUDIT COMMITTEE CHARTER

The term "**Company**" refers to Isotechnika Pharma Inc., the term "**Board**" refers to the board of directors of the Company.

PURPOSE

The Audit Committee (the "**Committee**") is a standing committee appointed by the Board to assist the Board in fulfilling its oversight responsibilities with respect to the Company's financial reporting including responsibility to:

- oversee the integrity of the Company's consolidated financial statements and financial reporting process, including the audit process and the Company's internal accounting controls and procedures and compliance with related legal and regulatory requirements;
- oversee the qualifications and independence of the Company's external auditors;
- oversee the work of the Company's financial management and external auditors in these areas; and
- provide an open avenue of communication between the external auditors, and the Board and the officers (collectively, "**Management**") of the Company.

In addition, the Committee will review and/or approve any other matter specifically delegated to the Committee by the Board.

COMPOSITION AND PROCEDURES

In addition to the procedures and powers set out in any resolution of the Board, the Committee will have the following composition and procedures:

1. Composition

The Committee shall consist of no fewer than three (3) members. None of the members of the Committee shall be an officer or employee of the Company or any of its subsidiaries, and each member of the Committee shall be an "independent director" (in accordance with the definition of "independent director" established from time to time under the requirements or guidelines for audit committee service under applicable securities laws and the rules of any stock exchange on which the Company's shares are listed for trading).

2. Appointment and Replacement of Committee Members

Any member of the Committee may be removed or replaced at any time by the Board and shall automatically cease to be a member of the Committee upon ceasing to be a director. The Board may fill vacancies on the Committee by election from among its members. The Board shall fill any vacancy if the membership of the Committee is less than three directors. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its power so long as a quorum remains in office.

Subject to the foregoing, the members of the Committee shall be elected by the Board annually and each member of the Committee shall hold office as such until the next annual meeting of shareholders after his or her election or until his or her successor shall be duly elected and qualified.

3. Financial literacy

All members of the Committee must be "financially literate" (as that term is interpreted by the Board in its reasonable judgment or as may be defined from time to time under the requirements or guidelines for audit committee service under securities laws and the rules of any stock exchange on which the Company's shares are listed for trading) or must become financially literate within a reasonable period of time after his or her appointment to the Committee.

4. Separate Executive Meetings

The Committee will endeavour to meet at least once every quarter, if required, and more often as warranted, with the Chief Financial Officer and the external auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately.

5. Professional Assistance

The Committee may retain special legal, accounting, financial or other consultants to advise the Committee at the Company's expense.

6. Reliance

Absent actual knowledge to the contrary (which will be promptly reported to the Board), each member of the Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside the Company from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations and (iii) representations made by the Chief Financial Officer, the Company, senior management and the external auditors, as to any information, technology, internal audit and other non-audit services provided by the external auditors to the Company and its subsidiaries.

7. Review of Charter

The Committee will periodically review and reassess the adequacy of this Charter as it deems appropriate and recommend changes to the Board. The Committee will evaluate its performance with reference to this Charter. The Committee will approve the form of disclosure of this Charter, where required by applicable securities laws or regulatory requirements, in the annual proxy circular or annual report of the Company.

8. Delegation

The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.

9. Reporting to the Board

The Committee will report through the Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter.

SPECIFIC MANDATES OF THE COMMITTEE

The Committee will:

I. In Respect of the Company's External Auditors

(a) review the performance of the external auditors of the Company who are accountable to the Committee and the Board as the representatives of the shareholders of the Company, including the lead partner of the independent auditor team and make recommendations to the Board as to the reappointment or appointment of the external auditors of the Company to be proposed in the Company's proxy circular for shareholder approval and shall have authority to terminate the external auditors;

(b) review the reasons for any proposed change in the external auditors of the Company which is not initiated by the Committee or Board and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed replacement auditors before making its recommendation to the Board;

(c) approve the terms of engagement and the compensation to be paid by the Company to the Company's external auditors;

(d) review the independence of the Company's external auditors, including a written report from the external auditors respecting their independence and consideration of applicable auditor independence standards;

(e) approve in advance all permitted non-audit services to be provided to the Company or any of its affiliates by the external auditors or any of their affiliates, subject to any *de minimus* exception allowed by applicable law; the Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals required by this subsection;

(f) review the disclosure with respect to its pre-approval of audit and non-audit services provided by the Company's external auditors;

(g) approve any hiring by the Company or its subsidiaries of employees or former employees of the Company's external auditors;

(h) review a written or oral report describing:

(i) critical accounting policies and practices to be used in the Company's annual audit,

(ii) alternative treatments of financial information within generally accepted accounting principles that have been discussed with Management and that are significant to the Company's consolidated financial statements, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors, and

(iii) other material written communication between the Company's external auditors and Management, such as any management letter or schedule of unadjusted differences;

(i) review with the external auditors and Management the general audit approach and scope of proposed audits of the consolidated financial statements of the Company, the objectives, staffing, locations, co-ordination and reliance upon Management in the audit, the overall audit plans, the audit procedures to be used and the timing and estimated budgets of the audits;

(j) if a review engagement report is requested of the external auditors, review such report before the release of the Company's interim consolidated financial statements;

(k) discuss with the external auditors any difficulties or disputes that arose with Management during the course of the audit, any restrictions on the scope of activities or access to requested information and the adequacy of Management's responses in correcting audit-related deficiencies;

II. In Respect of the Company's Financial Disclosure

(a) review with the external auditors and Management:

(i) the Company's audited consolidated financial statements and the notes and Managements' Discussion and Analysis relating to such consolidated financial statements, the annual report, the annual information form, the financial information of the Company contained in any prospectus or information circular or other disclosure documents or regulatory filings of the Company, the recommendations for approval of each of the foregoing from each of the Chairman of the Board, President and Chief Executive Officer, and Chief Financial Officer of the Company and based on such recommendations provide, where applicable, its own recommendations to the Board for their approval and release of each of the foregoing to the public;

(ii) the Company's interim consolidated financial statements and the notes and Managements' Discussion and Analysis relating to such consolidated financial statements, the recommendations for approval of each of the foregoing from each of the Chairman of the Board, President and Chief Executive Officer, and Chief Financial Officer of the Company and based on such recommendations provide, where applicable, its own recommendations to the Board for their approval and release of each of the foregoing to the public;

(iii) the quality, appropriateness and acceptability of the Company's accounting principles and practices used in its financial reporting, changes in the Company's accounting principles or practices and the application of particular accounting principles and disclosure practices by Management to new transactions or events;

(iv) all significant financial reporting issues and judgments made in connection with the preparation of the Company's consolidated financial statements, including the effects of alternative methods in respect of any matter considered significant by the external auditor within generally accepted accounting principles on the consolidated financial statements and any "second opinions" sought by Management from an independent or other audit firm or advisor with respect to the accounting treatment of a particular item;

(v) the effect of regulatory and accounting initiatives on the Company's consolidated financial statements and other financial disclosures;

(vi) any reserves, accruals, provisions or estimates that may have a significant effect upon the consolidated financial statements of the Company;

(vii) the use of special purpose entities and the business purpose and economic effect of off balance sheet transactions, arrangements, obligations, guarantees and other relationships of the Company and their impact on the reported financial results of the Company;

(viii) any legal matter, claim or contingency that could have a significant impact on the consolidated financial statements, the Company's compliance policies and any material reports, inquiries or other correspondence received from regulators or governmental agencies and the manner in which any such legal matter, claim or contingency has been disclosed in the Company's consolidated financial statements;

(ix) review the treatment for financial reporting purposes of any significant transactions that are not a normal part of the Company's operations;

(x) the use of any "pro forma" or "adjusted" information not in accordance with generally accepted accounting principles;

(b) review and resolve disagreements between Management and the Company's external auditors regarding financial reporting or the application of any accounting principles or practices;

(c) review earnings press releases, as well as financial information and earnings guidance provided to analysts and ratings agencies, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each earnings release or each instance in which the Company gives earning guidance;

(d) establish and monitor procedures for the receipt and treatment of complaints received by the Company regarding accounting, internal accounting controls or audit matters and the anonymous submission by employees of concerns regarding questionable accounting or auditing matters and review periodically with the Management these procedures and any significant complaints received;

(e) receive from the Chief Executive Officer and the Chief Financial Officer of the Company a certificate certifying in respect of each annual and interim report the matters such officers are required to certify in connection with the filing of such reports under applicable securities laws; and

(f) review and discuss the Company's major financial risk exposures and the steps taken to monitor and control such exposures, including the use of any financial derivatives and hedging activities.

III. In Respect of Insurance

(a) review periodically insurance programs relating to the Company and its investments;

IV. In Respect of Internal Controls

(a) review the adequacy and effectiveness of the Company's internal accounting and financial controls based on recommendations from Management and the external auditors for the improvement of accounting practices and internal controls;

(b) oversee compliance with internal controls and the Code of Business Conduct;

V. In respect of Other Items

(a) on an annual basis review and assess Audit Committee member attendance and performance and report thereon to the Board and review this Charter and, if required implement amendments to this Charter;

(b) on a quarterly basis review compliance with the Disclosure Policy of the Company; and

(c) on a quarterly basis review any related-party transactions.

OVERSIGHT FUNCTION

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's consolidated financial statements are complete and accurate or are in accordance with IFRS and applicable rules and regulations. These are the responsibilities of Management and the Company's external auditors. The Committee, its Chair and any Committee members identified as having accounting or related financial expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Company, and are specifically not accountable or responsible for the day-to-day operation or performance of such activities. Although the designation of a Committee member as having accounting or related financial expertise for disclosure purposes or otherwise is based on that individual's education and experience which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Committee member who is identified as having accounting or related financial expertise, like the role of all Committee members, is to oversee the process, not to certify or guarantee the internal or external audit of the Company's financial information or public disclosure.

SCHEDULE 2 – GLOSSARY OF TERMS AND DEFINITIONS

"**3SBio**" means 3SBio, Inc.;

"**AIF**" means the Annual Information Form of the Company dated April 3, 2013 for the fiscal year ended December 31, 2012;

"**API**" means active pharmaceutical ingredient;

"**Atrium**" means Atrium Medical Corporation;

"**Autoimmune disease**" means a disease in which the body's immune system attacks the body;

"**Board of Directors**", means the Board of Directors of the Company;

"**BPAR**" means biopsy proven acute rejection;

"**Calcineurin**" means a specific enzyme (phosphatase enzyme) that can have its activity inhibited by immunosuppressive (anti-organ rejection) drugs including, for example, cyclosporine;

"**Company**" means Isotechnika Pharma Inc. and (unless the context specifies or implies otherwise) its subsidiaries;

"**CNI**" means calcineurin inhibitors, the cornerstone of therapy for the prevention of organ transplant rejection;

"**CRL**" means Complete Response Letter;

"**CRO**" means Contract Research Organization;

"**CTA**" means Clinical Trial Application;

"**Cyclosporine**" means a drug that suppresses the immune system and is used to prevent rejection following organ transplantation;

"**DDLA**" means the Development, Distribution and License Agreement between the Company and ILJIN effective January 28, 2011;

"**Diatest patents**" means all patents and patent applications filed worldwide under the title "13C Glucose Breath Test for the Diagnosis of Diabetic Indications and Monitoring Glycemic Control";

"**EMA**" means the European Medicines Agency;

"**FDA**" means the Food and Drug Administration of the United States Government;

"**Helikit Product**" means the ^{13}C breath test that is used for the detection of H. pylori sold under the trade-mark HELIKIT formerly by the Company and presently by Paladin;

"**ILJIN**" means ILJIN Life Science Co., Ltd.;

"**ILJIN Territories**" means the United States and other regions of the world excluding Europe, Canada, South Africa, Israel, The People's Republic of China, Taiwan and Hong Kong;

"**Immunosuppressive**" means drugs that down regulate (suppress) the immune system;

"**IND**" means investigational new drug;

"**IRB**" means Institutional Review Board;

"**Isodiagnostika**" means the 100% owned subsidiary of Isotechnika Inc., which comprised the diagnostic segment, including the Helikit product;

"**Isotechnika**" means Isotechnika Inc. prior to June 18, 2009 and Isotechnika Pharma Inc. after June 18, 2009;

"**JSC**" means Joint Steering Committee;

"**Lonza**" means Lonza Ltd.;

"**Lux**" means Lux BioSciences, Inc.;

"**MAA**" means Marketing Authorization Application;

"**NDA**" means New Drug Application made to a regulatory agency;

"**NDS**" means New Drug Submission made to a regulatory agency;

"**NICAM**" means a portfolio of non-immunosuppressive cyclosporine analogue molecules with cyclophilin binding properties;

"**NOC**" means Notice of Compliance;

"**NODAT**" means new onset diabetes after transplant;

"**Paladin**" means Paladin Labs Inc.;

"**Paladin Territories**" means Canada, Israel, Central and South America, South Africa and Mexico prior to January 28, 2011; and Canada, Israel and South Africa after January 28, 2011;

"**Pharmacokinetics**" means the processes of drug absorption, distribution, metabolism and excretion in a living system (e.g., in humans);

"**Pharma Territories**" means the rest of the world, including United States, Europe, Japan and Asia, but excluding the Paladin Territories;

"**Plan of Arrangement**" means the Plan of Arrangement completed with Paladin on June 18, 2009;

"**REB**" means Research Ethics Board;

"**SA**" means Scientific Advice from the European Medicines Agency;

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval;

"**SPA**" means Special Protocol Assessment;

"**TDM**" means therapeutic drug monitoring;

"**TSX**" means the Toronto Stock Exchange;

"**TPD**" means Therapeutic Products Directorate, a Canadian Government Agency that is responsible for the regulation and approval of the sale of drugs and diagnostics in Canada;

"**Vifor**" means Vifor (International) AG;

"**Vifor License**" means Vifor's exclusive license for voclosporin, for the treatment of lupus and all proteinuric nephrology indications;

"**Vifor Territory**" means the United States and other regions outside of Canada, South Africa, Israel, China, Taiwan and Hong Kong.

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Exhibit 99.16

Annual Information Form

Aurinia Pharmaceuticals Inc.

For the year ended
December 31, 2013

Aurinia

March 31, 2014

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BASIS OF PRESENTATION

The information in this annual information form ("**AIF**") is as of March 31, 2014, unless otherwise stated or where information in documents incorporated by reference has a different date.

This AIF describes the Company and its operations, its prospects, risks and other factors that affect its business.

On October 23, 2013, the outstanding common shares were consolidated on a 50:1 basis. Accordingly, all share and per share references in this AIF are on a post-conversion basis, unless otherwise noted.

References to the "**Company**" in this AIF refer to Aurinia Pharmaceuticals Inc. ("**Aurinia**") after October 22, 2013. and to Isotechnika Pharma Inc. ("**Pharma**") prior to October 22, 2013. Pharma changed its name to Aurinia on October 23, 2013.

All dollar figures are in Canadian dollars, unless stated otherwise.

FORWARD–LOOKING INFORMATION

A statement is forward-looking when it uses what we know and expect today to make a statement about the future. Forward-looking statements may include words such as "*anticipate", "believe", "expect", "goal", "may", "outlook", "plan", "seek", "should", "strive", "target", "could", "continue", "potential"* and *"estimated"*, or the negative of such terms or comparable terminology. You should not place undue reliance on the forward-looking statements, particularly those concerning anticipated events relating to the development, clinical trials, regulatory approval, and marketing of the Company's products and the timing or magnitude of those events, as they are inherently risky and uncertain.

Securities laws encourage companies to disclose forward-looking information so that investors can get a better understanding of the Company's future prospects and make informed investment decisions. These statements may include, without limitation, plans to fund the Company's operations, statements concerning strategic alternatives and include partnering activities. These statements also may include, without limitation, summary statements relating to results of the past voclosporin trials, plans to advance the development of voclosporin, statements concerning partnership activities and health regulatory discussions, strategy, future operations, future financial position, future revenues, projected costs, plans and objectives of management. This AIF contains forward-looking statements about the Company's objectives, strategies, financial condition, and results of operations, cash flows and businesses. These statements are forward-looking because they are based on our current expectations, estimates and assumptions. It is important to know that:

- *Forward-looking statements in this AIF describe our expectations as of March 31, 2014;*
- *Actual results could be materially different from what we expect if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, we cannot guarantee that any forward-looking statement will materialize and, accordingly, you are cautioned not to place undue reliance on these forward-looking statements;*
- *Forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made may have on our business. For example, they do not include the effect of mergers, acquisitions, other business combinations or transactions, dispositions, sales of assets, asset write-downs or other charges announced or occurring after the forward-looking statements are made. The financial impact of such transactions and non-recurring and other special items can be complex and necessarily depends on the facts particular to each of them. Accordingly, the expected impact cannot be meaningfully described in the abstract or presented in the same manner as known risks affecting our business;*
- *We disclaim any intention and assume no obligation to update any forward-looking statements even if new information becomes available, as a result of future events or for any other reason.*

The factors discussed below and other considerations discussed in the “Risk Factors” section of this AIF could cause the Company’s actual results to differ significantly from those contained in any forward-looking statements.

Specifically, this AIF and the documents incorporated by reference in this AIF contain forward-looking information regarding:

- The Company’s plan to continue the clinical development of voclosporin ;
- The Company’s intention to seek regulatory approvals in the United States and Europe for voclosporin; and
- The Company’s intention to seek additional corporate alliances to support the commercialization of our products.

Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the Company’s actual results, performance, or achievements to differ materially from any further results, performance or achievements expressed or implied by such forward-looking statements. Important factors that could cause such differences include, among other things, the following:

- The need for additional capital in the longer term to fund the Company’s development programs and the effect of capital market conditions and other factors on capital availability;
- Difficulties, delays, or failures the Company may experience in the conduct of and reporting of results of its clinical trials for voclosporin;
- Difficulties, delays or failures in obtaining regulatory approvals for the initiation of clinical trials;
- Difficulties, delays or failures in obtaining regulatory approvals to market voclosporin;
- Difficulties the Company may experience in completing the development and commercialization of voclosporin;
- Insufficient acceptance of and demand for voclosporin;
- Difficulties, delays, or failures in obtaining appropriate reimbursement of voclosporin; and/or
- Difficulties that the Company may experience in identifying and successfully securing appropriate corporate alliances to support the development and commercialization of its products.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance or achievements. The forward-looking statements are made as of the date hereof and we disclaim any intention and have no obligation or responsibility, except as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

CORPORATE STRUCTURE

Name, Address and Incorporation

Aurinia Pharmaceuticals Inc. (formerly Isotechnika Pharma Inc.) or the "**Company**" is a biopharmaceutical company with its registered office located at 5120 – 75 Street, Edmonton, Alberta T6E 6W2. The Company's head office is located at #1203-4464 Markham Street, Victoria, British Columbia and incorporates the clinical, regulatory and business development functions of the Company.

Aurinia Pharmaceuticals Inc. is incorporated pursuant to the *Business Corporations Act* (Alberta).

The Company is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador.

The Company's common shares are currently listed and traded on the TSX Venture Exchange ("**TSXV**") under the symbol "AUP". The Company's primary business is the development of a therapeutic drug to treat autoimmune diseases, in particular lupus nephritis ("**LN**").

The Company has the following wholly owned subsidiaries: Aurinia Pharma Corp. (formerly Aurinia Pharmaceuticals Inc.), Aurinia Pharmaceuticals, Inc. (Delaware incorporated), and Aurinia Pharma Limited (UK incorporated). Aurinia Pharma Corp. has one wholly owned inactive subsidiary, Aurinia Holdings Corp. (Barbados), which in turn has one wholly owned inactive subsidiary, Aurinia Development Corp. (Barbados).

Summary Description of Business

Aurinia is focused on the development of its novel therapeutic immunomodulating drug candidate, voclosporin, which is a next generation calcineurin inhibitor. It has been studied in kidney rejection following transplantation, psoriasis and in various forms of uveitis (an ophthalmic disease).

The Company has rebranded, restructured and refocused itself over the past year and modified its strategy to focus on the development of voclosporin for the treatment of LN. The mechanism of action of voclosporin, a calcineurin inhibitor ("**CNI**"), has been validated with certain first generation CNIs for the prevention of rejection in patients undergoing solid organ transplants and in several autoimmune indications, including dermatitis, keratoconjunctivitis sicca, psoriasis, rheumatoid arthritis, and for LN in Japan. The Company believes that voclosporin possesses pharmacologic properties with the potential to demonstrate best-in-class differentiation with first-in-class status for the treatment of LN outside of Japan.

GENERAL DEVELOPMENT OF THE BUSINESS AND RECENT DEVELOPMENTS

Private Placement Financing

On February 14, 2014 the Company completed a US$52 million private placement (the "**Offering**") The Company intends to use the net proceeds from the Offering to advance the clinical and nonclinical development of its lead drug candidate, voclosporin, as a therapy for LN and for general corporate purposes.

The financing was led by venBio, New Enterprise Associates, Redmile Group, RA Capital Management, Great Point Partners, and Apple Tree Partners, with participation from various other institutional investors, including existing shareholders Lumira Capital, ILJIN Life Science Co., Ltd. ("**ILJIN**") and Difference Capital.

Under the terms of the Offering, the Company issued 18.92 million units (the "**Units**") at a subscription price of US$2.7485 (C$3.038) per Unit, with each Unit consisting of one common share and one-quarter (0.25) of a common share purchase warrant (each full purchase warrant, a "**Warrant**"), exercisable for a period of five years from the date of issuance at an exercise price of US$3.2204 (C$3.56). In addition, in the event that the Company does not reduce the size of its board of directors (the "**Board**") to seven directors within 90 days following the closing of the Offering, an additional 0.1 Warrants will be issued for each Unit purchased by a subscriber for every additional 90-day period delay, up to a maximum of 0.35 Warrants per Unit. This represents a maximum of 6.62 million additional Warrants. If the Company does not obtain approval to list its common shares on NASDAQ within 12 months following the closing of the Offering, the Company has agreed to issue an additional 0.1 Warrants for each Unit purchased by a subscriber for every 90-day period delay, up to a maximum of 0.35 Warrants per Unit. This represents a maximum of 6.62 million additional Warrants. All securities issued in connection with the Offering will be subject to a four-month hold period from the date of issuance in accordance with applicable securities law, which expires on June 15, 2014 for the securities issued at closing.

A Canadian dollar translation of U.S. dollar amounts is provided using the Bank of Canada closing exchange rate on February 10, 2014, which, for the Offering was C$1.00:US$0.9046.

CORPORATE DEVELOPMENTS IN 2013

Plan of Arrangement and Acquisition of Aurinia Pharma Corp.

On February 5, 2013 the Company announced that it had signed a binding term sheet (the "Term Sheet") with Aurinia Pharma Corp. for the merger of the two companies, creating a clinical development stage pharmaceutical company focused on the global nephrology market. The Term Sheet set forth the main criteria to be incorporated into a definitive merger agreement under which the Company would acquire 100% of the outstanding securities of Aurinia Pharma Corp. The merger was expected to be effected by the exchange of shares in the Company for securities of Aurinia Pharma Corp. resulting in an estimated 65:35 post merger ownership split, on a warrant diluted basis, between the Company and Aurinia Pharma Corp. shareholders, respectively.

On April 3, 2013, the Company and Aurinia Pharma Corp. negotiated a tripartite settlement agreement (the "Settlement Agreement") with ILJIN Life Science Co., Ltd. ("ILJIN") pursuant to which, upon the successful completion of the proposed merger, the combined company would re-acquire the license previously granted to ILJIN and therefore obtain full rights to voclosporin for autoimmune indications including lupus, and transplantation in the United States, Europe and other regions of the world, outside of Canada, Israel, South Africa, China, Taiwan and Hong Kong. In return, ILJIN would be entitled to receive certain predefined future milestone payments and would also own approximately 25% of the issued and outstanding shares of the merged company on a warrant diluted basis, which is calculated to give effect to the dilution by the exercise of warrants but excluding the exercise of stock options. On June 11, 2013, a draft arrangement agreement was prepared implementing the arrangement (the "Arrangement Agreement"), the terms of which were subsequently negotiated by the parties. The Arrangement was intended to implement the terms of the Settlement Agreement, whereby ILJIN would receive a further ownership interest in the Company in exchange for:

(i) returning to the Company and terminating:

  (a) all of its rights, licenses and obligations under the DDLA; and

  (b) all other licenses and sublicenses between ILJIN and any of the Company, Aurinia Pharma Corp. or Vifor (International) AG ("Vifor"); and

(ii) suspending all of its current or contemplated legal or financial claims against the Company, Aurinia Pharma Corp. or Vifor.

Upon closing of the plan of arrangement on September 20, 2013 the Company issued common shares to ILJIN. In addition ILJIN is entitled to receive certain predefined future success based clinical and marketing milestone payments in the aggregate amount of up to US$10.0 million, plus up to US$1.6 million upon the merged company reaching certain financing milestones.

The Company also acquired all of the issued and outstanding common shares of Aurinia Pharma Corp. at a ratio of approximately 19.83 Common Shares for each Aurinia Pharma Corp. share held by an Aurinia Pharma Corp. shareholder.

a) Settlement with ILJIN

The estimated fair value of the contract settlement with ILJIN at September 20, 2013 was $8.88 million and has been determined to represent reacquired license rights in the amount of $4.40 million and a loss on contract settlement of $4.48 million. Consideration paid or payable to ILJIN is as follows: the Company's 10% interest in Aurinia Pharma Corp. of $670,000, $3.81 million in common shares (by issuance of 1.69 million common shares at a deemed price of $2.25 per share), $1.64 million in financial milestones payable and $2.75 million in clinical and sales milestones payable based on the estimated fair value of the pre-defined future milestone payments.

b) Acquisition of Aurinia Pharma Corp.

The Company determined that the transaction with Aurinia Pharma Corp. represented a business combination with the Company identified as the acquirer. The Company began consolidation of the operating results, cash flows and net assets of Aurinia Pharma Corp. on September 20, 2013. Had the Company consolidated the results of Aurinia Pharma Corp. from January 1, 2013, the revenue and net loss of the Company would have been $1.01 million and $2.90 million, respectively.

The table below presents the allocation of the purchase price to the assets and liabilities acquired, as well as the settlement of pre-existing balances between the parties to the Arrangement Agreement prior to acquisition.

	Carrying value $ (in thousands)	Settle Pre-existing items $ (in thousands)	Fair value adjustments $ (in thousands)	Fair Value of Acquisition $ (in thousands)
Cash	4	—	—	4
Prepaid expenses and deposits	123	—	—	123
Inventory	80	—	—	80
	207	—	—	207
Intangibles	2,448	(577)	13,629	15,500
	2,655	(577)	13,629	15,707
Accounts payable	185	(49)	—	136
Note payable	528	(528)	—	—
Deferred income taxes	—	—	4,106	4,106
	713	(577)	4,106	4,242
Net assets acquired	1,942	—	9,523	11,465

Consideration provided by the Company for the acquisition of Aurinia Pharma Corp. was 3.68 million common shares of the Company with a fair value of $8.28 million, less $495,000 of deferred revenue that was effectively settled as a result of the business combination. The fair value of the shares issued was determined by the trading price on September 20, 2013. The $3.67 million difference between the fair value of net consideration of $7.79 million and the fair value of net assets acquired of $11.46 million is recorded as a gain in other income.

The fair value of the reacquired rights and intellectual know-how, including the Aspreva Lupus Management Study (ALMS) database, was determined to be $15.5 million. The fair value was determined using a differential income approach. Management attributes the gain recognized on the purchase to the fact that the consideration provided was determined by the trading price of the Company's shares on the measurement date, and that the share price would not have fully reflected the value of the transaction.

Second Unit Offering

Immediately following the completion of the acquisition described above, the Company completed a second private placement (the "Second Unit Offering") of 2.67 million Second Units at a price of $2.25 per Second Unit for gross proceeds of $6.0 million. Each Second Unit is comprised of one Common Share and one-half of a whole Second Offering Warrant, with each whole Second Offering Warrant exercisable for one Common Share at a price of $2.50 per Common Share for a period of three years from their date of issuance.

ILJIN participated in the Second Unit Offering for 667,000 Second Units.

Listing on the TSX Venture Exchange

The arrangement transaction described above was determined by the Toronto Stock Exchange ("TSX") to constitute a "backdoor listing" under the rules of the TSX due to the significant increase in the ownership position in the Company by ILJIN. The result of that determination was that the Company was required to meet the TSX's original listing requirements following completion of the arrangement. The Company did not meet the TSX's original listing requirements and, as a result, the Common Shares were delisted from the TSX as of the end of trading on September 27, 2013. The Company applied to the TSXV for listing of the Common Shares on that exchange and subsequently the Common Shares were listed on the TSXV as of the open of trading on September 30, 2013.

Share consolidation and name change

On October 23, 2013, the Company proceeded with a consolidation of its Common Shares on a 50:1 basis. In conjunction with the share consolidation, the Company changed its name from Isotechnika Pharma Inc. to Aurinia Pharmaceuticals Inc. Both the name change and the share consolidation were approved by the shareholders of the Company at its shareholder meeting held on August 15, 2013. In connection with its name change, the Company's trading symbol on the TSX Venture Exchange was changed to "AUP".

Management Change

On November 6, 2013 the Company announced the appointment of Stephen W. Zaruby as the Company's President and Chief Executive Officer. Mr. Zaruby has an accomplished history of strategic operations, sales and marketing, research and development, and general management success in the global biotechnology and pharmaceutical industries. Previously, he was President of Seattle-based ZymoGenetics Inc., which was acquired by Bristol-Myers Squibb for US$885 million in 2010. Mr. Zaruby joined ZymoGenetics from Bayer. There, his 20 years of progressive leadership experience included executive roles managing Bayer's domestic and international anti-infectives, quinolone and hospital/surgical business franchises.

STRATEGY

The Company's business strategy is to optimize the clinical and commercial value of voclosporin, its late stage clinical candidate. In particular, the Company is focused on the development of voclosporin as an add-on therapy to the current standard of LN care, CellCept®, which was developed by the Aurinia Pharma Corp. management team during its tenure at Aspreva Pharmaceuticals Inc. ("**Aspreva**").

- Focus the Company's resources on advancing voclosporin through a robust Phase 2b LN study. There is currently an open Investigational New Drug ("**IND**") with the United States Federal Drug Administration (the "**FDA**") for the Company to begin treating patients with voclosporin for the treatment of LN. Aurinia plans to execute on this clinical plan as soon as practicably possible.

- Mitigate development risk by leveraging the ALMS database and the new management team's experience. The Company has certain rights to utilize the ALMS database including its use in planning, designing and informing the Phase 2b LN study.
- Evaluate future voclosporin indications. While the Company intends to deploy its operational and financial resources to develop voclosporin for LN, the Company believes that voclosporin has the potential to be of therapeutic value in a number of autoimmune indications and the prevention of transplant rejection.
- Further develop the Company as an attractive acquisition target. Management of the Company believes that should the planned clinical studies be successful, maintaining broad rights to the Company's technology through the completion of the clinical program will increase the Company's potential to be an attractive acquisition target.

About Lupus Nephritis

The Lupus Foundation of America ("**LFA**") estimates that approximately 1.5 million people in the United States of America and up to five million people worldwide suffer from systemic lupus erythematosus ("**SLE**"). Approximately 90% of patients suffering from SLE are women of child-bearing age. The disease causes severe impairments on quality of life and wellbeing. Of the patients suffering from SLE, 40-60% experience renal manifestations of the disease resulting in inflammation of the kidney. These patients are considered to have LN and have a high probability of advancing to end stage renal disease and dialysis if left untreated or under-treated.

Based on the work performed by the former Aspreva team, ALMS data has been reported in several respected journals, including, the New England Journal of Medicine (*Dooley MA, Jayne D, Ginzler EM, Isenberg D, Olsen NJ, Wofsy D, Solomons, N et al; ALMS Group. Mycophenolate versus azathioprine as maintenance therapy for lupus nephritis. N Engl J Med. 2011 Nov 17;365(20):1886-95*) and the Journal of the American Society of Nephrology *(Appel GB, Contreras G, Dooley MA, Ginzler EM, Isenberg D, Jayne D, Solomons N et al; Aspreva Lupus Management Study Group. Mycophenolate mofetil versus cyclophosphamide for induction treatment of lupus nephritis. J Am Soc Nephrol. 2009 May;20(5):1103-12. Epub 2009 Apr 15.)* These publications and subsequent alterations in treatment strategies by physicians caring for patients suffering from LN have established CellCept® (mycophenolate mofetil (MMF)) as the standard of care for the treatment of LN. This shift in the treatment paradigm for LN and the establishment of CellCept® use as a relatively uniform treatment approach for these patients has, in the view of the Company, caused the LN market to evolve into an attractive and mature market opportunity.

Despite CellCept® being the current standard of care for the treatment of LN, it remains far from adequate with fewer than 20% of patients on therapy actually achieving disease remission after six months of therapy. Data suggests that a LN patient who does not achieve rapid disease remission upon treatment is more likely to experience renal failure or require dialysis at 10 years *(Chen YE, Korbet SM, Katz RS, Schwartz MM, Lewis EJ; the Collaborative Study Group. Value of a complete or partial remission in severe lupus nephritis. Clin J Am Soc Nephrol. 2008;3:46-53.*). Therefore, it is critically important to achieve disease remission as quickly and as effectively as possible. The data suggest that the majority of patients in the United States suffering from LN will not achieve complete remission and are not adequately treated. (BioTrends® Research Group In., ChartTrends® SLE, December 2010).

CNIs and Lupus Nephritis

Aurinia's lead drug, voclosporin, belongs to a class of drugs called CNIs. There are only two other marketed CNIs available, cyclosporine and tacrolimus. Cyclosporine was introduced in the early 1980's and tacrolimus was first marketed in the mid-1990's. Both cyclosporine and tacrolimus have lost key patent protection and have not been

approved for the treatment of lupus in Europe or North America. For the past 20 years these products, in combination with CellCept® and steroids have been the cornerstone for the prevention of renal transplant rejection with greater than 90% of all renal transplant patients leaving hospital on lifelong CNI plus MMF therapy.

In 2008, the Japanese Health Authority became the first major jurisdiction in 50 years to approve a pharmaceutical agent for the treatment of LN. This product was the calcineurin inhibitor tacrolimus. In addition to this approval, a substantial amount of recent data has been generated, primarily from investigator initiated trials that support the use of either cyclosporine or tacrolimus for the treatment of various forms of lupus including LN. The addition of tacrolimus, layered on top of MMF and steroids akin to the widely accepted and utilized transplantation regimen, appears to dramatically improve complete response/remission rates in LN (*Bao H, Liu ZH, Xie HL, Hu WX, Zhang HT, Li LS. Successful treatment of class V+IV lupus nephritis with multitarget therapy. J Am Soc Nephrol. 2008 Oct;19(10):2001-10. Epub 2008 Jul 2 and .Liu , Zhi-Hong et al., 2012 ASN Abstract SA-OR097).* This approach to treatment can be considered a multi-targeted therapeutic ("**MTT**") approach to treating LN as is routinely used in transplantation. Complete remission rates of up to 50% have been reported utilizing this approach. Long term follow-up studies in LN suggest that the early reduction in proteinuria as seen in complete remission leads to improved renal outcome at ten years. *(Houssiau FA, Vasconcelos C, D'Cruz D, Sebastiani GD, de Ramon Garrido E, Danieli MG, et al. Early response to immunosuppressive therapy predicts good renal outcome in lupus nephritis. Lessons from long-term followup of patients in the Euro-lupus nephritis trial. Arthritis Rheum. 2004 Dec;50(12):3934-40.)*

The Company plans to utilize this MTT approach to treating LN patients with its CNI, voclosporin.

About voclosporin

Voclosporin is an oral drug, administered twice daily. It is structurally similar to cyclosporine A ("**CsA**"), but is chemically modified on the amino acid-1 residue. This modification leads to a number of advantages the Company believes offer relevant clinical benefits as compared to the older off-patent CNIs.

Voclosporin Mechanism of Action

Voclosporin reversibly inhibits immunocompetent lymphocytes, particularly T-Lymphocytes in the G0 and G1 phase of the cell-cycle, and also reversibly inhibits the production and release of lymphokines. Through a number of processes voclosporin inhibits and prevents the activation of various transcription factors necessary for the induction of cytokine genes during T-cell activation. It is believed that the inhibition of activation of T-cells will have a positive modulatory effect in the treatment of LN. In addition to these immunologic impacts recent data suggests that CNIs have another subtle but important impact on the structural integrity of the podocytes *(Faul C, et al. The actin cytoskeleton of kidney podocytes is a direct target of the antiproteinuric effect of cyclosporine A. Nat Med. 2008 Sep;14(9):931-8. doi: 10.1038/nm.1857).* This data suggests that inhibition of calcineurin in patients with autoimmune kidney diseases helps stabilize the cellular actin-cytoskeleton of the podocytes thus having a structural impact on the podocyte and the subsequent leakage of protein into the urine, which is a key marker of patients suffering from LN.

Potential Voclosporin Clinical Benefits

The Company believes that voclosporin has shown a number of key clinical benefits over the existing commercially available CNIs (tacrolimus & cyclosporine). Firstly, CNI assay results have indicated that voclosporin is approximately four times more potent than its parent molecule cyclosporine, which would indicate an ability to give less drug and produce fewer potentially harmful metabolites. Secondly, cyclosporine inhibits the enterohepatic recirculation of mycophenolic acid ("**MPA**"), the active metabolite of MMF. The net effect of co-administration of CsA with MMF is reduced MPA systemic exposure by as much as 50% (*D. Cattaneo et al. American Journal of Transplantation, 2005:12(5);2937-2944.*). This drug interaction has not been observed with voclosporin and it is not expected that MPA blood exposure levels will be reduced with voclosporin co-administration. This is an extremely

important fact to consider as most patients being treated with voclosporin for LN will already be taking MMF. Furthermore, pharmacokinetic and pharmacodynamics ("**PK-PD**") analysis indicate lower PK-PD variability for voclosporin versus tacrolimus or cyclosporine, to the extent that the Company believes flat-dosing can be achieved for voclosporin. The currently available CNIs require extensive therapeutic drug monitoring which can often be costly, confusing and time consuming for treating physicians.

In a head-to-head study comparing voclosporin against cyclosporine in the treatment of psoriasis, cyclosporine was shown to cause significant increases in lipid levels as compared to voclosporin. The difference was statistically significant. This is important considering the fact that most LN patients die of cardiovascular disease. In another study comparing voclosporin against tacrolimus in patients undergoing renal transplantation, the voclosporin group experienced a statistically significantly lower incidence of glucose intolerance and diabetes than tacrolimus treated patients. Additionally, in the Japanese tacrolimus study that led to the approval of this drug in Japan, almost 15% of tacrolimus patients experienced glucose intolerance *(Miyasaka N, Kawai S, Hashimoto H. Efficacy and safety of tacrolimus for lupus nephritis: a placebo-controlled double-blind multicenter study. Mod Rheumatol. 2009;19(6):606-15. Epub 2009 Aug 18*). This is a major limitation for physicians wanting to use this agent in LN and is a well described side effect of tacrolimus.

The Company believes that voclosporin can be differentiated from the older CNIs.

Voclosporin Development History

More than 2,600 patients have been administered voclosporin. The safety and tolerability profile of the drug therefore is well characterized. Phase 2 or later clinical studies that have been completed include studies in the following indications:

Psoriasis: To date, two Phase 3 studies in patients with moderate to severe psoriasis have been completed. The primary efficacy endpoint in both studies was a reduction in Psoriasis Area and Severity Index ("**PASI**"), which is a common measure of psoriasis disease severity. The first study treatment with voclosporin resulted in statistically significantly greater success rates than treatment with placebo by the twelfth week. In a second study comparing voclosporin against cyclosporine, the drug was not shown to be statistically non-inferior to cyclosporine in terms of efficacy, however voclosporin proved superior in terms of limiting elevations in hyperlipidemia. Due to the evolving psoriasis market dynamics and the changing standard of care for the treatment of this disease the Company has decided not to pursue further Phase 3 development.

Renal Transplantation: A Phase 2b trial in de novo renal transplant recipients was completed. Study ISA05-01, the PROMISE Study *(Busque S, Cantarovich M, Mulgaonkar S, Gaston R, Gaber AO, Mayo PR, et al; PROMISE Investigators. The PROMISE study: a phase 2b multicenter study of voclosporin (ISA247) versus tacrolimus in de novo kidney transplantation. Am J Transplant. 2011 Dec;11(12):2675-84*) was a six month study with a six month extension comparing voclosporin directly against tacrolimus on a background of MMF and corticosteroids. Voclosporin was shown to be equivalent in efficacy, but superior to tacrolimus with respect the incidence of new onset diabetes after transplantation ("**NODAT**"). In 2010, tacrolimus lost its exclusivity in most world markets, and as a result, the competitive pricing environment for voclosporin for this indication has come into question. Additionally, the longer and more expensive development timelines for this indication has made it a less attractive business proposition as compared to the LN indication, even when considering the fact that a Special Protocol Assessment has been agreed to by the FDA for this indication.

Uveitis: Multiple studies in various forms of non-infectious uveitis have been completed over the past several years by a licensee of the Company indicating mixed efficacy. In all but one of the studies, completed by the licensee, an impact on disease activity was shown in the voclosporin group. However achievement of the primary end-points in multiple studies could not be shown. Uveitis is a notoriously difficult disease to study due to the heterogeneity of the patient population and the lack of validated clinical end-points. However in all of the uveitis studies completed, the safety results were consistent and the drug was well tolerated as expected. The Company has now successfully

terminated its licensing agreement with Lux BioSciences, Inc. (“Lux”). In conjunction with this termination the Company has retained a portfolio of additional patents that Lux had been prosecuting that are focused on delivering effective concentrations of voclosporin to various ocular tissues. The Company will continue to evaluate these patents and make strategic recommendations on how they fit into the ongoing strategic directives of the Company.

Scientific Rationale for Treatment of LN with Voclosporin

SLE including LN is a heterogeneous autoimmune disease with often multiple organ and immune system involvement. T-cell mediated immune response is an important feature of the pathogenesis of LN while the podocyte injury that occurs in conjunction with the ongoing immune insult in the kidney is an important factor in the clinical presentation of the disease.

The use of voclosporin in combination with the current standard of care for the treatment of LN provides a multi-targeted approach to treating this heterogenous disease (similar to the standard approach in preventing kidney transplant rejection). Voclosporin has shown to have potent effects on T-cell activation leading to its immunomodulatory effects. Additionally, recent evidence suggests that inhibition of calcineurin has direct physical impacts on the podocytes within the kidney. Inhibition of calcineurin within the podocytes can prevent the dephosphorylation of synaptopodin which in turn inhibits the degradation of the actin cytoskeletion within the podocyte. This process is expected to have a direct impact on the levels of protein in the urine which is a key marker of LN disease activity.

Status of the Company’s Development Program in LN

The Company’s clinical strategy involves layering voclosporin on top of the current standard of care (CellCept®/MMF and steroids) as MTT to induce and maintain remission in patients suffering from active LN. In 2012, the Company gained alignment with both the Cardio-Renal and Pulmonary, Allergy, and Rheumatology Products divisions of the FDA on its proposed Phase 2b protocol. The Company has an active IND and plans to initiate this international multi-center study as soon as practicably possible.

With the existing evidence that supports the utility of CNIs in combination with MMF in treating LN, the robust safety data base of voclosporin and the fact that CellCept®/MMF in combination with the other CNIs is the standard of care in transplant, it is reasonable to consider that voclosporin is a risk mitigated clinical asset for the treatment of LN.

Transplant Indication

The Company applied for, and received, positive Scientific Advice (“**SA**”) from the European Medicines Agency (“**EMA**”) in October 2011 for a Phase 3 renal transplant protocol. Similarly, the FDA sent a letter agreement to the Company on a Special Protocol Assessment (“**SPA**”) in March 2012. Receipt of the SA and SPA has cleared the regulatory pathway for the Phase 3 renal transplant protocol. The Phase 3 protocol contemplated a study of 1,200 renal transplant patients, divided into two separate Phase 3 trials. Each of the two studies would be comprised of 600 patients, of which half (n=300 patients) would be randomized to voclosporin and the other half (n=300 patients) would receive the market leading drug, tacrolimus. The primary endpoint of the studies would be driven primarily by BPAR. Secondary endpoints included New Onset Diabetes (“NODAT”) and other measures of safety.

For a variety of reasons the Company has decided to pursue the LN indication as the lead indication, as voclosporin would be the only commercially approved CNI for this indication, outside Japan. However, the Company is willing to exploit the transplant indication with a development and commercialization partner, should such a partner be interested in the entire nephrology franchise (i.e., both LN and renal transplantation). At this point, the Company feels that it is best not to split the drug’s indications in order to offer shareholders the best value.

Termination and Assignment Agreement with Lux Biosciences, Inc.

On May 24, 2006, the Company signed a distribution and license agreement ("**DLA**") with Lux Biosciences, Inc. ("**Lux**") granting Lux worldwide rights to develop and commercialize voclosporin for the treatment and prophylaxis of all ophthalmic diseases. Under the terms of the agreement, Lux made an upfront payment, and was to make further milestone payments, assuming development milestones were achieved. Lux was also to pay royalties based on a percentage of net sales. Lux was responsible for the clinical development, registration, and marketing of voclosporin for all ophthalmic indications.

In February 2010, Lux filed a new drug application ("**NDA**") with the FDA and a marketing authorization application ("**MAA**") with the EMA for voclosporin for the treatment of noninfectious uveitis. In August 2010, Lux received a Complete Response Letter ("**CRL**") from the FDA regarding their NDA for voclosporin. A CRL is issued by the FDA when the review of a file is completed and questions remain that prevents the approval of the NDA in its current form. The FDA requested additional information and recommended that an additional clinical trial be conducted in order to consider future approval of voclosporin for this indication. In February, 2011, Lux commenced the required additional pivotal Phase 3 trial. The study was a six-month randomized trial of voclosporin versus placebo in 155 patients in North America and Europe with active non-infectious intermediate, posterior, or pan-uveitis. In January of 2013 Lux released results of this Phase 3 study, whereby the study drug failed to achieve statistical significance vs. placebo. During the fourth quarter of 2013 the Company received notification from Lux that it would be ceasing business activity and therefore returning the license to the Company.

On February 27, 2014, the Company signed a termination and assignment agreement with Lux which returned worldwide rights to develop and commercialize voclosporin for the treatment and prophylaxis of all ophthalmic diseases back to the Company. The return of this license further consolidates the intellectual property related to voclosporin which was a key consideration in the acquisition of Aurinia Pharma Corp by the Company in 2013. Coincident with the termination of the Lux agreement the Company has retained a portfolio of patents focused around delivering voclosporin in high concentrations to various tissues of the eye. The Company will evaluate this intellectual property and define its role as it relates to the defined corporate strategy of the Company.

THREE YEAR HISTORY

The Company, in 2013 and prior years, had signed licensing agreements and partnerships to further the advancement of its lead drug, voclosporin as noted below:

ILJIN Life Science Co., Ltd.

Effective January 28, 2011 (the "Effective Date") the Company completed a Development, Distribution and License Agreement (the "DDLA") with ILJIN for the further clinical and commercial development of voclosporin for use in transplant indications applicable to voclosporin. The Company granted to ILJIN an exclusive license to voclosporin for transplant and autoimmune indications for the United States and other regions outside of Europe, Canada, Israel, South Africa, China, Taiwan and Hong Kong. The Company retained the rights over voclosporin in Europe for future development and commercialization.

Pursuant to the DDLA, the Company was to receive a total license fee of US$5.0 million. In addition, ILJIN was to purchase 90.7 million common shares (pre-consolidation) of the Company for gross proceeds of US$19.87 million in three tranches.

The Company was obligated under the terms of the agreement to complete a single Phase 3 clinical trial for the prevention of kidney transplant rejection. The Company received $4.5 million (US$4.5 million) of the license fee and the first private placement tranche of $2.38 million (US$2.37 million) on January 28, 2011 which was the Effective Date of the Agreement. The Company issued 11.5 million common shares (pre-consolidation) at a price of $0.207 per share (US$0.207) to ILJIN pursuant to the subscription agreement for securities. On or before January 28, 2012 ILJIN was to pay US$500,000 to the Company as the Second Development Payment and purchase 39.6 million

common shares (pre-consolidation) of the Company issued from treasury for an aggregate subscription price of US$8.5 million. On or before January 28, 2013, ILJIN was to purchase the final tranche of 39.6 million common shares (pre-consolidation) of the Company issued from treasury for an aggregate subscription price of US$9.0 million.

Prior to the January 28, 2012 date, ILJIN verbally indicated their intent to alter the economics of the DDLA. Consequently, payment under the DDLA was not received as required per the agreement of January 28, 2011. The Company on January 30, 2012 notified ILJIN that it was terminating the DDLA. At that time the Company believed that the termination of the original DDLA was valid.

The Company received notification in March, 2012 that ILJIN submitted a request for arbitration to the International Chamber of Commerce ("ICC") Court of Arbitration relating to the Company's termination of the DDLA. The Arbitration hearing to determine the Company's right to terminate the agreement was held early in the fourth quarter of 2012. In November, 2012 the Company received notification from the ICC that a Partial Award regarding its right to terminate the DDLA with ILJIN had been issued to the parties. In the result, the Partial Award provided that the DDLA had not been terminated and, therefore, the Company's contractual relationship with ILJIN still existed. As such the Partial Award rejected the Company's interpretation of the DDLA's termination provision. In January of 2013, ILJIN formally notified the Company and the arbitral tribunal that ILJIN had withdrawn all claims for damages in the parties' pending arbitration.

On September 20, 2013, the Company, ILJIN and Aurinia Pharma Corp. completed a plan of arrangement whereby the DDLA was terminated as more fully described in the ***"Corporate Developments for 2013"*** section above.

Licensing and Collaboration Agreement with Aurinia Pharmaceuticals Inc.

The Company signed a global Licensing and Collaboration Agreement ("LCA") effective December 30, 2011 with Vifor. The agreement granted Vifor an exclusive license for voclosporin, for the treatment of lupus and all proteinuric nephrology indications (the "Vifor License"). The Vifor License was for the United States and other regions outside of Canada, South Africa, Israel, China, Taiwan and Hong Kong (the "Vifor Territory"). Under the terms of the Agreement, the Company was to receive milestone payments, as well as royalties on commercial sales. In connection with this agreement, Vifor was to purchase voclosporin active pharmaceutical ingredient ("API") from the Company. Vifor was to carry the burden of the costs associated with these clinical trials. On December 13, 2012, the LCA was assigned to Aurinia Development Corp. by Vifor. Aurinia Development Corp. is a subsidiary of Aurinia Pharma Corp.

ILJIN had provided a License Back for the field of lupus and proteinuric kidney diseases for the Territory defined in the ILJIN DDLA of certain rights to the Company in order for these rights to be licensed to Vifor specifically for the indications of lupus and proteinuric kidney disease, in return for certain milestones and royalties to be paid by Vifor.

On December 10, 2012 pursuant to this agreement, the Company received as a milestone payment, an investment in Aurinia Pharma Corp. Aurinia Pharma Corp. issued the Company a share certificate representing 10% of the common shares of Aurinia Pharma Corp. Aurinia Pharma Corp. had the option of granting the Company these shares or $592,000 in cash (US$600,000). The Company determined that the fair value of the shares in Aurinia Pharma Corp. approximated $592,000 and therefore recorded the value of the investment in Aurinia Pharma Corp. shares at $592,000. The Company has recorded this milestone payment as deferred revenue upon receipt. Under the LCA, the primary substantive obligations of the Company were to maintain the patent portfolio and pay for drug supply if costs exceed a certain amount.

On April 3, 2013, the Company entered into a term sheet to merge with Aurinia and a tripartite settlement agreement between the Company, ILJIN and Aurinia Pharma Corp.

The Company's investment in Aurinia Pharma Corp. was carried at fair value, with changes in fair value recognized in other comprehensive income ("OCI"). Since Aurinia Pharma Corp.'s shares did not trade in a public market, the Company used a form of comparable company valuation approach to determine fair value, categorized as level 3 in

the fair value hierarchy. Due to the unique nature of Aurinia Pharma Corp's primary assets, being its license agreement with the Company and its intellectual property related to lupus nephrology research, management does not believe there are any comparable companies that trade publicly for which an indicative value could be obtained. As a result, it compared the value of Aurinia Pharma Corp. to the value of the Company based on the merger of the entities and the relative valuation formula agreed to by the parties and approved by the shareholders. Without providing for any adjustments for lack of liquidity or non-controlling interests, this approach resulted in a fair value of the investment of $670,000 at September 20, 2013. Pursuant to the plan of arrangement the Company transferred its ownership interest in Aurinia Pharma Corp. to ILJIN. The Company recorded a gain of $78,000 on the statement of operations and comprehensive loss upon disposal of this investment.

See the "Corporate Developments in 2013" section earlier in this document regarding the Plan of Arrangement.

REGULATORY REQUIREMENTS

The development, manufacturing and marketing of voclosporin is subject to regulations relating to the demonstration of safety and efficacy of the products as established by the government (or regulatory) authorities in those jurisdictions where this product is to be marketed. The Company would require regulatory approval in Canada, the United States, and Europe where activities would be conducted by the Company or on the Company's behalf. Depending upon the circumstances surrounding the clinical evaluation of the product candidate, the Company itself may undertake clinical trials, contract clinical trial activities to contract research organizations, or rely upon corporate partners for such development. The Company believes this approach will allow the Company to make cost effective developmental decisions in a timely fashion. The Company cannot predict or give any assurances as to whether regulatory approvals will be received or how long the process of seeking regulatory approvals will take.

Although only the jurisdictions of the United States and Europe are discussed in this section, the Company also intends to seek regulatory approval in other jurisdictions in the future and will initiate clinical studies where appropriate.

United States

In the United States, all drugs are regulated under the Code of Federal Regulations and are enforced by the FDA. The regulations are similar to those in Canada and require that non-clinical and clinical studies be conducted to demonstrate the safety and effectiveness of products before marketing, and that the manufacturing be conducted according to Good Manufacturing Practice.

Subsequent to the initial proof-of-concept and preliminary safety studies, the application submitted to the FDA prior to conducting human clinical trials of new drugs is referred to as an IND application. This application contains similar information to the Canadian clinical trial application ("**CTA**"), and the FDA has 30 days in which to notify the Company if the application is unsatisfactory. If the application is deemed satisfactory, then the Company may proceed with the clinical trials. As in Canada, before a clinical trial can commence at each participating clinical trial site, the site's Institutional Review Board/Research Ethics Board ("**IRB/REB**") must approve the clinical protocol and other related documents.

After completing all required non-clinical and clinical trials, and prior to selling a novel drug in the United States, the Company must also comply with NDA procedures required by the FDA. The NDA procedure includes the submission of a package containing similar information as to that required in the new drug submission in Canada to indicate safety and efficacy of the novel drug and describe the manufacturing processes and controls. FDA approval of the submission is required prior to commercial sale or shipment of the product in the United States. Pre- and/or post-approval inspections of manufacturing and testing facilities are necessary. The FDA may also conduct inspections of the clinical trial sites and the non-clinical laboratories conducting pivotal safety studies to ensure compliance with good clinical practice and good laboratory practice requirements. The FDA has the authority to impose certain post-approval requirements, such as post-market surveillance clinical trials. In addition, FDA approval can be withdrawn for failure to comply with any post-marketing requirements or for other reasons, such as the discovery of significant adverse effects.

Europe

In Europe, the evaluation of new products is coordinated by the European Medicines Agency ("EMA"). The regulations are similar to those in Canada and the United States and require that non-clinical and clinical studies be conducted to demonstrate the safety and effectiveness of products before marketing, and that the manufacturing be conducted according to good manufacturing practice.

Subsequent to the initial proof-of-concept and preliminary safety studies, and prior to conducting human clinical trials, a CTA must be submitted to the competent authority in the country where the clinical trial will be conducted. This application contains similar information to the Canadian CTA and United States IND. In Europe, the clinical trials are regulated by the European Clinical Trial Directive (2001/20/EC). As in Canada and the United States, before a clinical trial can commence at each participating clinical trial site, the site's IRB/REB must approve the clinical protocol and other related documents.

A major difference in Europe, when compared to Canada and the United States, is with the approval process. In Europe, there are different procedures that can be used to gain marketing authorization in the European Union ("**EU**"). The first procedure is referred to as the centralized procedure and requires that a single application be submitted to the EMA and, if approved, allows marketing in all countries of the EU. The centralized procedure is mandatory for certain types of medicines and optional for others. The second procedure is referred to as national authorization and has two options; the first is referred to as the mutual recognition procedure and requires that approval is gained from one member state, after which a request is made to the other member states to mutually recognize the approval, whilst the second is referred to as the decentralised procedure which requires a member state to act as the reference member state through a simultaneous application made to other member states.

DRUG DEVELOPMENT PROCESS

Clinical trials involve the administration of an investigational pharmaceutical product to individuals under the supervision of qualified medical investigators. Clinical studies are conducted in accordance with protocols that detail the objectives of a study, the parameters to be used to monitor safety, and the efficacy criteria to be evaluated. Each protocol is submitted to the appropriate regulatory body and to a relevant IRB/REB prior to the commencement of each clinical trial. Clinical studies are typically conducted in three sequential phases which may overlap in time-frame.

In summary, the following steps must be completed prior to obtaining approval for marketing in Canada, the United States and Europe:

1. **Nonclinical Animal Studies**—These studies evaluate the safety and potential efficacy of a therapeutic product and form part of the application which must be reviewed by the appropriate regulatory authority prior to initiation of human clinical trials.
2. **Phase 1 Clinical Trials**—These trials test the product in a small number of healthy volunteers to determine toxicity (safety), maximum dose tolerance, and pharmacokinetic properties.
3. **Phase 2 Clinical Trials**—These trials are conducted in the intended patient population and include a larger number of subjects than in Phase 1. The primary goal is to determine the safety of a product in a larger number of patients and ultimately in the intended patient population. These trials may also provide early information on the potential effectiveness of a product.
4. **Phase 3 Clinical Trials**—These trials are conducted in an expanded patient population at multiple sites to determine longer-term clinical safety and efficacy of the product. It is from the data generated in these trials that the benefit/risk relationship of a product is established and the final drug labelling claims are defined.

In the course of conducting clinical trials for a drug candidate, a company may conduct more than one trial of a particular phase in order to evaluate the drug against a variety of indications or in different patient populations. In such a case, industry practice is to differentiate these trials by way of designations such as "Phase 2a" or "Phase 2b".

A key factor influencing the rate of progression of clinical trials is the rate at which patients can be recruited to participate in the research program. Patient recruitment is largely dependent upon the incidence and severity of the disease and the alternative treatments available.

Even after marketing approval for a drug has been obtained, further trials may be required (referred to as Phase 4 trials). Post-market trials may provide additional data on safety and efficacy necessary to gain approval for the use of the product as a treatment for clinical indications other than those for which the product was initially tested. These trials may also be used for marketing purposes.

MANUFACTURING

Voclosporin

Drug supply costs are comprised of third party charges for manufacturing, encapsulating and packaging of voclosporin.

On June 8 2004, Isotechnika Inc. signed a manufacturing agreement with Lonza Ltd. ("**Lonza**") to manufacture voclosporin for clinical trial and regulatory purposes.

In December 2007 Lonza completed the manufacture of the API validation batches of voclosporin required for regulatory approval. Lonza has completed the manufacture of the API required for the Company's Phase 3 kidney transplant program. It will also manufacture the API required for commercial supply purposes. Lonza manufactures the API in Switzerland.

Paladin is responsible for the API drug supply function with the Company until December 31, 2014. Pursuant to the Supply Agreement Paladin shall supply the Company's required API for use in clinical studies and for commercial purposes until this date. The purchase price of the API shall be the fully allocated supply costs, including allocable overhead, plus 5%.

INTELLECTUAL PROPERTY RIGHTS

Patents and other proprietary rights are essential to the Company's business. The Company's policy has been to file patent applications to protect technology, inventions, and improvements to its inventions that are considered important to the development of its business.

The Company owns the patents and patent applications related to voclosporin in the United States, Europe and in other jurisdictions around the world except for Canada, South Africa and Israel which belong to Paladin.

As at March 31, 2014 there are 219 granted patents for voclosporin worldwide. These patents cover synthesis, composition of matter, method of use and formulation.

The Company also has three ophthalmic patents acquired upon the return of the ophthalmic indications of voclosporin as result of the Company signing a Termination and Assignment Agreement with Lux on February 27, 2014.

COMPETITIVE ENVIRONMENT

The pharmaceutical and biotechnology industries are characterized by rapidly evolving technology and intense competition. Many companies, including major pharmaceutical as well as specialized biotechnology companies, are engaged in activities focused on medical conditions that are the same as, or similar to, those targeted by the Company. Many of these companies have substantially greater financial and other resources, larger research and development staff, and more extensive marketing and manufacturing organization than the Company does. Many of these companies have significant experience in preclinical testing, human clinical trials, product manufacturing, marketing and distribution, and other regulatory approval procedures. In addition, colleges, universities, government agencies, and other public and private research organizations conduct research and may market commercial products on their own or through

collaborative agreements. These institutions are becoming more active in seeking patent protection and licensing arrangements to collect royalties for use of technology that they have developed. These institutions also compete with the Company in recruiting and retaining highly qualified scientific personnel.

EMPLOYEES

	December 31, 2013	December 31, 2012	December 31, 2011
Total	13	21	26

As at December 31, 2013 the Company employed 13 employees, 11 of whom held advanced degrees in science and business, including 6 with Ph.D. degrees.

Of the Company's total 12.1 full-time equivalent employees as at December 31, 2013, 7.1 employees were engaged in, or directly support, research and development activities; and 5 were engaged in corporate and administration activities.

Subsequent to December 31, 2013, four employees engaged in research and development activities were terminated as a result of the early-stage NICAM program being divested.

The Company's employees are not governed by a collective agreement. The Company has not experienced a work stoppage and believes its employee relations are satisfactory given the current economic conditions.

FACILITIES

Until September 30, 2013 the Company was leasing 25,318 square feet of lab and office space (6 bays) in Edmonton, Alberta. On October 1, 2013 the Company significantly reduced its leased premises costs by entering into a three-year sublease with the head lessee for approximately 9,000 square feet while vacating the remaining 16,318 square feet it had previously been leasing. The sublease is $22,000 monthly and includes base rent, utilities and operating costs. In turn, the Company subleases out, on a month-to-month basis, a portion of the 9,000 square feet, and receives rental proceeds of approximately $10,000 per month. The Company entered into the sublease to avoid the costs of converting the premises back to its original state if the premises had been turned back to the landlord. The Company is exploring options to sublease additional space as it no longer requires lab space after divesting of the NICAM project on February 14, 2014. The Company also continues to lease from the landlord two adjoining office bays on a short term month-to-month basis at $10,000 per month as it transitions its administration and finance operations from Edmonton, Alberta to Victoria, British Columbia. The Company is currently in lease negotiations regarding the rental of office space in Victoria.

ENVIRONMENTAL PROTECTION

The Company believes it is in material compliance with applicable environmental protection laws, and believes that ongoing compliance with applicable environmental protection laws will not have a material effect on the business. Expenditures for environmental compliance have not been, and are not anticipated to be, material. The Company is unable to predict what changes may be made to environmental laws in the jurisdictions in which it operates and may operate in the future, although it anticipates that such laws will likely become more stringent.

RISK FACTORS

The risks and uncertainties described below are those that we currently believe may materially affect us. Additional risks and uncertainties that we are unaware of or that we currently deem immaterial may also become important factors that affect us. If any of the following events were to actually occur, our business, operating results or financial condition could be adversely affected in a material manner.

RISKS RELATED TO THE COMPANY'S BUSINESS

DEPENDENCE ON VOCLOSPORIN

The Company has invested a significant portion of its time and financial resources in the development of voclosporin. The Company anticipates that its ability to generate revenues and meet expectations will depend on the successful development and commercialization of voclosporin. The successful development and commercialization of voclosporin will depend on several factors, including the following:

- successful completion of clinical programs;
- receipt of marketing approvals from the FDA and other regulatory authorities with a commercially viable label;
- securing and maintaining partners with sufficient expertise and resources to help in the continuing development and eventual commercialization of voclosporin for autoimmune indications and/or transplant;
- maintaining suitable manufacturing and supply agreements to ensure commercial quantities of the product through validated processes; and
- acceptance and adoption of the product by the medical community and third-party payors.

It is possible that the Company may decide to discontinue the development of voclosporin at any time for commercial, scientific, or regulatory reasons. If voclosporin is developed, but not marketed, the Company will have invested significant resources and its future operating results and financial conditions would be significantly adversely affected. If the Company is not successful in commercializing voclosporin, or significantly delayed in doing so, its business will be materially harmed and the Company may need to curtail or cease operations.

NO ASSURANCE OF SUCCESSFUL DEVELOPMENT

The Company has not completed the development of any therapeutic products and in particular, voclosporin, and therefore there can be no assurance that any product will be successfully developed. None of the Company's therapeutic products have received regulatory approval for commercial use and sale in any jurisdiction. The Company cannot market a pharmaceutical product in any jurisdiction until it has completed thorough preclinical testing and clinical trials in addition to that jurisdiction's extensive regulatory approval process. In general, significant research and development and clinical studies are required to demonstrate the safety and effectiveness of its products before submission of any regulatory applications. The Company may never obtain the required regulatory approvals for any of its products. Product candidates require significant additional research and development efforts, including clinical trials, prior to regulatory approval and potential commercialization, however, there can be no assurance that the results of all required clinical trials will demonstrate that these product candidates are safe and effective or, even if the results of all required clinical trials do demonstrate that these product candidates are safe and effective, or even if the results of the clinical trials are considered successful by the Company, that the regulatory authorities will not require the Company to conduct additional clinical trials before they will consider approving such product candidates for commercial use. Approval or consent by regulatory authorities to commence a clinical trial does not indicate that the device, drug, or treatment being studied can or will be approved. Preparing, submitting, and advancing applications for regulatory approval is complex, expensive, and time intensive and entails significant uncertainty.

The results of our completed preclinical studies and clinical trials may not be indicative of future clinical trial results. A commitment of substantial resources to conduct time-consuming research, preclinical studies, and clinical trials will be required if the Company is to complete the development of its products.

There can be no assurance that unacceptable toxicities or adverse side effects will not occur at any time in the course of preclinical studies or human clinical trials or, if any products are successfully developed and approved for marketing, during commercial use of its products. The appearance of any such unacceptable toxicities or adverse side effects could interrupt, limit, delay, or abort the development of any of the Company's products or, if previously approved, necessitate their withdrawal from the market. Furthermore, there can be no assurance that disease

resistance or other unforeseen factors will not limit the effectiveness of its products. Any products resulting from the Company's programs are not expected to be successfully developed or made commercially available in the near term and may not be successfully developed or made commercially available at all. Should one of the Company's products prove to have insufficient benefit and/or have an unsafe profile, its development will likely be discontinued.

The future performance of the Company will be impacted by a number of important factors, including, in the short-term, its ability to continue to generate cash flow from equity financings, and in the longer term, its ability to generate royalty or other revenues from licensed technology and bring new products to the market. The Company's future success will require efficacy and safety of its products and regulatory approval for these products. Future success of commercialization of any product is also dependant on the ability of the Company to obtain patents, enforce such patents and avoid patent infringement. There can be no assurance that the Company will successfully develop such products, or these products will be developed in a timely manner or that the Company will achieve significant revenues from such products if they are successfully developed.

DEPENDENCE ON KEY PERSONNEL

The Company is highly dependent upon certain members of its senior management team, the loss of whose services might impede the achievement of the Company's business objectives and have an adverse effect on the Company's operating results and prospects.

SUPPLY AND MANUFACTURE OF RAW MATERIALS

The Company's lead drug, voclosporin, requires a specialized manufacturing process. Lonza is currently the sole source manufacturer of voclosporin.

The FDA and other regulatory authorities require that drugs be manufactured in accordance with the current good manufacturing practices regulations, as established from time to time. Accordingly, in the event the Company receives marketing approvals for voclosporin, it may need to rely on a limited number of third parties to manufacture and formulate voclosporin. The Company may not be able to arrange for its products to be manufactured on reasonable terms or in sufficient quantities.

Manufacturers of pharmaceutical products often encounter difficulties in production, especially in scaling up initial production. These problems include difficulties with production costs and yields, quality control and assurance, and shortages of qualified personnel, as well as compliance with strictly enforced federal, provincial and foreign regulations. The Company relies on a limited number of third parties to manufacture and supply raw materials for its products. The third parties the Company chooses to manufacture and supply raw materials for its products are not under its control, and may not perform as agreed or may terminate their agreements with the Company, and the Company may not be able to find other third parties to manufacture and supply raw materials on commercially reasonable terms, or at all. If either of these events were to occur, the Company's operating results and financial condition would be adversely affected.

USE OF HAZARDOUS MATERIALS

The Company's discovery and development processes involve the controlled use of hazardous materials. The Company is subject to federal, provincial and local laws and regulations governing the use, manufacture, storage, handling and disposal of such materials and certain waste products. Although the Company believes that its safety procedures for handling and disposing of such materials comply with the standards prescribed by such laws and regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, the Company could be held liable for any damages that result and such liability could exceed the Company's resources. Although the Company believes that it is in compliance in all material respects with applicable environmental laws and regulations and currently does not expect to make material capital expenditures for environmental control facilities in the near-term, there can be no assurance that the Company will not be required to incur significant costs to comply with environmental laws and regulations in the future, or that its operations, business or assets will not be materially adversely affected by current or future environmental laws or regulations.

ANTICIPATED REVENUES MAY BE DERIVED FROM LICENSING ACTIVITIES

The Company anticipates that its revenues in the foreseeable future may be derived primarily from products licensed to pharmaceutical and biotechnology companies. Accordingly, these revenues will depend, in large part, upon the success of these companies, and the Company's operating results may fluctuate substantially due to reductions and delays in their research, development and marketing expenditures. These reductions and delays may result from factors that are not within the Company's control, including:

- changes in economic conditions;
- changes in the regulatory environment, including governmental pricing controls affecting health care and health care providers;
- pricing pressures; and
- other factors affecting research and development spending.

LACK OF OPERATING PROFITS

The Company has incurred losses and anticipates that its losses will increase as it continues its development and clinical trials and seeks regulatory approval for the sale of its therapeutic products. There can be no assurance that it will have earnings or positive cash flow in the future.

As at December 31, 2013, the Company had an accumulated deficit of $212.70 million. The net operating losses over the near-term and the next several years are expected to continue as a result of initiating new clinical trials and activities necessary to support regulatory approval and commercialization of its products. There can be no assurance that the Company will be able to generate sufficient product revenue to become profitable at all or on a sustained basis. The Company expects to have quarter-to-quarter fluctuations in expenses, some of which could be significant, due to research, development, and clinical trial activities, as well as regulatory and commercialization activities.

LIABILITY AND INSURANCE

The testing, marketing and sale of human pharmaceutical products involves unavoidable risks. If the Company succeeds in developing new pharmaceutical products, the sale of such products may expose the Company to potential liability resulting from the use of such products. Such liability might result from claims made directly by consumers or by regulatory agencies, pharmaceutical companies or others. The obligation to pay any product liability claim in excess of whatever insurance the Company is able to acquire, or the recall of any of its products, could have a material adverse effect on the business, financial condition and future prospects of the Company.

The Company entered into indemnification agreements with its officers and directors. The maximum potential amount of future payments required under these indemnification agreements is unlimited. However, the Company maintains director and officer liability insurance coverage of $5 million to reduce the exposure of the Company.

COMPETITION AND TECHNOLOGICAL CHANGE

The industry in which the Company operates is highly competitive and the Company has numerous domestic and foreign competitors, including major pharmaceutical and chemical companies, specialized biotechnology companies, universities, academic institutions, government agencies, public and private research organizations and large, fully-integrated pharmaceutical companies which have extensive resources and experience in research and development, process development, clinical evaluation, manufacturing, regulatory affairs, distribution and marketing. Many of the Company's potential competitors possess substantially greater research and development skills, financial, technical and marketing expertise and human resources than the Company, and may be better equipped to develop, manufacture and market products. There is a risk that new products and technologies may be developed which may be more effective or commercially viable than any products being developed or marketed by the Company, thus making the Company's products non-competitive or obsolete. There may also be market resistance to the acceptance of any of the Company's new products and a risk that a product, even though clinically effective, is not economically viable in the commercial production stage.

PATENTS AND PROPRIETARY TECHNOLOGY

Patents and other proprietary rights are essential to the Company's business. The Company's policy has been to file patent applications to protect technology, inventions, and improvements to its inventions that are considered important to the development of its business.

The Company's success will depend in part on its ability to obtain patents, defend patents, maintain trade secret protection and operate without infringing on the proprietary rights of others. Interpretation and evaluation of pharmaceutical patent claims present complex and often novel legal and factual questions. Accordingly, there is some question as to the extent to which biopharmaceutical discoveries and related products and processes can be effectively protected by patents. As a result, there can be no assurance that:

- patent applications will result in the issuance of patents;
- additional proprietary products developed will be patentable;
- patents issued will provide adequate protection or any competitive advantages;
- patents issued will not be successfully challenged by third parties; or
- the patents issued do not infringe the patents or intellectual property of others.

A number of pharmaceutical, biotechnology, medical device companies and research and academic institutions have developed technologies, filed patent applications or received patents on various technologies that may be related to the business of the Company. Some of these technologies, applications or patents may conflict with or adversely affect the technologies or intellectual property rights of the Company. Any conflicts with the intellectual property of others could limit the scope of the patents, if any, that the Company may be able to obtain or result in the denial of patent applications altogether.

Further, there may be uncertainty as to whether the Company may be able to successfully defend any challenge to its patent portfolio. Moreover, the Company may have to participate in interference proceedings in the various jurisdictions around the world. An unfavorable outcome in an interference or opposition proceeding could preclude the Company or its collaborators or licensees from making, using or selling products using the technology, or require the Company to obtain license rights from third parties. It is not known whether any prevailing party would offer a license on commercially acceptable terms, if at all. Further, any such license could require the expenditure of substantial time and resources and could harm the business of the Company. If such licenses are not available, the Company could encounter delays or prohibition of the development or introduction of the products of the Company.

The Company may need to obtain additional licenses for the development of its products. If available, these licenses may obligate the Company to exercise diligence in the development of technology and may obligate the Company to make minimum guarantees, milestone payments or purchases from specific suppliers. These diligence and milestone payments may be costly and affect the business of the Company. The Company may be obligated to make royalty payments on the sales, if any, of products resulting from licensed technology and may be responsible for the costs of filing and prosecuting patent applications.

RELIANCE ON PARTNERS AND OTHER THIRD PARTIES

Partners

The Company's strategy and success for the research, development, and commercialization of voclosporin in China (partner—3SBio, Inc.), Canada, South Africa and Israel (partner—Paladin) is dependent upon these partners performing their respective contractual responsibilities. The amount and timing of resources such third parties will devote to these activities may not be within the Company's control. There can be no assurance that its partners will perform their obligations as expected.

The license and research and development agreements with the third parties noted above include indemnification and obligation provisions that are customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of third party claims or damages arising from these transactions. These provisions may survive termination of the underlying agreement. The nature of the potential obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay.

The Company intends to seek additional collaborative arrangements to develop and commercialize voclosporin for the transplant indication. There can be no assurance that the Company will be able to negotiate collaborative arrangements on favorable terms, or at all, in the future, or that current or future collaborative arrangements will be successful.

Other Third Parties

For some products, the Company depends on third parties for the sourcing of components or for the product itself. Furthermore, as with other pharmaceutical companies, the Company relies on medical institutions for testing and clinically validating its prospective products. The Company does not anticipate any difficulties in obtaining required components or products or any difficulties in the validation and clinical testing of its products but there is no guarantee that they will be obtained.

The Company currently relies on contract research organizations ("**CROs**") for the conduct of its clinical trials. All of the Company's CROs operate in accordance with good clinical management practices mandated by the regulatory authorities and are subject to regular audits by regulatory authorities and by the Company.

The Company also has an arrangement for the supply of voclosporin through Paladin Labs Inc. until January 1, 2015, at which time the Company will have all supply rights for voclosporin returned.

The Company also has arrangements for the encapsulation, packaging and labeling of voclosporin through a third party supplier. Contract manufacturers must operate in compliance with regulatory requirements. Failure to do so could result in, among other things, the disruption of product supplies. The Company's dependence upon third parties for the manufacturing of its therapeutic products may adversely affect the Company's profit margins and its ability to develop and deliver such products on a timely and competitive basis.

MARKETING AND DISTRIBUTION

The Company has limited experience in the sales, marketing, and distribution of pharmaceutical products. There can be no assurance that the Company will be able to establish sales, marketing, and distribution capabilities or make arrangements through collaborations, licensees, or others to perform such activities, or that such efforts would be successful. If the Company decides to market any of its products directly, the Company must either acquire or internally develop a marketing and sales force with technical expertise and provide supporting distribution capabilities. The acquisition or development of a sales and distribution infrastructure would require substantial resources, which may divert the attention of management and key personnel, and have a negative impact on product development. If the Company contracts with third parties for the sales and marketing of its products, the Company's revenue will be dependent on the efforts of these third parties, whose efforts may not be successful. If the Company fails to establish successful marketing and sales capabilities or to make arrangements with third parties, the business, financial condition and results of operations will be materially adversely affected.

PRODUCT DEVELOPMENT GOALS AND TIME FRAMES

The Company sets goals for, and makes public statements regarding, timing of the accomplishment of objectives material to its success, such as the commencement and completion of clinical trials, anticipated regulatory approval dates, and time of product launch. The actual timing of these events can vary dramatically due to factors such as delays or failures in clinical trials, the uncertainties inherent in the regulatory approval process, and delays in achieving product development, manufacturing, or marketing milestones necessary to commercialize its products. There can be no assurance that the Company's clinical trials will be completed, that regulatory submissions will be made or receive regulatory approvals as planned, or that the Company will be able to adhere to the current schedule for the validation of manufacturing and launch of any of its products. If the Company fails to achieve one or more of these milestones as planned, the price of the Company's common shares could decline.

MARKET ACCEPTANCE

Even if the Company's products are approved for sale, they may not be successful in the marketplace. Market acceptance of any of the Company's products will depend upon a number of factors, including demonstration of clinical effectiveness and safety; the potential advantages of its products over alternative treatments; the availability of acceptable pricing and adequate third party reimbursement; and the effectiveness of marketing and distribution methods for the products. If the Company's products do not gain market acceptance among physicians, patients, and others in the medical community, the Company's ability to generate significant revenues from its products would be limited.

HEALTH CARE REIMBURSEMENT

In both domestic and foreign markets, sales of the Company's products, if any, will be dependent in part on the availability of reimbursement from third party payors, such as government and private insurance plans. Third party payors are increasingly challenging the prices charged for medical products and services. There can be no assurance that the Company's products will be considered cost effective by these third party payors, that reimbursement will be available or if available that the payor's reimbursement policies will not adversely affect the Company's ability to sell its products on a profitable basis.

GOVERNMENT REGULATION

The production and marketing of the Company's products and its ongoing research and development activities are subject to regulation by numerous federal, provincial, state and local governmental authorities in Canada, the United States and any other countries where the Company may test or market its products. These laws require the approval of manufacturing facilities, including adhering to "good manufacturing" and/or "good laboratory" practices during production and storage, the controlled research and testing of products, governmental review and approval of submissions requiring manufacturing, pre-clinical and clinical data to establish the safety and efficacy of the product for each use sought in order to obtain marketing approval, and the control of marketing activities, including advertising and labeling. The process of obtaining required approvals (such as, but not limited to, the approval of the FDA in the United States, the EMA and Health Canada) can be costly and time consuming and there can be no assurance that future products will be successfully developed, proven safe and effective in clinical trials or receive applicable regulatory approvals. Potential investors should be aware of the risks, problems, delays, expenses and difficulties which may be encountered by the Company in view of the extensive regulatory environment which controls its business.

In addition, there can be no assurance that the Company will be able to achieve or maintain regulatory compliance with respect to all or any part of its current or future products or that the Company will be able to timely and profitably produce its products while complying with applicable regulatory requirements. If the Company fails to maintain compliance, regulatory authorities may not allow the continuation of the drug development programs, or require the Company to make substantial changes to the drug. Any such actions could have a material adverse effect on the business, financial condition, and results of operations.

DEPENDENCE ON SUPPLY AGREEMENT

The Company is dependent upon Paladin until January 1, 2015 for the timely supply of API for the Company's use and clinical studies or for other research and development uses pursuant to the terms of the supply agreement. There can be no assurance that Paladin will be able to supply the API in the quantities and timeframes required by the Company. Any prolonged delays in supply of API may adversely affect the Company's business, results of operations and financial condition.

ADDITIONAL FUNDING MAY NOT BE AVAILABLE ON FAVORABLE TERMS

While the Company believes it has sufficient funding to conduct the planned Phase 2b LN clinical trial as a result of completing the US$52 million private placement on February 14, 2014, the Company's longer term funding needs may vary depending upon a number of factors including progress on the Company's voclosporin development program (s), the costs associated with completing future clinical trials and the regulatory process, the Company potential decision to in-license or acquire additional products for development and defending or enforcing the Company's patent claims and other intellectual property rights. There can be no assurance that such funds will be available on favorable terms or at all.

RISKS RELATED TO THE COMPANY'S SECURITIES

VOLATILITY OF SHARE PRICE

The trading price of the Company's common shares has been highly volatile and could continue to be subject to wide fluctuations in price in response to various factors, many of which are beyond our control, including:

- actual or anticipated period-to-period fluctuations in financial results;
- failure to achieve, or changes in, financial estimates by securities analysts;
- announcements regarding new or existing products or services or technological innovations by competitors;
- comments or opinions by securities analysts or major shareholders;
- conditions or trends in the pharmaceutical, biotechnology and life science industries;
- announcements by the Company of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- announcements by the Company of results of, and developments in, its research and development efforts, including results and adequacy of, and development in, clinical trials and applications for regulatory approval;
- additions or departures of key personnel;
- economic and other external factors or disasters or crises;
- limited daily trading volume;
- if any of the Company's products do not become commercially viable for any reason, including the failure of preclinical studies and clinical trials, the Company may not achieve profitability and the Company's share price would likely decline; and
- developments regarding the Company's licensed intellectual property or that of the Company's competitors.

In addition, the stock market in general, and the market for biotechnology companies in particular, have experienced significant price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Further, there has been significant volatility in the market prices of securities of biotechnology companies. Factors such as the results and adequacy of the Company's preclinical studies and clinical trials, as well as those of its collaborators, or its competitors; other evidence of the safety or effectiveness of the Company's products or those of its competitors; announcements of technological innovations or new products by the Company or its competitors; governmental regulatory actions; developments with collaborators; developments (including litigation) concerning patent or other proprietary rights of the Company or competitors; concern as to the safety of the Company's products; period-to-period fluctuations in operation results; changes in estimates of the Company's performance by securities analysts; market conditions for biotechnology stocks in general; and other factors not within the control of the Company could have a significant adverse impact on the market price of the Company's securities, regardless of its operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. A class action suit against the Company could result in substantial costs, potential liabilities and the diversion of management's attention and resources.

There is no guarantee that an active trading market for the Company's common shares will be maintained on the TSXV. Investors may not be able to sell their shares quickly or at the latest market price if the trading in our common shares is not active.

The Company expects to issue common shares in the future. Holders of stock options may elect to exercise their options into common shares depending on the stock price. Future issuances of common shares, or the perception that such issuances are likely to occur, could affect the prevailing trading prices of the common shares. Future issuances of the Company's common shares could result in substantial dilution to its shareholders. In addition, the existence of warrants may encourage short selling by market participants.

Sales of common shares could cause a decline in the market price of the Company's common shares. Two of the Company's major shareholders (venBio and ILJIN) own an aggregate of approximately 31% of the Company's outstanding common shares as at March 31, 2014. Any sales of common shares by these shareholders or other existing shareholders or holders of options may have an adverse effect on the Company's ability to raise capital and may adversely affect the market price of its common shares.

DIVIDEND POLICY

The Company has not paid dividends on its outstanding common shares in the past and has no established dividend policy for its common shares. The Company plans to use future earnings, if any, to finance further research and development and the expansion of its business and does not anticipate paying out dividends on its common shares in the foreseeable future. The payment of dividends in the future will depend upon the earnings and financial condition of the Company and such other factors as the Board considers appropriate.

CAPITAL STRUCTURE

The Company's authorized share capital consists of an unlimited number of common shares, all without nominal or par value.

Each common share entitles the holder thereof to one vote at any meeting of the shareholders of the Company.

As at March 31, 2014, the Company had 32,354,082 common shares issued and outstanding.

MARKET FOR SECURITIES

TRADING PRICE AND VOLUME OF AURINIA SHARES

The Company is a reporting issuer in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador.

Aurinia's Common Shares were traded on the TSX until September 27, 2013 under the symbol "ISA". Starting September 30, 2013, the Company's common shares commenced trading on the TSXV under the symbol "ISA" for the period September 30, 2013 to October 22, 2013. Effective October 22, 2013, the Company's common shares were consolidated on a 50:1 basis and commenced trading under the symbol "AUP". The following table sets out the high and low trading prices as well as the trading volume for Aurinia's common shares for the 12-month period indicated, as reported on the TSX and the TSXV.

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TSX

Month	Price Range High	Price Range Low	Total Volume
2013			
January *	$4.25	$2.50	37,232
February *	$3.25	$1.50	68,544
March *	$2.50	$1.50	28,606
April *	$2.00	$1.50	65,699
May *	$2.00	$1.50	27,593
June *	$1.75	$1.50	4,835
July *	$2.75	$1.50	30,834
August *	$2.75	$1.75	36,906
September 1-27 *	$2.75	$1.75	72,072

TSXV

Month	Price Range High	Price Range Low	Total Volume
2013			
September 30 *	$2.25	$2.25	1,731
October *	4.19	3.21	62,276
November	3.84	2.36	112,871
December	4.19	3.21	81,415

* After giving effect to the 50:1 share consolidation on October 23, 2013.

PRIOR SALES

The following table summarizes the distribution of securities other than our common shares that were issued during the most recently completed financial year, identifying the type of security, the price per security, the number of securities issued, expiry date and the date on which the securities were issued.

Date	Type of Security	Price per Security*	Number of Securities*	Expiry Date
June 26, 2013	Warrants	$ 2.50	453,111	June 26, 2018
June 26, 2013	Broker Warrants	$ 2.25	19,273	June 26, 2018
September 20, 2013	Warrants	$ 2.50	1,333,333	September 20, 2016
September 20, 2013	Broker Warrants	$ 2.25	112,067	September 20, 2016
September 20, 2013	Warrants	$ 2.00	13,997	December 31, 2018

*** After giving effect to the 50:1 share consolidation on October 23, 2013**

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DIRECTORS AND OFFICERS

The directors of the Company are elected by the shareholders at each annual meeting and typically hold office until the next annual meeting, at which time they may be re-elected or replaced. The officers are appointed by the Board and hold office pursuant to individual contractual obligations.

As at March 31, 2014, the names and municipalities of residence of the directors and officers of the Company and their principal occupations within the five preceding years are set forth below:

Name and Municipality of Residence	Position with the Company	Director/Officer since	Principal Occupation for Five Preceding Years
Stephen W. Zaruby *Woodinville, WA, U.S.A.*	President and Chief Executive Officer	November 2013	Chief Executive Officer of the Company since November 6, 2013; prior thereto was President of ZymoGenetics Inc.; Vice President, Global Head, Hospital Surgical Business Unit at Bayer Schering Pharma.
Dennis Bourgeault *Edmonton, Alberta, Canada*	Chief Financial Officer	CFO since May 1998	Chief Financial Officer of the Company since May, 1998.
Michael R. Martin *Victoria, British Columbia Canada*	Chief Operating Officer	Director since August 2013; COO since September, 2013	Chief Operating Office of the Company since September 2013; prior thereto was CEO of privately-held Aurinia Pharmaceuticals Inc.; Director, Global Business Development & Licensing at Vifor Pharma, formerly Aspreva Pharmaceuticals.
Neil Solomons *Victoria, British Columbia Canada*	Chief Medical Officer	September 2013	Chief Medical Officer of the Company since September 2013; prior thereto was Vice President, Research and Development at Vifor Pharma, formerly Aspreva Pharmaceuticals.
Robert Huizinga *St. Albert, Alberta, Canada*	Vice President, Clinical Affairs	August 2011	Vice President, Clinical Affairs of the Company since August, 2011, prior thereto was Senior Director of Clinical Affairs of the Company.
Lawrence D. Mandt *Qualicum Beach, British Columbia Canada*	Vice President, Regulatory and Quality	September 2013	Vice President Regulatory and Quality of the Company since September 2013; independent regulatory consultant from 2010-2013; Senior Vice President, Global Regulatory Affairs at Vifor Pharma; Vice President Regulatory Affairs at Aspreva Pharmaceuticals.
Richard Glickman *Victoria, British Columbia Canada*	Director; Chairman of the Board	August 2013	Chairman of the Board Aurinia Pharmaceuticals Inc.; Chairman of the Board Aspreva Pharmaceuticals Inc.; CEO Aspreva Pharmaceuticals Inc.; CEO StressGen Pharmaceuticals Inc.
Peter Wijngaard *Basel, Switzerland*	Director	February 2011	February 2011 to present – Vice President, Innovation Leader Research & Development, The Medicines Company (Schweiz) GmbH, a global pharmaceutical company; prior thereto Senior Director Medical Affairs at ViroPharma Inc. and Global Alliance Director in Transplantation at Hoffman-La Roche.

Kurt von Emster *Belmont, California* *U.S.A.*	Director	February 2014	Chartered Financial Analyst, Founding member of venBio since 2009.
Daniel S. Park *Seoul, South Korea*	Director	August 2013	January 1, 2014 to present – President of ILJIN Group; Executive Vice President of ILJIN Group 2010-2013; prior thereto was Senior Vice President of ILJIN Group.
Benjamin Rovinski *Thornhill, Ontario* *Canada*	Director	September 2013	Managing Director, Lumira Capital.
Chris Kim *Seoul, South Korea*	Director	August 2013	2008 to present, Chief Executive Officer, Lumirich Co. and ILJIN Semicon Co. of Seoul, Korea.
Donald W. Wyatt *Seattle, Washington* *U.S.A.*	Director	December 2011	From 2009 to present – Principle, The Wyatt Group, LLC, an Intellectual Property Consulting firm; 2005 to 2009 – Vice President of Legal Affairs and Corporate Secretary for Cell Therapeutics, Inc., a biopharmaceutical company.

Directors and officers of the Company, as of March 31, 2014, beneficially own, directly or indirectly, 2,276,255 common shares representing 7.26% of the outstanding common shares of the Company.

EXECUTIVE OFFICERS AND DIRECTORS

The following are brief biographies of our senior management team and directors.

Stephen W. Zaruby*, President and Chief Executive Officer*

Stephen Zaruby has over 20 years' experience in the highly complex biopharmaceutical industry. Expertise has been demonstrated in the executive general management of fully-integrated biotechnology and pharmaceutical corporations in both the U.S. and Europe, with oversight including business development, finance, product development, regulatory affairs, manufacturing, various general and administrative functions, and global commercial operations incorporating sales, marketing, and product distribution. Stephen was president of ZymoGenetics Inc., a publically-traded, Seattle-based biotechnology company, until the time of its acquisition by Bristol-Myers Squibb. Prior to this he worked within the pharmaceutical division of Bayer Healthcare for many years, holding several different positions with leadership of one of their global strategic business units as his last operational posting. Stephen remains active within the industry, with board membership in discovery-stage biotechnology companies.

Dennis Bourgeault, C.A., *Chief Financial Officer*

Dennis Bourgeault has been the Chief Financial Officer of the Company since 1998 and is responsible for the financial operations of the Company. Prior to joining Isotechnika he was the controller for a private industrial distribution company for six years and was a senior manager in public accounting at KPMG. Mr. Bourgeault obtained his chartered accountant designation in 1984.

Michael R. Martin, *Chief Operating Officer*

Michael Martin was formerly CEO, director and co-founder of the privately held Aurinia Pharmaceuticals Inc. which was acquired in 2013 by the former Isotechnika Pharma Inc. In his current role with Aurinia, Mr. Martin is responsible for managing company functions such as corporate and business development, alliance management, marketing, finance and internal company operations. Mr. Martin is a biotech/pharmaceutical executive with over 18 years

industry experience and offers a solid mix of strategic planning, marketing, commercial operations, business development, licensing and people management skills. Mr. Martin joined Aurinia from Vifor Pharma where he held the position of Director, Global Business Development & Licensing. Prior to Vifor, Mr. Martin was a key member of the business development team that saw Aspreva sold to Galenica for $915M. Upon joining Aspreva in 2004, Mr. Martin initiated the strategic launch planning process for CellCept® in "less-common" autoimmune diseases. These included such indications as pemphigus vulgaris, myasthenia gravis, and LN. Prior thereto, Mr. Martin held a variety of progressively senior commercial positions at Schering-Plough. Most recently, Mr. Martin has spent time in Europe where he was responsible for the rheumatology business unit for Remicade® in France. There, Mr. Martin had full profit and loss responsibilities and had direct responsibility for the sales team, the marketing team and the infusion access team. In addition while at Schering-Plough, Mr. Martin was the brand manager responsible for the Canadian launch of Remicade (infliximab), which ultimately became the most successful product launch in Canadian history. Mr. Martin started his career in the industry in the sales organization of Schering-Plough where he received multiple awards and recognition while rapidly progressing towards the prior mentioned roles.

Neil Solomons, M.D., *Chief Medical Officer*

Dr. Neil Solomons is responsible for managing, developing, guiding and coordinating Aurinia's clinical development group and its activities. He is also Aurinia's senior medical spokesperson to investigators, scientific advisors and investors. Dr. Solomons is an experienced pharmaceutical physician with 15 years of clinical development and medical affairs experience in both big pharma and biotech. He is a recognized expert in rare-disease drug development and is widely published in this field. Dr. Solomons joins Aurinia from Vifor Pharma, formerly Aspreva Pharmaceuticals (NASDAQ:ASPV) where he held the position of Vice President, Research and Development being the lead clinician in the development of CellCept® in rare diseases. Dr. Solomons led the CellCept Clinical Development teams of over 50 people that saw the completion, reporting and publication of studies in pemphigus vulgaris, myasthenia gravis, both industry firsts, and the successful landmark LN study called the Aspreva Lupus Management Study (ALMS). He was responsible for all clinical development activities from Phases 1 to 3, as well as participating in the formulation of R&D strategy, portfolio management, and due diligence efforts. Prior to Vifor & Aspreva, Dr. Solomons held a variety of positions at Roche in both Global Clinical Development and Medical Affairs in transplantation, virology and auto-immune diseases. While at Roche, Dr. Solomons led a diverse team in the development and implementation of post-marketing studies with a budget exceeding $15 million for its transplantation (CellCept® and Zenapax®) and virology (Cytovene®) franchises. Dr. Solomons qualified in medicine in 1991 receiving his MB BS (MD) at Guys Hospital Medical School, London. He subsequently worked as a physician in London UK, completing specialist training in anesthesia and intensive care. His research interests included sepsis and chronic pain.

Robert B. Huizinga, RN NNC, MSc(Epi), CNeph(C), *Vice President, Clinical Affairs*

Mr. Huizinga has been with the Company since 2002, and most recently served as Senior Director, Clinical Affairs, focused on managing the global clinical development of voclosporin. Before joining Isotechnika, Mr. Huizinga was a Nephrology and Transplantation nursing specialist with 14 years of clinical and research experience where he was involved in more than 60 clinical trials from Phase I through Phase IV. He has acted as a consultant to nephrology and transplantation pharmaceutical companies, and has lectured extensively. Over the years, Mr. Huizinga has established and nurtured close relationships in the nephrology and transplant communities, and has fostered strong connections with transplant investigators and clinical trial sites.

Mr. Huizinga has numerous articles published in leading medical journals, including the *New England Journal of Medicine, Lancet*, and the *American Journal of Transplantation.* Mr. Huizinga is a member of many professional societies related to nephrology, transplantation and nursing, has served on many nephrology and transplantation committees, and is the founder of RenalPro, a moderated forum for renal professionals. Mr. Huizinga holds a M.Sc. in medicine (epidemiology) from the University of Alberta, is a registered nurse, certified in nephrology, and a member of Sigma Theta Tau (Honor Society of Nursing).

Lawrence D. Mandt, ***Vice President Regulatory and Quality***

As Vice President Regulatory and Quality, Mr. Mandt is responsible for regulatory strategy, as well as implementation of the Company's regulatory projects. Most recently, he led the effort to write, compile and publish the new IND permitting human clinical testing of *voclosporin* in LN patients, which was accepted by FDA. Mr. Mandt brings 30+ years' experience in global regulatory affairs, in large and small companies, across a variety of therapeutic areas. During his career, he has operated at the executive level for 10+ years.

Prior to Aurinia, Mr. Mandt worked as an independent regulatory consultant after leaving Vifor Pharma as Senior Vice President, Global Regulatory Affairs in 2010. During his time with Vifor Pharma, he served as a member of the Leadership Team (LST) and successfully led the consolidation of the regulatory affairs function after the acquisition of Aspreva Pharmaceuticals where he was Vice President, Regulatory Affairs. While with Aspreva, Mr. Mandt was a key contributor to the regulatory strategies, tactics and operational activities associated with the CellCeptÒ autoimmune programs, conducted in collaboration with Roche. Before joining Aspreva in 2004, Mr. Mandt was Senior Vice President, Regulatory and Quality Affairs at QLT, Inc. During his time with QLT, he gained approval of Visudyne , the first drug ever approved for the treatment of age related macular degeneration. Approvals were obtained in the USA, the EU and 70+ other countries. Prior to QLT, Mr. Mandt led the regulatory and medical affairs function for CIBA Vision Opthalmics (ultimately became Novartis Ophthalmics) for eight years, gaining approval of the company's first entirely internally developed new drug, Zaditor, for the treatment of ocular allergies. In addition to the development activities underway, applications for 25 ANDA/NDA products were effectively managed to extend life cycle and meet the needs of the business. Previous to his time at CIBA/Novartis, Mr. Mandt worked in research and development and regulatory positions of increasing responsibilities at Bausch & Lomb Inc, first in the SOFLENS division and then in the pharmaceuticals division of the company, eventually becoming Director, Regulatory Affairs. Highlights during his career at Bausch include launching major new OTC and Rx products and gaining approval for a new state of the art manufacturing facility. Mr. Mandt began his career as a microbiologist at Merck, Sharp and Dohme, at their vaccine facility in West Point, PA, USA.

Richard M. Glickman, L.L.D. (Hon), ***Chairman of the Board***

Dr. Glickman was a co-founder and has served as an Interim Executive Chairman of the Company and presently serves as its Chairman of the Board. He was a co-founder, Chairman and Chief Executive Officer of Aspreva Pharmaceuticals ("Aspreva"). Prior to establishing Aspreva, Dr. Glickman was the co-founder and Chief Executive Officer of StressGen Biotechnologies Corporation. Since 2000, Dr. Glickman has served as the Chairman of the Board of Vigil Health Solutions Inc., a healthcare services company and as Chairman of the Board of Essa Pharmaceuticals Inc. Dr. Glickman was also the founder and a director of Ontario Molecular Diagnostics, a diagnostic facility that evolved into the largest molecular diagnostic laboratories in Canada. He co-founded Probtec Corporation, a rational drug design and molecular genetics firm, where he established and introduced the first licensed DNA-based forensic and paternity testing services in Canada. He has served on numerous biotechnology and community boards including roles as Chairman of Life Sciences B.C. (formerly the British Columbia Biotechnology Alliance), Director of the Canadian Genetic Disease Network, a member of the federal government's National Biotechnology Advisory Committee, a member of the British Columbia Innovation Council and as a Director for the Vancouver Aquarium. Dr. Glickman received the Ernst & Young Entrepreneur of the Year 2004 Award for the Pacific Region Life Sciences Group and has received both Canada's and British Columbia's Top 40 under 40 Award for Entrepreneurs and has been the recipient of 2006 BC Biotech Leadership Award.

Daniel Park, ***Chairman of the Compensation Committee***

Mr. Park is currently the President of ILJIN Group. He started his management career with ETEX Corp, an advanced biomaterials company focusing on products that promote bone repair and enable controlled delivery therapies in 1988. ETEX is one of the subsidiaries of ILJIN Group, and Mr. Park has since worked in numerous ILJIN Group companies including ILJIN Display Co., Ltd. and ILJIN Diamond Co., Ltd. in senior management positions. He is presently in the Planning Office of ILJIN Group which contains multiple sub companies ranging from the Jeonju Television Co., Ltd. to ILJIN Electricity Co., Ltd.

Mr. Park holds Masters of Business Administration (University of California at Los Angeles), along with a Masters and a Bachelor's degree in Economics from Seoul National University.

Chris Kim, Ph.D.*, Director*

Dr. Kim is currently CEO, Lumirich Co., and ILJIN Semicon Co., of Seoul, Korea dating from 2008 to present. Prior to that, from 2006 to 2008, Dr. Kim was CEO, ILJIN Display Co., Korea. From 2000 to 2006, Dr. Kim was Vice-president, Sales and Marketing at Samsung SDI Co, Korea, where he was in charge of Samsung SDI's worldwide plasma display panel sales and marketing. During his tenure with Samsung SDI Co., Dr. Kim gained considerable commercial experience with CE related products to OEM customers including, for example, Philips Consumer Electronics, Sony, Dell, and Hewlett-Packard. From 2001 to 2005, Dr. Kim was able to increase revenue growth from approximately $0.7 million to $1.7 billion. Dr. Kim had increasing responsibilities from 1986 to 1999 while at companies including NSF Polymer Research Center, VPI, in Blacksburg, Virginia, USA; Exxon-Mobil Corp., in Rochester, NY, USA; Corning Inc., in Corning, NY, USA; Lam Research Corp., in Fremont, California, USA, and Fujitsu Inc., in San Jose, California, USA. Dr. Kim has an undergraduate science degree in chemical engineering from Seoul National University (1985) and a PhD in chemical engineering (1989) from Virginia Tech., Blacksburg, Virginia, USA. He also has more than ten technical publications, one book chapter, and numerous worldwide patents, and is fluent in three languages.

Kurt von Emster*, Director*

Mr. von Emster has been an institutional biotechnology and health care analyst and portfolio manager for over 20 years. Mr. von Emster is a Managing Partner of venBio. He is a member of the board of directors of Cytos AG and CymaBay Therapeutics, Inc., a former member of the board of Somaxon Pharmaceuticals Inc. (sold to Pernix Therapeutics in 2013) and Facet Biotech Corporation (sold to Abbott Laboratories in 2010), and a former board observer of Acceleron Pharma. Mr. von Emster's investment career started in 1989 at Franklin Templeton where he founded and managed several health and biotechnology funds in the 1990s, each achieving a 5-star Morningstar ranking. In 2000, he was managing over $2B in biotech and health care funds for Franklin Templeton. In 2001, Mr. von Emster became a General Partner at MPM Capital, a leading biotechnology private equity firm, and launched the MPM BioEquities Fund, a cross over public and private biotechnology hedge fund. He was the portfolio manager of this fund from inception in 2001 until his departure in 2009. He also co-founded the MPM Biogen Idec Strategic Fund during his tenure at MPM. Mr. von Emster is located in the San Francisco office.

Benjamin Rovinski, Ph.D.*, Director*

Dr. Benjamin Rovinski has 27 years of investment, operational, managerial and research experience in the healthcare sector. He joined Lumira Capital in 2001, where he is a Managing Director, with an investment focus on mid-to late-stage private and public life sciences companies. Prior to joining Lumira Capital, Dr. Rovinski held several senior management positions in the biotechnology sector, including 13 years at Sanofi Pasteur where he was a senior scientist and director of molecular virology. He led global R&D programs in the areas of HIV/AIDS and therapeutic cancer vaccines, bringing several of them through to clinical-stage. Dr. Rovinski received a PhD in biochemistry from McGill University in Montréal and did post-doctoral studies in molecular oncology and retrovirology at the Ontario Cancer Institute in Toronto. He obtained his undergraduate degree from Rice University in Houston. Dr. Rovinski's current and past board roles and investment responsibilities include several private and public companies, including KAI Pharmaceuticals (acquired by Amgen); Morphotek (acquired by Eisai); Cervelo Pharmaceuticals; Health Hero Network (acquired by Bosch); Avalon Pharmaceuticals (NASDAQ: AVRX; acquired by Clinical Data, Inc.); Inovise Medical, Inc.; Protana; Signature Biosciences; and SGX Pharmaceuticals (NASDAQ: SGXP; acquired by Eli Lilly). He also serves on the board of directors of Life Sciences Ontario. Dr. Rovinski is fluent in English, French and Spanish. He has published over 25 scientific articles and reviews and is the recipient of 29 issued patents.

Peter Wijngaard, Ph.D., ***Director, Chair of the Audit Committee***

Dr. Peter Wijngaard is the Vice President, Innovation Leader Research & Development for The Medicines Company (Schweiz) GmbH. Prior to this he served as the Senior Director Medical Affairs at ViroPharma Incorporated, and as the Global Alliance Director, Life Cycle Leader in Transplantation, International Medical Manager in Transplantation, and Country Medical Manager Transplantation at Hoffmann-La Roche. He brings extensive experience in the areas of Global Project Leadership, Business Development, Medical Affairs, and Pharmaceutical Marketing. Dr. Wijngaard has a B.Sc. in Clinical Chemistry, and his Ph.D. in Transplantation Immunology from Utrecht University examining the immunological aspects of human heart transplantation. He conducted his Postdoctoral Fellowships at Pharmacia Diagnostics, Inselspital Bern, and Sandoz. He has published extensively in the area of transplant immunology and immunosuppression, with emphasis on the use of mycophenolate mofetil (CellCept ®). From 2005 to 2008, Dr. Wijngaard was a member of the Board of Trustees of the Roche Organ Transplant Research Foundation, which supports important and innovative clinically oriented research projects in organ transplantation. During his tenure, the Foundation managed a total of 67.5 million Swiss Francs donated by F. Hoffmann-La Roche Ltd.

Donald W. Wyatt, B.S., J.D., ***Director***

Donald Wyatt has over 20 years of experience in the pharmaceutical industry, including research and legal representation. He has worked in research in large pharmaceutical companies, as an attorney in a law firm, and as in-house patent and general legal counsel. Mr. Wyatt is founder of The Wyatt Group, a consulting firm serving companies worldwide in strategic transactions, relationships and intellectual property strategies. Donald Wyatt was appointed to the Board on December 7, 2011 as the nominee of 3SBio, Inc. pursuant to the terms of a development, distribution and license agreement among the Company and 3SBio, Inc. dated August 6, 2010.

COMMITTEES OF THE BOARD

The Company has two standing committees: the Audit Committee and the Compensation Committee. Current members of these committees are identified in the following table:

Committee	Members
Audit Committee (1)	Dr. Peter Wijngaard (Chair) Donald W. Wyatt Daniel S. Park Kurt Von Emster
Compensation Committee	Daniel S. Park (Chair) Dr. Peter Wijngaard Dr. Benjamin Rovinski Kurt Von Emster

(1) Detailed information on the Audit Committee is attached as Schedule 1.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Unless otherwise disclosed in this AIF, to the knowledge of the directors and officers of the Company, no director or executive officer of the Company:

(a) is, or has been within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity

(i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was issued while the proposed director was acting in the capacity as a director, chief executive officer or chief financial officer; or

(ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while he was acting in the capacity of a director, chief executive officer or chief financial officer; or

(b) is, or has been within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or

(c) has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

No director has been subject to:

(d) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(e) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not aware of, as of March 31, 2014, any legal proceedings against the Company that would involve a claim for damages that exceed ten per cent of the current assets of the Company.

No penalties or sanctions have been imposed against the Company by a court relating to securities legislation or any securities regulatory authority in 2013, nor has the Company entered into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority during such financial year ended December 31, 2013. No other penalties or sanctions have been imposed by a court or regulatory body against the Company which would likely be considered important to a reasonable investor in making an investment decision respecting the Company.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

This section includes a description of the material interest, direct or indirect, of directors or executive officers of the Company, persons or companies that beneficially own, control, or direct more than 10% of the voting securities of the Company, or an associate or affiliate of any of such directors, executive officers, persons or companies, in the transactions conducted by the Company within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

(A) The Company and ILJIN entered into the DDLA, effective January 28, 2011, for the further clinical and commercial development of voclosporin for use in transplant indications applicable to voclosporin. Mr. Chin-Kyu Huh was elected a director of Pharma on December 15, 2010 at a special meeting of the shareholders. Mr. Huh was appointed Chairman of the Board on March 18, 2011 and resigned from the Board on July 28, 2011. The DDLA was terminated in connection with the plan of arrangement transaction which closed on September 20, 2013. For additional information on the DDLA, please see *Corporate Update—Recent Developments—Development, Distribution and License Agreement with ILJIN Life Science Co., Ltd.*

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the common shares of Aurinia Pharmaceuticals Inc. is Computershare Trust Company of Canada located at 100 University Avenue, Toronto, Ontario, Canada M5J 2Y1.

INTERESTS OF EXPERTS

PricewaterhouseCoopers LLP are the auditors who prepared the auditors' report and the report on Canadian generally accepted audit standards for the Company's consolidated financial statements for the period ended December 31, 2013. PricewaterhouseCoopers LLP is "independent" from the Company in accordance with the relevant professional standards.

MATERIAL CONTRACTS

The Company currently has two material contracts, each of which was entered into in connection with the Offering. Under the terms of the subscription agreement for the Offering, if the Company does not reduce the size of its Board to seven directors within 90 days following the closing of the Offering, an additional 0.1 Warrants will be issued for each Unit purchased by a subscriber for every additional 90-day period delay, up to a maximum of 0.35 Warrants per Unit. This represents a maximum of 6.62 million additional Warrants. The Company will issue and deliver such additional Warrants to each subscriber in accordance with the registration instructions provided by the subscriber in the subscription agreement for no additional consideration within five business days after the commencement of each applicable 90-day period.

The Company has also granted the subscribers, in the aggregate, the right to nominate two persons for election to the Company's board of directors.

Under the terms of the registration rights agreement for the Offering (the "**Registration Rights Agreement**"), the Company has agreed to use its commercially reasonable efforts to cause its common shares to be approved for listing on NASDAQ within 12 months following the closing of the Offering and to provide each shareholder with notice of such listing. If the Company does not obtain approval to list its common shares on NASDAQ within 12 months following the closing of the Offering, the Company has agreed to issue an additional 0.1 Warrants for each Unit purchased by a subscriber for every 90-day period delay, up to a maximum of 0.35 Warrants per Unit. This represents a maximum of 6.62 million additional Warrants. The Company will issue and deliver such additional Warrants to each subscriber in accordance with the registration instructions provided by the subscriber in the subscription agreement for no additional consideration within five business days after the commencement of each applicable 90-day period.

Under the terms of the Registration Rights Agreement, at any time following the date that is six months after the listing of the Company's common shares on NASDAQ, the holders of a majority of the securities purchased under the Offering may request that the Company effect the registration under the Securities Act of 1933 of an amount of common shares with a market value of at least $10,000,000 (a "**Registration Request**"). If the Company receives a Registration Request, it must, within 10 days of receipt, provide written notice of such request to all shareholders describing the terms of such registration; and, as soon as practicable, cause to be prepared and filed with the U.S. Securities and Exchange Commission a registration statement providing for the resale of all securities purchased under the Offering which shareholders request to be registered.

ADDITIONAL INFORMATION

Additional information with respect to the Company, including directors' and officers' compensation, principal holders of the Company's common shares and securities authorized for issuance under equity compensation plans is contained in the Company's information circular for its most recent annual and special meetings of the shareholders that involved the election of directors. The Company's financial information is also provided in the management discussion and analysis and comparative consolidated financial statements for the financial year ended December 31, 2013.

Additional information regarding the Company is available on the SEDAR website located at www.sedar.com, the Company's corporate website located at www.auriniapharma.com.com or upon request addressed to Michael Martin, Chief Operating Officer, at #1203, 4464 Markham Street, Victoria, British Columbia V8Z 7X8. Except when the Company's securities are in the process of distribution pursuant to a prospectus, the Company may charge reasonable fees if the request is from a person who does not hold any of the Company's securities.

SCHEDULE 1—AUDIT COMMITTEE INFORMATION

1. The Audit Committee's Charter

The Company's Audit Committee Charter is available in the governance section of the Company's website at www.auriniapharma.com and is attached as Schedule 1A to this AIF.

2. Composition of the Audit Committee

Name	Independent	Financially Literate
Dr. Peter Wijngaard (Chair)	Yes	Yes
Daniel S. Park	Yes	Yes
Donald W. Wyatt	Yes	Yes
Kurt von Emster	Yes	Yes

3. Relevant Education and Experience

Peter Wijngaard, Ph.D.

Dr. Peter Wijngaard is the Vice President, Innovation Leader Research & Development for The Medicines Company (Schweiz) GmbH. Prior to this he served as the Senior Director Medical Affairs at ViroPharma Incorporated, and as the Global Alliance Director, Life Cycle Leader in Transplantation, International Medical Manager in Transplantation, and Country Medical Manager Transplantation at Hoffmann-La Roche. He brings extensive experience in the areas of Global Project Leadership, Business Development, Medical Affairs, and Pharmaceutical Marketing. Dr. Wijngaard has a B.Sc. in Clinical Chemistry, and his Ph.D. in Transplantation Immunology from Utrecht University examining the immunological aspects of human heart transplantation. He conducted his Postdoctoral Fellowships at Pharmacia Diagnostics, Inselspital Bern, and Sandoz. He has published extensively in the area of transplant immunology and immunosuppression, with emphasis on the use of mycophenolate mofetil (CellCept®). From 2005 to 2008, Dr. Wijngaard was a member of the Board of Trustees of the Roche Organ Transplant Research Foundation, which supports important and innovative clinically oriented research projects in organ transplantation. During his tenure, the Foundation managed a total of 67.5 million Swiss Francs donated by F. Hoffmann-La Roche Ltd.

Daniel Park

Mr. Park is currently the President of ILJIN Group. He started his management career with ETEX Corp, an advanced biomaterials company focusing on products that promote bone repair and enable controlled delivery therapies in 1988. ETEX is one of the subsidiaries of ILJIN Group, and Mr. Park has since worked in numerous ILJIN Group companies including ILJIN Display Co., Ltd. and ILJIN Diamond Co., Ltd. in senior management positions. He is presently in the Planning Office of ILJIN Group which contains multiple sub companies ranging from the Jeonju Television Co., Ltd. to ILJIN Electricity Co., Ltd.

Mr. Park holds Masters of Business Administration (University of California at Los Angeles), along with a Masters and a Bachelor's degree in Economics from Seoul National University.

Donald W. Wyatt, B.S., J.D.

Donald Wyatt has over 20 years of experience in the pharmaceutical industry, including research and legal representation. He has worked in research in large pharmaceutical companies, as an attorney in a law firm, and as in-house patent and general legal counsel. Mr. Wyatt is founder of The Wyatt Group, a consulting firm serving companies worldwide in strategic transactions, relationships and intellectual property strategies.

Kurt von Emster

Mr. von Emster has been an institutional biotechnology and health care analyst and portfolio manager for over 20 years. Mr. von Emster is a Managing Partner of venBio. He is a member of the board of directors of Cytos AG and CymaBay Therapeutics, Inc., a former member of the board of Somaxon Pharmaceuticals Inc. (sold to Pernix Therapeutics in 2013) and Facet Biotech Corporation (sold to Abbott Laboratories in 2010), and a former board observer of Acceleron Pharma. Mr. von Emster's investment career started in 1989 at Franklin Templeton where he founded and managed several health and biotechnology funds in the 1990s, each achieving a 5-star Morningstar ranking. In 2000, he was managing over $2B in biotech and health care funds for Franklin Templeton. In 2001, Mr. von Emster became a General Partner at MPM Capital, a leading biotechnology private equity firm, and launched the MPM BioEquities Fund, a cross over public and private biotechnology hedge fund. He was the portfolio manager of this fund from inception in 2001 until his departure in 2009. He also co-founded the MPM Biogen Idec Strategic Fund during his tenure at MPM. Mr. von Emster is located in the San Francisco office.

External Auditor Service Fees (By Category)

The aggregate fees recorded for professional services rendered by PricewaterhouseCoopers LLP for the Company and its subsidiaries for the years ended December 31, 2013 and 2012, respectively are as follows:

Fiscal year ended	2013	2012
Audit fees (for audit of the Company's annual financial statements and services provided in connection with statutory and regulatory filings)(1)	$ 79,380	$24,893
Audit related fees, including review of the Company's quarterly financial Statements(2)	$ 46,725	$15,645
Tax fees (tax compliance, tax advice and planning)(3)	$ 5,250	$ 5,145
All other fees (4)	$ 26,775	$ 1,260
Total fees	**$158,130**	**$46,943**

(1) These fees include professional services provided by the external auditor for the statutory audits of the annual financial statements.
(2) These fees relate to consulting on financial accounting and reporting standards and issues and performing review engagement services on the Company's quarterly financial statements.
(3) These fees include professional services for tax compliance, tax advice, tax planning and advisory services relating to the preparation of corporate tax, capital tax and commodity tax returns.
(4) These fees include professional services for reporting and fling requirements related to the Plan of Arrangement with Aurinia Pharma Corp.

SCHEDULE 1A—AUDIT COMMITTEE CHARTER

AURINIA PHARMACEUTICALS INC.

AUDIT COMMITTEE CHARTER

The term "**Company**" refers to Aurinia Pharmaceuticals Inc., the term "**Board**" refers to the board of directors of the Company.

PURPOSE

The Audit Committee (the "**Committee**") is a standing committee appointed by the Board to assist the Board in fulfilling its oversight responsibilities with respect to the Company's financial reporting including responsibility to:

- oversee the integrity of the Company's consolidated financial statements and financial reporting process, including the audit process and the Company's internal accounting controls and procedures and compliance with related legal and regulatory requirements;
- oversee the qualifications and independence of the Company's external auditors;
- oversee the work of the Company's financial management and external auditors in these areas; and
- provide an open avenue of communication between the external auditors, and the Board and the officers (collectively, "**Management**") of the Company.

In addition, the Committee will review and/or approve any other matter specifically delegated to the Committee by the Board.

COMPOSITION AND PROCEDURES

In addition to the procedures and powers set out in any resolution of the Board, the Committee will have the following composition and procedures:

1. Composition

The Committee shall consist of no fewer than three (3) members. None of the members of the Committee shall be an officer or employee of the Company or any of its subsidiaries, and each member of the Committee shall be an "independent director" (in accordance with the definition of "independent director" established from time to time under the requirements or guidelines for audit committee service under applicable securities laws and the rules of any stock exchange on which the Company's shares are listed for trading).

2. Appointment and Replacement of Committee Members

Any member of the Committee may be removed or replaced at any time by the Board and shall automatically cease to be a member of the Committee upon ceasing to be a director. The Board may fill vacancies on the Committee by election from among its members. The Board shall fill any vacancy if the membership of the Committee is less than three directors. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its power so long as a quorum remains in office. Subject to the foregoing, the members of the Committee shall be elected by the Board annually and each member of the Committee shall hold office as such until the next annual meeting of shareholders after his or her election or until his or her successor shall be duly elected and qualified.

3. Financial literacy

All members of the Committee should be "financially literate" (as that term is interpreted by the Board in its reasonable judgment or as may be defined from time to time under the requirements or guidelines for audit committee service under securities laws and the rules of any stock exchange on which the Company's shares are listed for trading) or must become financially literate within a reasonable period of time after his or her appointment to the Committee.

4. Separate Executive Meetings

The Committee will endeavour to meet at least once every quarter, if required, and more often as warranted, with the Chief Financial Officer and the external auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately.

5. Professional Assistance

The Committee may retain special legal, accounting, financial or other consultants to advise the Committee at the Company's expense.

6. Reliance

Absent actual knowledge to the contrary (which will be promptly reported to the Board), each member of the Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside the Company from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations and (iii) representations made by the Chief Financial Officer, the Company, senior management and the external auditors, as to any information, technology, internal audit and other non-audit services provided by the external auditors to the Company and its subsidiaries.

7. Review of Charter

The Committee will periodically review and reassess the adequacy of this Charter as it deems appropriate and recommend changes to the Board. The Committee will evaluate its performance with reference to this Charter. The Committee will approve the form of disclosure of this Charter, where required by applicable securities laws or regulatory requirements, in the annual proxy circular or annual report of the Company.

8. Delegation

The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.

9. Reporting to the Board

The Committee will report through the Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter.

SPECIFIC MANDATES OF THE COMMITTEE

The Committee will:

I. In Respect of the Company's External Auditors

(a) review the performance of the external auditors of the Company who are accountable to the Committee and the Board as the representatives of the shareholders of the Company, including the lead partner of the independent auditor team and make recommendations to the Board as to the reappointment or appointment of the external auditors of the Company to be proposed in the Company's proxy circular for shareholder approval and shall have authority to terminate the external auditors;

(b) review the reasons for any proposed change in the external auditors of the Company which is not initiated by the Committee or Board and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed replacement auditors before making its recommendation to the Board;

(c) approve the terms of engagement and the compensation to be paid by the Company to the Company's external auditors;

(d) review the independence of the Company's external auditors, including a written report from the external auditors respecting their independence and consideration of applicable auditor independence standards;

(e) approve in advance all permitted non-audit services to be provided to the Company or any of its affiliates by the external auditors or any of their affiliates, subject to any *de minimus* exception allowed by applicable law; the Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals required by this subsection;

(f) review the disclosure with respect to its pre-approval of audit and non-audit services provided by the Company's external auditors;

(g) approve any hiring by the Company or its subsidiaries of employees or former employees of the Company's external auditors;

(h) review a written or oral report describing:

(i) critical accounting policies and practices to be used in the Company's annual audit,

(ii) alternative treatments of financial information within generally accepted accounting principles that have been discussed with Management and that are significant to the Company's consolidated financial statements, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors, and

(iii) other material written communication between the Company's external auditors and Management, such as any management letter or schedule of unadjusted differences;

(i) review with the external auditors and Management the general audit approach and scope of proposed audits of the consolidated financial statements of the Company, the objectives, staffing, locations, co-ordination and reliance upon Management in the audit, the overall audit plans, the audit procedures to be used and the timing and estimated budgets of the audits;

(j) if a review engagement report is requested of the external auditors, review such report before the release of the Company's interim consolidated financial statements;

(k) discuss with the external auditors any difficulties or disputes that arose with Management during the course of the audit, any restrictions on the scope of activities or access to requested information and the adequacy of Management's responses in correcting audit-related deficiencies;

II. In Respect of the Company's Financial Disclosure

(a) review with the external auditors and Management:

(i) the Company's audited consolidated financial statements and the notes and Managements' Discussion and Analysis relating to such consolidated financial statements, the annual report, the annual information form, the financial information of the Company contained in any prospectus or information circular or other disclosure documents or regulatory filings of the Company, the recommendations for approval of each of the foregoing from each of the Chairman of the Board, President and Chief Executive Officer, and Chief Financial Officer of the Company and based on such recommendations provide, where applicable, its own recommendations to the Board for their approval and release of each of the foregoing to the public;

(ii) the Company's interim consolidated financial statements and the notes and Managements' Discussion and Analysis relating to such consolidated financial statements, the recommendations for approval of each of the foregoing from each of the Chairman of the Board, President and Chief Executive Officer, and Chief Financial Officer of the Company and based on such recommendations provide, where applicable, its own recommendations to the Board for their approval and release of each of the foregoing to the public;

(iii) the quality, appropriateness and acceptability of the Company's accounting principles and practices used in its financial reporting, changes in the Company's accounting principles or practices and the application of particular accounting principles and disclosure practices by Management to new transactions or events;

(iv) all significant financial reporting issues and judgments made in connection with the preparation of the Company's consolidated financial statements, including the effects of alternative methods in respect of any matter considered significant by the external auditor within generally accepted accounting principles on the consolidated financial statements and any "second opinions" sought by Management from an independent or other audit firm or advisor with respect to the accounting treatment of a particular item;

(v) the effect of regulatory and accounting initiatives on the Company's consolidated financial statements and other financial disclosures;

(vi) any reserves, accruals, provisions or estimates that may have a significant effect upon the consolidated financial statements of the Company;

(vii) the use of special purpose entities and the business purpose and economic effect of off balance sheet transactions, arrangements, obligations, guarantees and other relationships of the Company and their impact on the reported financial results of the Company;

(viii) any legal matter, claim or contingency that could have a significant impact on the consolidated financial statements, the Company's compliance policies and any material reports, inquiries or other correspondence received from regulators or governmental agencies and the manner in which any such legal matter, claim or contingency has been disclosed in the Company's consolidated financial statements;

(ix) review the treatment for financial reporting purposes of any significant transactions that are not a normal part of the Company's operations;

(x) the use of any "pro forma" or "adjusted" information not in accordance with generally accepted accounting principles;

(b) review and resolve disagreements between Management and the Company's external auditors regarding financial reporting or the application of any accounting principles or practices;

(c) review earnings press releases, as well as financial information and earnings guidance provided to analysts and ratings agencies, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each earnings release or each instance in which the Company gives earning guidance;

(d) establish and monitor procedures for the receipt and treatment of complaints received by the Company regarding accounting, internal accounting controls or audit matters and the anonymous submission by employees of concerns regarding questionable accounting or auditing matters and review periodically with the Management these procedures and any significant complaints received; and

(e) review and discuss the Company's major financial risk exposures and the steps taken to monitor and control such exposures, including the use of any financial derivatives and hedging activities.

III. In Respect of Insurance

(a) review periodically insurance programs relating to the Company and its investments;

IV. In Respect of Internal Controls

(a) review the adequacy and effectiveness of the Company's internal accounting and financial controls based on recommendations from Management and the external auditors for the improvement of accounting practices and internal controls;

(b) oversee compliance with internal controls and the Code of Business Conduct;

V. In respect of Other Items

(a) on an annual basis review and assess committee member attendance and performance and report thereon to the Board and review this Charter and, if required implement amendments to this Charter;

(b) on a quarterly basis review compliance with the Disclosure Policy of the Company; and

(c) on a quarterly basis review any related-party transactions.

OVERSIGHT FUNCTION

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's consolidated financial statements are complete and accurate or are in accordance with IFRS and applicable rules and regulations. These are the responsibilities of Management and the Company's external auditors. The Committee, its Chair and any Committee members identified as having accounting or related financial expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Company, and are specifically not accountable or responsible for the day-to-day operation or performance of such activities. Although the designation of a Committee member as having accounting or related financial expertise for disclosure purposes or otherwise is based on that individual's education and experience which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Committee member who is identified as having accounting or related financial expertise, like the role of all Committee members, is to oversee the process, not to certify or guarantee the internal or external audit of the Company's financial information or public disclosure.

Exhibit 99.17

Isotechnika Pharma Inc.

Consolidated Financial Statements
December 31, 2012 and 2011

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of **Isotechnika Pharma Inc.** are the responsibility of management.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and reflect and, where appropriate, management's best estimates and judgments based on currently available information. Management has prepared the financial information presented elsewhere in the Management's Discussion and Analysis and has ensured it is consistent with the consolidated financial statements.

The Company maintains systems of internal accounting and administrative controls. These systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors exercises its responsibility over the consolidated financial statements and over financial reporting and internal controls principally through the Company's Audit Committee. The Board appoints the Audit Committee and its members are outside and unrelated directors. The Audit Committee meets periodically with management, to discuss internal controls over the financial reporting process and financial reporting issues and to satisfy itself that each party is properly discharging its responsibilities. The Audit Committee reviews the annual consolidated financial statements with both management and the independent auditors and reports its findings to the Board of Directors before such statements are approved by the Board. The Audit Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, the Company's independent auditors, in accordance with Canadian Auditing Standards on behalf of the shareholders. Their report outlines the scope of their audit and gives their opinion on the consolidated financial statements. PricewaterhouseCoopers LLP has full and free access to the Audit Committee.

(Signed) "Robert Foster", Ph.D.
Chief Executive Officer

(Signed) "Dennis Bourgeault", C.A.
Chief Financial Officer

Edmonton, Alberta
April 3, 2013

April 3, 2013

Independent Auditor's Report

To the Shareholders of
Isotechnika Pharma Inc.

We have audited the accompanying consolidated financial statements of Isotechnika Pharma Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
TD Tower, 10088 102 Avenue NW, Suite 1501, Edmonton, Alberta, Canada T5J 3N5
T: +1 780 441 6700, F: +1 780 441 6776

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Isotechnika Pharma Inc. and its subsidiaries as at December 31, 2012 and 2011 and their financial performance and their cash flows for the years the ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Isotechnika Pharma Inc.'s ability to continue as a going concern.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

Isotechnika Pharma Inc.
Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	December 31, 2012 $	December 31 2011 $
Assets		
Current assets		
Cash and cash equivalents (note 6)	184	6,048
Accounts receivable (note 7)	183	285
Prepaid expenses and deposits	75	199
Derivative financial asset (note 5)	—	1,960
	442	8,492
Non-current assets		
Property and equipment (note 8)	88	663
Intangible assets (note 9)	3,016	3,249
Investment (note 13)	592	—
Derivative financial asset (note 5)	—	2,218
Total assets	4,138	14,622
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	1,573	768
Drug supply payable (note 11 and note 25)	1,698	—
Current portion of finance lease liability (note 12)	36	45
Current portion of deferred revenue (note 13)	338	1,246
Current portion of deferred lease inducements	8	16
Derivative financial liability (note 24)	—	96
	3,653	2,171
Non-current liabilities		
Deferred revenue (note 13)	2,593	5,860
Finance lease liability (note 12)	—	36
Deferred lease inducements	—	9
	6,246	8,076
Shareholders' equity (deficit)		
Share capital		
Common shares (note 14)	203,645	203,131
Warrants (note 14)	415	171
Contributed surplus	9,794	9,519
Deficit	(215,962)	(206,275)
Total shareholders' equity (deficit)	(2,108)	6,546
Total liabilities and shareholders' equity (deficit)	4,138	14,622

Going concern (note 2)
Commitments and contingencies (note 22)
Subsequent events (note 25)

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board

(Signed) "Prakash Gowd" Director

(Signed) "Peter Wijngaard" Director

Isotechnika Pharma Inc.
Consolidated Statements of Operations and Comprehensive Loss
For the years ended December 31, 2012 and 2011

(in thousands of Canadian dollars, except per share data)

	2012 $	2011 $
Revenue		
Licensing revenue (note 13)	4,656	309
Research and development revenue (note 13)	111	131
Contract services	59	61
Other (note 13)	1,300	446
	6,126	947
Expenses		
Research and development, net (notes 15 and 16)	5,481	3,549
Corporate and administration (note 16)	3,881	2,802
Amortization of property and equipment	580	710
Amortization of intangible assets	267	271
Contract services	46	52
Other expense (income), net (note 16)	5,558	(3,979)
	15,813	3,405
Net loss for the year	(9,687)	(2,458)
Comprehensive loss for the year	(9,687)	(2,458)
Loss per share (note 18) *(expressed in $ per share)*		
Basic and diluted net loss per common share	(0.05)	(0.01)

The accompanying notes are an integral part of these consolidated financial statements.

Isotechnika Pharma Inc.
Consolidated Statements of Changes in Shareholders' Equity (Deficit)
For the years ended December 31, 2012 and 2011

(in thousands of Canadian dollars)

	Common Shares $	Warrants $	Contributed surplus $	Deficit $	Shareholders' Equity (deficit) $
Balance – January 1, 2011	200,848	171	9,147	(203,817)	6,349
Issue of common shares	2,377	—	—	—	2,377
Share issue costs	(125)	—	—	—	(125)
Exercise of stock options	18	—	(7)	—	11
Exercise of deferred share units	13	—	—	—	13
Stock-based compensation	—	—	379	—	379
Net loss for the year	—	—	—	(2,458)	(2,458)
Balance – December 31, 2011	203,131	171	9,519	(206,275)	6,546
Balance – January 1, 2012	203,131	171	9,519	(206,275)	6,546
Issue of common shares and warrants (note 14)	514	244	—	—	758
Stock-based compensation (note 14)	—	—	275	—	275
Net loss for the year	—	—	—	(9,687)	(9,687)
Balance – December 31, 2012	203,645	415	9,794	(215,962)	(2,108)

The accompanying notes are an integral part of these consolidated financial statements.

Isotechnika Pharma Inc.
Consolidated Statements of Cash Flow
For the years ended December 31, 2012 and 2011

(in thousands of Canadian dollars)

	2012 $	2011 $
Cash flow provided by (used in)		
Operating activities		
Net loss for the year	(9,687)	(2,458)
Adjustments for:		
Amortization of deferred revenue	(4,767)	(440)
Amortization of property and equipment	580	710
Amortization of intangible assets	267	271
Amortization of deferred lease inducements	(17)	(16)
Loss (gain) on derivative financial asset	4,178	(4,178)
Foreign exchange loss related to non-operating activities	33	72
Stock-based compensation	275	379
(Gain) loss on derivative liability	(96)	96
Gain on disposal of property and equipment	(8)	—
	(9,242)	(5,564)
Deferred licensing fees received	—	4,505
Net change in other operating assets and liabilities (note 20)	2,729	(325)
Net cash used in operating activities	(6,513)	(1,384)
Investing activities		
Proceeds on disposal of property and equipment	8	—
Purchase of property and equipment	(5)	(16)
Purchase of intangible assets	—	(1,000)
Patent costs	(34)	(159)
Net cash used in investing activities	(31)	(1,175)
Financing activities		
Proceeds from issuance of common shares, net	758	2,342
Principal payments under capital lease	(45)	(12)
Net cash generated from financing activities	713	2,330
Effect of exchange rate changes on cash and cash equivalents	(33)	(72)
Decrease in cash and cash equivalents	(5,864)	(301)
Cash and cash equivalents – Beginning of year	6,048	6,349
Cash and cash equivalents – End of year	184	6,048

The accompanying notes are an integral part of these consolidated financial statements.

(amounts in tabular columns expressed in thousands of Canadian dollars)

1. Corporate information

Isotechnika Pharma Inc. ("Isotechnika" or the "Company") is a biopharmaceutical company, headquartered in Edmonton, Alberta, Canada. The Company was incorporated pursuant to the *Business Corporations Act* (Alberta). The Company is located at 5120-75 Street, Edmonton, Alberta T6E 6W2. The Company's primary business is the development and commercialization of therapeutic drugs, and in particular its lead drug, voclosporin, which includes obtaining the necessary regulatory approvals and commercializing the drug. The Company has two inactive subsidiary companies, Isotechnika US Inc. and Isotechnika Limited.

2. Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business. The use of these principles may not be appropriate at December 31, 2012 as there are material uncertainties that may cast a significant doubt that the Company will be able to continue as a going concern without raising additional funds.

At December 31, 2012, the Company had $184,000 in cash and cash equivalents, $183,000 in accounts receivable, accounts payable and accrued liabilities totalling $1,573,000, drug supply payable of $1,698,000 and finance lease liability of $36,000. For the year ended December 31, 2012, the Company reported a loss of $9,687,000, a cash outflow from operating activities of $6,513,000, and as at December 31, 2012 had an accumulated deficit of $215,962,000.

In order to undertake further development and commercialization of voclosporin and continue operating, the Company needs to raise funds in the immediate future.

The Company and Aurinia are in the process of merging the two companies, as described in note 25(a). The transaction is subject to certain closing conditions including, among others, the negotiation and completion of a merger agreement, acceptance and approval by the Toronto Stock Exchange, the approval of Isotechnika's shareholders and Isotechnika securing up to $3,000,000 in debt or equity financing satisfactory for it to fulfill its obligations as contemplated by the Term Sheet.

The consolidation of the intellectual property through the merger, and reaching a settlement agreement with ILJIN provides the combined entity with a much higher chance of being able to raise the necessary funding to continue the development of voclosporin for the lupus indication. The Company will also then be able to continue to explore strategic global licensing transactions for the transplant indication.

The Company has also come to terms with Paladin on the drug supply payable, which extends the term of repayment. See note 25(b).

Lastly, the Company is exploring financing options with the intent to secure appropriate working capital allowing the Company to complete its proposed merger.

The outcome of these matters is dependent on a number of factors outside of the Company's control. Given the nature of the biotechnology sector there is no assurance that any new financings or partnerships will materialize on a timely basis or be obtained on favourable terms.

The success of the Company and recoverability of amounts expended on research and development to date, including capitalized intangible assets, is dependent on the ability of the Company and its partners to raise additional cash, then to complete development activities, receive regulatory approval and to be able to commercialize voclosporin in the key markets and indications, whereby the Company can achieve future profitable operations. Depending on the results of the research and development programs and availability of financial resources, the Company may accelerate, terminate, cut back on certain areas of research and development, commence new areas of research and development, or curtail certain or all of the Company's operations.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues and expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

(amounts in tabular columns expressed in thousands of Canadian dollars)

3. Basis of preparation

(a) Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on April 3, 2013.

(b) Basis of measurement

The consolidated financial statements have been prepared on a going concern and historical cost basis, except for financial derivatives which are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

4. Summary of significant accounting policies

Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries; Isotechnika Limited (inactive) and Isotechnika U.S., Inc. (inactive). All intercompany balances and transactions have been eliminated upon consolidation.

Translation of foreign currencies

The monetary assets and liabilities of Canadian operations denominated in a foreign currency are translated into Canadian dollars at rates of exchange in effect at the end of the period. Revenues and expenses related to monetary assets and liabilities are translated at average rates of exchange during the period. Exchange gains and losses arising on translation are included in the statement of operations and comprehensive income (loss).

Revenue recognition

Payments received under collaboration agreements may include upfront payments, milestone payments, contract services, royalties and license fees. Revenues for each unit of accounting are recorded as described below:

Licensing and research and development revenues

The Company is currently in a phase in which certain potential products are being further developed jointly with strategic partners. Licensing agreements usually include one-time payments (upfront payments), payments for research and development services in the form of cost reimbursements, milestone payments and royalty receipts. Revenues associated with those multiple-element arrangements are allocated to the various elements based on their relative fair value.

Agreements containing multiple elements are divided into separate units of accounting if certain criteria are met, including whether the delivered element has stand-alone value to the customer and whether there is objective and reliable evidence of the fair value of the undelivered obligation(s). The consideration received is allocated among the separate units based on each unit's fair value, and the applicable revenue recognition criteria are applied to each of the separate units.

License fees representing non-refundable payments received at the time of signature of license agreements are recognized as revenue upon signature of the license agreements when the Company has no significant future performance obligations and collectability of the fees is assured. Upfront payments received at the beginning of licensing agreements are deferred and recognized as revenue on a systematic basis over the period during which the related services are rendered and all obligations are performed.

(amounts in tabular columns expressed in thousands of Canadian dollars)

Milestone payments

Milestone payments, which are generally based on developmental or regulatory events, are recognized as revenue when the milestones are achieved, collectability is assured, and when the Company has no significant future performance obligations in connection with the milestones.

Contract services

Revenues from contract services are recognized as services to be provided are rendered, the price is fixed or determinable and collection is reasonably assured.

Royalty payments

Royalty income is recognized on the accrual basis in accordance with the substance of the relevant agreement.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

Drug inventory

Drug inventory is stated at the lower of cost and net realizable value. Cost is determined using the specific identification method. The cost of drug inventory comprises of the cost of the drug composition (API) and costs to convert API into capsules. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Property and equipment

Property and equipment are stated at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The carrying amount of a replaced asset is derecognized when replaced. Repair and maintenance costs are charged to the statement of operations during the period in which they are incurred.

The major categories of property and equipment are amortized on a straight-line basis as follows:

Leasehold improvements	Term of the lease
Scientific equipment	20%
Office equipment and furniture	20%
Computer equipment and software	33.3%

Intangible assets

External patent costs specifically associated with the preparation, filing and obtaining of patents are capitalized and amortized straight-line over the shorter of the estimated useful life and the patent life, commencing in the year of the grant of the patent. In-house and other intellectual property expenditures are recorded as research and development expenses on the statement of operations and comprehensive loss as incurred.

Purchased intellectual property rights are capitalized and amortized on a straight-line basis in the statement of operations over the shorter of the estimated useful life of 15 years and the patent life.

Impairment of non-financial assets

Property and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

(amounts in tabular columns expressed in thousands of Canadian dollars)

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash are valued based on the fair value of services received.

Proceeds on the issue of common share purchase warrants (warrants) are recorded as a separate component of equity. Costs incurred on the issue of warrants are netted against proceeds. Warrants issued with common shares are measured at fair value at the date of issue using the Black-Scholes pricing model, which incorporates certain input assumptions including the warrant price, risk-free interest rate, expected warrant life and expected share price volatility. The fair value is included as a component of equity and is transferred from warrants to common shares on exercise.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are assessed by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Stock-based compensation

The Company records stock-based compensation related to employee stock options granted using the fair value at the date of grant and expensed, as employee benefits, over the period in which employees unconditionally become entitled to the award. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related services and non-market performance conditions at the vesting date. The corresponding charge is to contributed surplus. Any consideration paid on the exercise of stock options is credited to share capital.

Leases

Operating lease payments are recognized in net income (loss) on a straight-line basis over the term of the lease.

Lease inducements arising from leasehold improvement allowances form part of the total lease cost and are deferred and recognized in net income (loss) over the term of the lease on a straight line basis**.**

The Company leases specific computer equipment under a finance lease. Leases of equipment where the Company has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of fair value of the leased equipment and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The equipment acquired under the finance lease is amortized over the expected useful life of the asset.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the statement of operations and comprehensive loss except to the extent that it relates to items recognized directly in shareholders' equity, in which case the income tax is also recognized directly in shareholders' equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax assets and liabilities are presented as non-current.

(amounts in tabular columns expressed in thousands of Canadian dollars)

Earnings (loss) per share

Basic earnings (loss) per share ("EPS") is calculated by dividing the net income (loss) for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The Company's potentially dilutive common shares comprise stock options granted to employees and warrants.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

A derivative is a financial instrument whose value changes in response to a specified variable, requires little or no net investment and is settled at a future date.

At initial recognition, the Company classifies its financial instruments in the following categories:

i) Financial assets and liabilities at fair value through profit or loss: a financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term.

   Derivatives are also included in this category unless they are designated as hedges. The Company has used derivatives in the form of foreign exchange collars to manage foreign exchange risk. The Company also had a derivative related to the share purchase rights granted to ILJIN Life Science Co., Ltd. ("ILJIN").

   Financial instruments in this category are recognized initially and subsequently at fair value. Gains and losses arising from changes in fair value are presented in the consolidated statement of operations and comprehensive loss within other income (expenses) in the period in which they arise.

ii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

iii) Available for sale financial assets: The investment in Aurinia is an equity investment and is classified as available-for-sale. Available for sale assets are non-derivative financial assets that are designated as available for sale and are not categorized into any of the other categories described above. They are initially recognized at fair value including direct and incremental transaction costs. They are subsequently recognized at fair value. Gains and losses arising from changes in fair value are included as a separate component of equity until sale, when the cumulative gain or loss is transferred to the statement of operations. Interest is determined using the effective interest method, and impairment losses and translation differences on monetary items are recognized in the statement of operations.

iv) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade payables and finance lease liability. Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Impairment of financial assets

Financial assets carried at amortized cost

At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if,

there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the consolidated statement of earnings. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For practical reasons, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

Financial assets classified as available for sale

At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. For equity investments classified as available for sale, the Company uses the criteria referred to in financial assets carried at amortized cost as well as the consideration of a significant or prolonged decline in the fair value of the security below its cost which is also evidence that the assets are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in the consolidated statement of operations on equity instruments are not reversed through the consolidated statement of operations.

Recent changes in accounting standards

IFRS 7, *Financial Instruments: Disclosures*, has been amended to include additional disclosure requirements in the reporting of transfer transactions and risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The amendment is applicable for annual periods beginning on or after July 1, 2011, and had no significant impact on the Company's disclosures.

Accounting standards and amendments issued but not yet adopted

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company has not yet assessed the impact of these standards and amendments or determined whether it will early adopt them.

(i) IFRS 9, *Financial Instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

(ii) IFRS 10, *Consolidated Financial Statements*, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces *SIC-12, Consolidation – Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements.*

(iii) IFRS 13, *Fair Value Measurement*, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid

to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

(iv) IAS 1, *Presentation of Financial Statements*, has been amended to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted.

5. Critical accounting estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS often requires management to make estimates about and apply assumptions or subjective judgment to future events and other matters that affect the reported amounts of the Company's assets, liabilities, revenues, expenses and related disclosures. Assumptions, estimates and judgments are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's consolidated financial statements are prepared. Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates and judgments in order to ensure that the consolidated financial statements are presented fairly and in accordance with IFRS.

Critical accounting estimates and judgments are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustment.

Management considers the following areas to be those where critical accounting policies affect the significant judgments and estimates used in the preparation of the Company's consolidated financial statements.

Critical judgments in applying the Company's accounting policies

Revenue recognition

Management's assessments related to the recognition of revenues for arrangements containing multiple elements are based on estimates and assumptions. Judgment is necessary to identify separate units of accounting and to allocate related consideration to each separate unit of accounting. Where deferral of upfront payments or license fees is deemed appropriate, subsequent revenue recognition is often determined based upon certain assumptions and estimates, the Company's continuing involvement in the arrangement, the benefits expected to be derived by the customer and expected patent lives. To the extent that any of the key assumptions or estimates change future operating results could be affected (see also note 13).

Impairment of intangible assets

The Company follows the guidance of IAS 36 to determine when impairment indicators exist for its intangible assets. When impairment indicators exist, the Company is required to make a formal estimate of the recoverable amount of its intangible assets. This determination requires significant judgement. In making this judgment, management evaluates external and internal factors, such as significant adverse changes in the technological, market, economic or legal environment in which the Company operates as well as the results of its ongoing development programs. Management also considers the carrying amount of the Company's net assets in relation to its market capitalization, as a key indicator. In making a judgment as to whether impairment indicators exist at December 31, 2012, management concluded that there were none.

Critical accounting estimates and assumptions

Impairment of financial assets

A financial asset is impaired, and an impairment loss recorded, if there is objective evidence of impairment as result of one or more events that occurred after initial recognition of the asset, and that event has an impact on estimated future cash flows of the financial asset. At December 31, 2012, the Company had booked an impairment provision against the full amount owing from its partner Lux Biosciences, Inc. ("Lux") of US$1,300,000, as further described in note 13(b). In making this assessment, management determined that Lux was experiencing financial difficulties during the year as it was not able to make payments in accordance with the original terms of the agreement, and sought to renegotiate terms. Further, on December 27, 2012, Lux failed to meet the primary endpoint in its phase three uveitis trial, which is a significant event further impacting Lux's financial condition. As a result, the Company does not expect any future cash inflows from this asset.

(amounts in tabular columns expressed in thousands of Canadian dollars)

Drug inventory

Inventories are measured at the lower of cost and net realizable value. Determining net realizable value involves significant judgment. The Company's drug (voclosporin) is still in development and has not been commercialized for any indication at this time. Given the uncertainty with respect to commercial sales of the drug compound and finished capsules, and that the only current use of the inventory is for clinical trials, management has determined that a reserve should be recognized against the entire amount of inventory at December 31, 2012. This resulted in an expense being recorded into research and development expenses in the statement of operations and comprehensive loss of $2,741,000. Should a future market materialize for the Company's inventory, this reserve, or some portion of it, may be reversed in the future.

Fair value of stock options

Determining the fair value of stock options, including performance based options, requires judgment related to the choice of a pricing model, the estimation of stock price volatility, expected term of the underlying instruments and the probability factors of success in achieving the objectives used for the performance based options used. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results, liabilities or other components of shareholders' equity.

Fair value of financial derivative asset

Pursuant to the Development, Distribution & Licensing Agreement ("DDLA") with ILJIN, ILJIN was entitled to acquire a fixed number of common shares for a fixed US dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of operations and comprehensive loss as they arise. At December 31, 2011 the Company recorded the fair value of $4,178,000 and recorded a non-cash gain on derivative financial asset. The derivative was separated on the basis of the stated terms of the share purchase rights in the DDLA which resulted in $1,960,000 presented in current assets and $2,218,000 in non-current assets. Management had estimated the fair value of the derivative asset at December 31, 2011 considering all factors that would impact the fair value. The Company used a 50% probability weighting factor as at December 31, 2011 as to the whether ILJIN would make the payment as required on or before January 28, 2012 and as result recorded a fair value change of $4,178,000 as a non-cash gain on derivative financial asset in 2011.

ILJIN did not make the required payment, resulting in a dispute that led to arbitration. The Company, Aurinia and ILJIN, subsequent to year end, have entered into a definitive tripartite agreement as more fully described in note 25. Accordingly the fair value of the financial derivative asset has been assessed to be $nil at December 31, 2012 and accordingly the Company has recorded a loss on financial derivative asset of $4,178,000 in other expense (income) in the statement of operations and comprehensive loss for the year ended December 31, 2012.

6. Cash and cash equivalents

	December 31, 2012 $	December 31, 2011 $
Cash at bank and on hand	184	3,546
Short-term bank deposits	—	2,502
	184	6,048

Interest rates on short-term bank deposits at December 31, 2011 ranged between 0.85% and 1.00%.

(amounts in tabular columns expressed in thousands of Canadian dollars)

7. Accounts receivable

	December 31, 2012 $	December 31, 2011 $
Trade receivables	29	46
Accrued receivables	1	18
Research tax credits recoverable	135	192
Sales tax recoverable	18	29
	183	285

8. Property and equipment

	Leasehold Improvements $	Scientific Equipment $	Office Equipment, Furniture and Other $	Computer Equipment and Software $	Total $
Year ended December 31, 2011					
At January 1, 2011	1,199	45	18	2	1,264
Additions	—	—	—	109	109
Disposals					
Amortization	(667)	(20)	(14)	(9)	(710)
At December 31, 2011	532	25	4	102	663
At December 31, 2011					
Cost	6,007	3,829	528	702	11,066
Accumulated amortization	(5,475)	(3,804)	(524)	(600)	(10,403)
Net book value	532	25	4	102	663
Year ended December 31, 2012					
At January 1, 2012	532	25	4	102	663
Additions	—	3	—	2	5
Disposals	—	—	—	—	—
Amortization	(527)	(13)	(3)	(37)	(580)
Net book value	5	15	1	67	88
At December 31, 2012					
Cost	6,007	3,671	526	697	10,901
Accumulated amortization	(6,002)	(3,656)	(525)	(630)	(10,813)
Net book value	5	15	1	67	88

Computer equipment and software includes computer equipment under a finance lease which has a net book value of $56,000 at December 31, 2012 ($87,000 at December 31, 2011). Computer software is used in conjunction with the computer equipment.

(amounts in tabular columns expressed in thousands of Canadian dollars)

9. Intangible assets

	Intellectual Property $	Purchased Intellectual Property $	Total $
Year ended December 31, 2011			
Opening net book value	2,011	—	2,011
Additions	159	1,350	1,509
Amortization for the year	(167)	(104)	(271)
Closing net book value	2,003	1,246	3,249
At December 31, 2011			
Cost	2,667	1,350	4,017
Accumulated amortization	(664)	(104)	(768)
Closing net book value	2,003	1,246	3,249
Year ended December 31, 2012			
Opening net book value	2,003	1,246	3,249
Additions	34	—	34
Amortization for the year	(154)	(113)	(267)
Closing net book value	1,883	1,133	3,016
At December 31, 2012			
Cost	2,701	1,350	4,051
Accumulated amortization	(818)	(217)	(1,035)
Closing net book value	1,883	1,133	3,016

10. Accounts payable and accrued liabilities

	December 31, 2012 $	December 31, 2011 $
Trade payables	1,159	384
Accrued liabilities	315	353
Accrued director fees and payroll taxes	99	31
	1,573	768

11. Drug supply payable

On January 31, 2012 the Company entered into an agreement with Paladin Labs Inc. (“Paladin”) which set forth different payment and delivery terms of manufactured Active Pharmaceutical Ingredient (“API”) for previously ordered batches of API pursuant to the terms of the Isotechnika Supply Agreement with Paladin. The obligation for the API was split into three separate payments with the first payment due the later of April 30, 2012 or within five business days of the Company receiving a certificate of analysis from the API manufacturer. Paladin retains title to the unpaid portion of API.

On April 5, 2012, the risks and rewards relating to the API were transferred to the Company, and the Company paid the first instalment of $849,000.

The second payment instalment of $849,000 was initially due on June 30, 2012 with the third and final payment instalment due on September 30, 2012, respectively. Interest is payable on the balance outstanding at 6% per annum. The total remaining balance owing of $1,698,000 is reflected as drug supply payable at December 31, 2012. Subsequent to the year end, Paladin agreed to an amended repayment schedule as described in subsequent event note 25(b)

(amounts in tabular columns expressed in thousands of Canadian dollars)

Drug supply inventory

	$
Drug supply inventory, December 31, 2011	—
Purchase of drug supply-API and packaged capsules	2,741
Reserve	(2,741)
Drug supply inventory, December 31, 2012	—

The Company recorded a reserve of $2,741,000 as at December, 2012 for the drug supply manufactured during the year due to the uncertainty in determining its net realizable value. The drug supply was manufactured for the Company and its partner's clinical trials. In addition, it potentially was available for sale to its partner, Lux Biosciences Inc. (Lux), however, as a result of Lux not meeting the primary endpoint in its Phase 3 uveitis clinical trial, sales to Lux are unlikely to occur.

The cost of the reserve has been recorded in research and development expense in the statement of operations and comprehensive loss, as any future use will likely be related to ongoing development of the drug.

12. Finance lease liability

The lease liability is effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	December 31, 2012 $	December 31, 2011 $
Gross finance lease liability – minimum lease payments:		
– No later than 1 year	37	50
– Later than 1 year and no later than 5 years	—	38
	37	88
Future finance charges on finance lease	(1)	(7)
Present value of finance lease liability	36	81
Current portion of finance lease liability	(36)	(45)
Long-term portion of finance lease liability	—	36

(amounts in tabular columns expressed in thousands of Canadian dollars)

13. Revenue and deferred revenue

	(a) Aurinia $	(b) 3SBio $	(c) Lux $	(d) ILJIN $	(e) Paladin $	Total $
At January 1, 2011	—	1,545	866	—	630	3,041
Deferred licensing fee received	—	—	—	4,505	—	4,505
R&D revenues recognized	—	—	—	—	(131)	(131)
Licensing revenue recognized	—	(132)	(74)	(103)	—	(309)
At December 31, 2011	—	1,413	792	4,402	499	7,106
Current portion – December 31, 2011	—	(131)	(61)	(943)	(111)	(1,246)
Long-term portion – December 31, 2011	—	1,282	731	3,459	388	5,860
At January 1, 2012	—	1,413	792	4,402	499	7,106
Deferred licensing fee received	592	—	—	—	—	592
R&D revenues recognized	—	—	—	—	(111)	(111)
Licensing revenue recognized	(62)	(132)	(60)	(4,402)	—	(4,656)
At December 31, 2012	530	1,281	732	—	388	2,931
Current portion – December 31, 2012	(35)	(131)	(61)	—	(111)	(338)
Long-term portion – December 31, 2012	495	1,150	671	—	277	2,593

Revenue is composed of:

	2012 $	2011 $
Licensing revenue		
Aurinia	62	—
3SBio	132	132
Lux	60	74
ILJIN	4,402	103
	4,656	309
Research and development revenue		
Paladin	111	131
Contract services	59	61
Other	1,300	446
	6,126	947

Licensing and research and development fee revenues represent the amortization of deferred revenue from fee payments received by the Company. The deferred revenue is recorded as revenue as the Company incurs the costs related to meeting its obligations under the terms of the applicable agreements.

(a) Licensing and Collaboration Agreement with Aurinia Pharmaceuticals Inc.

The Company signed a global Licensing and Collaboration Agreement ("LCA") effective December 30, 2011 with Vifor (International) AG ("Vifor"), the specialty pharma company of Switzerland based Galenica Group. The agreement granted Vifor an exclusive license for voclosporin, for the treatment of lupus and all proteinuric nephrology indications (the "Vifor License"). The Vifor License was for the United States and other regions outside of Canada, South Africa, Israel, China, Taiwan and Hong Kong (the "Vifor Territory"). Under the terms of the Agreement, the Company was to receive milestone payments, as well as royalties on commercial sales. In connection with this agreement, Vifor was to purchase voclosporin active pharmaceutical ingredient ("API") from the Company. Vifor was to carry the burden of the costs associated with these clinical trials. On December 13, 2012, the LCA was assigned to Aurinia Development Corp. by Vifor. Aurinia Development Corp. is a subsidiary of Aurinia Pharmaceuticals Inc ("Aurinia").

(amounts in tabular columns expressed in thousands of Canadian dollars)

ILJIN had provided a License Back for the field of lupus and proteinuric kidney diseases for the Territory defined in the ILJIN DDLA of certain rights to the Company in order for these rights to be licensed to Vifor specifically for the indications of lupus and proteinuric kidney disease, in return for certain milestones and royalties to be paid by Vifor.

On December 10, 2012 pursuant to this agreement, the Company received as a milestone payment, an investment in Aurinia. Aurinia issued the Company a share certificate representing 10% of the common shares of Aurinia. Aurinia had the option of granting the Company these shares or $592,000 in cash (US$600,000). The Company determined that the fair value of the shares in Aurinia approximated $592,000 and therefore recorded the value of the investment in Aurinia shares at $592,000. The Company has recorded this milestone payment as deferred revenue upon receipt. Under the LCA, the primary substantive obligations of the Company were to maintain the patent portfolio and pay for drug supply if costs exceed a certain amount. Deferred revenue has been amortized into licensing revenue as the Company incurs the costs related to meeting its obligations under the LCA as at December 31, 2012.

Subsequent to year end, the Company entered into a term sheet to merge with Aurinia and a tripartite settlement agreement between the Company, ILJIN and Aurinia as more fully described in Subsequent Events (note 25(a)).

(b) Development, Distribution and License Agreement with 3SBio, Inc.

On August 23, 2010, the Company and 3SBio, Inc. (“3SBio”) completed a Development, Distribution and License Agreement for voclosporin for the territories of China, Hong Kong and Taiwan. The transaction with 3SBio included a non-refundable licensing fee of $1,578,000 (US$1,500,000) which was originally recorded as deferred revenue.

Under the agreement, the primary substantive obligations of the Company are to grant the license and transfer intellectual knowledge to 3SBio. Management believes it had fulfilled these obligations by December 31, 2010. However, under the agreement, the Company is also required to maintain the patent portfolio in China, Taiwan and Hong Kong, and to provide further support and cooperation to 3SBio over the life of the agreement, which coincides with the life of the patents. Any additional assistance which may be provided to 3SBio will be performed on a full cost recovery basis. For accounting purposes, when services are to be performed by an indeterminate number of acts over a specific period of time, revenue is recognized on a straight-line basis over this future period. As a result, the balance in deferred revenue at January 1, 2011 is being amortized into licensing revenue on a straight-line basis to 2022 as the Company incurs patent maintenance costs.

(c) Development, Distribution and License Agreement with Lux Biosciences, Inc.

Upon signing a Distribution and License Agreement with Lux Biosciences, Inc. (“Lux”) in 2006, Isotechnika Inc. received an upfront payment of $3,320,000 (US$3,000,000) which was recorded as deferred revenue. The balance of deferred revenue at January 1, 2011 is being recorded as revenue on a straight line basis as the Company incurs costs to 2024 relating to meeting its remaining obligation, which consists of maintaining the patent portfolio. In late December, 2012 the Company received notice from Lux that its Phase 3 clinical trial using voclosporin for the treatment of non-infectious uveitis did not meet its primary endpoint. As a result, it is uncertain as to whether Lux will proceed with the development of voclosporin for ophthalmic diseases under this license.

(d) Development, Distribution and License Agreement with ILJIN Life Science Co., Ltd.

Effective January 28, 2011 (the “Effective Date”) the Company completed a Development, Distribution and License Agreement (the “DDLA”) with ILJIN Life Science Co., Ltd. (“ILJIN”) for the further clinical and commercial development of voclosporin for use in transplant indications applicable to voclosporin. The Company granted to ILJIN an exclusive license to voclosporin for transplant and autoimmune indications for the United States and other regions outside of Europe, Canada, Israel, South Africa, China, Taiwan and Hong Kong. The Company retained the rights over voclosporin in Europe for future development and commercialization.

Pursuant to the DDLA, the Company was to receive a total license fee of US$5,000,000. In addition, ILJIN was to purchase 90,700,000 common shares of the Company for gross proceeds of US$19,875,000 in three tranches.

The Company was obligated under the terms of the agreement to complete a single Phase 3 clinical trial for the prevention of kidney transplant rejection. A Joint Steering Committee (“JSC”) with equal membership from the Company and ILJIN was to have been formed to oversee the development and commercialization of voclosporin in the ILJIN territories.

(amounts in tabular columns expressed in thousands of Canadian dollars)

The Company received $4,505,000 (US$4,500,000) of the license fee and the first private placement tranche of $2,377,000 (US$2,375,000) on January 28, 2011 which was the Effective Date of the Agreement. The Company issued 11,500,000 common shares at a price of $0.207 per share (US$0.207) to ILJIN pursuant to the subscription agreement for securities. On or before January 28, 2012 ILJIN was to pay US$500,000 to the Company as the Second Development Payment and purchase 39,600,000 common shares of the Company issued from treasury for an aggregate subscription price of US$8,500,000. On or before January 28, 2013, ILJIN was to purchase the final tranche of 39,600,000 common shares of the Company issued from treasury for an aggregate subscription price of US$9,000,000.

Prior to the January 28, 2012 date, ILJIN verbally indicated their intent to alter the economics of the DDLA. Consequently, payment under the DDLA was not received as required per the agreement of January 28, 2011. The Company on January 30, 2012 notified ILJIN that it was terminating the DDLA. At that time the Company believed that the termination of the original DDLA was valid. As a result, the remaining deferred revenue balance of $4,402,000 was recorded as licensing revenue on January 30, 2012.

The Company received notification in March, 2012 that ILJIN submitted a request for arbitration to the International Chamber of Commerce ("ICC") Court of Arbitration relating to Isotechnika's termination of the DDLA. The Arbitration hearing to determine the Company's right to terminate the agreement was held early in the fourth quarter of 2012.

In November, 2012 the Company received notification from the ICC that a Partial Award regarding its right to terminate the DDLA with ILJIN had been issued to the parties. In the result, the Partial Award provided that the DDLA had not been terminated and, therefore, the Company's contractual relationship with ILJIN still subsisted. As such the Partial Award rejected the Company's interpretation of the DDLA's termination provision.

In January of 2013, ILJIN formally notified Isotechnika and the arbitral tribunal that ILJIN had withdrawn all claims for damages in the parties' pending arbitration.

Subsequent to the year end, the Company, ILJIN and Aurinia entered in to a definitive tripartite settlement agreement whereby the DDLA will be terminated as more fully described in note 25(a).

(e) Plan of Arrangement with Paladin Labs Inc.

Research and development revenues represent the amortization of the deferred monthly research and development fee payments received by the Company from Paladin for the period July 1, 2009 to June 30, 2010, pursuant to the terms of the Research and Development Agreement. Under the agreement, the primary substantive obligations of the Company had been achieved by the Company by December 31, 2010. However, under the agreement, the Company is also required to maintain the patent portfolio in Canada, South Africa and Israel and to provide further support and cooperation to Paladin over the life of the agreement. As a result, the balance in deferred revenue at January 1, 2011 is being amortized into research and development revenue on a straight-line basis over the remaining life of the agreement, which ends in June 2016.

(f) Other revenue

In January, 2012 the Company satisfied an outstanding condition pursuant to an agreement with Lux for the sale of Active Pharmaceutical Ingredient (API) such that $1,323,000 (US$1,300,000) was due and payable in two instalments of $661,000 (US$650,000) each on July 29, 2012 and July 29, 2013, respectively. The Company recorded the sale of API in the amount of $1,300,000 as other income in the first quarter ended March 31, 2012. The Company, in a previous year, had recorded the cost of this API as a research and development expense.

The US$1,300,000 amount is owed by Lux to the Company but the timing and collectability of the amount is uncertain, particularly as a result of Lux not meeting the primary endpoint in the Phase 3 uveitis clinical trial. Therefore, the Company has recorded a provision for doubtful collection of $1,310,000 for the year ended December 31, 2012.

The Company received $446,000 from Lux in the third quarter of 2011 to reimburse the Company for the costs of the midazolam drug interaction clinical study that the Company had completed in the previous year. The payment was triggered as a result of Lux not receiving regulatory approval for the uveitis indication by a specified date. The Company recorded this amount as other revenue as it had no continuing obligations related to this element.

(amounts in tabular columns expressed in thousands of Canadian dollars)

14. Share capital

a) Common shares

Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

Issued	Number of shares (in thousands)	$
Balance at January 1, 2011	162,296	200,848
Issued pursuant to ILJIN agreement (note 13(d))	11,500	2,377
Share issue costs pursuant to ILJIN agreement	—	(125)
Issued on exercise of employee stock options	75	18
Issued on exercise of deferred share units	50	13
Balance at December 31, 2011	173,921	203,131
Balance at January 1, 2012	173,921	203,131
Issued pursuant to Private Placement	18,950	514
Balance at December 31, 2012	192,871	203,645

The Company, pursuant to a non-brokered private placement comprised of two tranches as noted in section b)-Warrants below, raised proceeds of $758,000 by the issuance of 18,950,000 units at a price of $0.04 cents per unit. Each unit consisted of one common share and one non-transferable common share purchase warrant exercisable at $0.05 cents for a period of two years from the closing dates. No commissions or finder's fees were paid. The fair value attributed to the warrants was $244,000 with $514,000 attributed to the common shares issued.

b) Warrants

On October 17, 2012, pursuant to the first tranche of the private placement, the Company issued 15,175,000 warrants to purchase common shares at a price of $0.05 per common share. On October 30, 2012, pursuant to the second tranche of the private placement, the Company issued 3,775,000 warrants to purchase common shares at a price of $0.05 per common share. The warrants have a term of two years from the date of issuance.

The fair value attributed to the warrants using the Black-Scholes option pricing model was $244,000.

The weighted average assumptions used in the Black-Scholes calculation were:

Annualized volatility	70.7%
Risk-free interest rate	1.13%
Contractual life	2 years
Dividend rate	0.0%
Exercise price	$ 0.05
Share price	$ 0.04

On June 18, 2008, pursuant to a debt financing, the Company issued 401,388 warrants to purchase common shares at a price of $1.00 per common share. The warrants have a term of seven years. The fair value attributed to the warrants using the Black-Scholes option pricing model was $171,000.

c) Stock options and compensation expense

On June 28, 2012 the Shareholders of the Company approved the replacement of the two previously existing stock option plans ("the Amended Stock Option Plan" and the "Employee Stock Option Plan") with a single new stock option plan (the "2012 Stock Option Plan") in order to modernize and incorporate the changes to the Toronto Stock Exchange policies and regulations and address recent amendments to applicable Canadian income tax regulations, whereby issuers are required to collect withholding taxes from optionees in connection with option exercises. The stock option plan requires the exercise price of each

(amounts in tabular columns expressed in thousands of Canadian dollars)

option to be determined by the Board of Directors and not to be less than the closing market price of the Company's stock on the day immediately prior to the date of grant. Any options which expire may be re-granted. The Board approves the vesting criteria and periods at its discretion. The options issued under the plans are accounted for as equity-settled share-based payments. The 2012 Stock Option Plan did not impact the terms of existing options.

The maximum number of Common Shares issuable under the 2012 Option Plan is equal to 10% of the issued and outstanding Common Shares at the time the Common Shares are reserved for issuance. As at December 31, 2012 there were 192,871,000 Common Shares of the Company issued and outstanding, resulting in a maximum of 19,287,000 options available for issuance under the 2012 Stock Option Plan. An aggregate total of 16,037,000 options are presently outstanding, representing 8.31% of the issued and outstanding Common Shares of the Company,

A summary of the status of the Company's stock option plans as of December 31, 2012 and 2011 and changes during the years ended on those dates is presented below:

	2012		2011	
	#	Weighted average exercise price $	#	Weighted average exercise price $
Outstanding – Beginning of year	9,376	0.19	4,881	0.62
Granted	8,925	0.07	6,310	0.14
Expired and cancelled	(2,264)	0.32	(1,740)	1.19
Exercised	—	—	(75)	0.15
Outstanding – End of year	16,037	0.11	9,376	0.19
Options exercisable – End of year	8,772	0.12	4,752	0.24

For the year ended December 31, 2012, the Company granted 8,925,000 stock options (2011 – 6,310,000) to the executives, directors and employees of the Company at a weighted average price of $0.07 (2011 – $0.14) per share. The options have a three year term from the date of grant for employees and a term of ten years for executives and directors of the Company. The stock options granted in 2012 vest on a time release basis.

The Company used the Black-Scholes option pricing model to estimate the fair value of the options granted to employees, officers and directors.

The following weighted average assumptions were used to estimate the fair value of the options granted during the years ended December 31, 2012 and 2011:

	2012	2011
Annualized volatility	97.6%	100.3%
Risk-free interest rate	1.26%	1.61%
Expected life of options in years	4.52 years	3.75 years
Estimated forfeiture rate	7.76%	5.85%
Dividend rate	0.0%	0.0%
Exercise price	$ 0.07	$ 0.14
Market price on date of grant	$ 0.07	$ 0.14
Fair value per common share option	$ 0.05	$ 0.09

The Company considers historical volatility of its common shares in estimating its future stock price volatility. The risk-free interest rate for the expected life of the options was based on the yield available on government benchmark bonds with an approximate equivalent remaining term at the time of the grant. The expected time until exercise is based upon the contractual term, taking into account expected employee exercise and expected post-vesting employment termination behaviour.

(amounts in tabular columns expressed in thousands of Canadian dollars)

Application of the fair value method resulted in a charge to stock-based compensation expense of $275,000 (2011 – $379,000) with corresponding credits to contributed surplus. For the year ended December 31, 2012, stock compensation expense has been allocated to research and development expense in the amount of $104,000 (2011 – $137,000) and corporate administration expense in the amount of $171,000 (2011 – $242,000).

The following table summarizes information on stock options outstanding at December 31, 2012:

Options outstanding			Options exercisable
Range of Exercise prices $	Number outstanding # (in thousands)	Weighted average remaining contractual life (years)	Number outstanding # (in thousands)
0.05	225	9.63	225
0.07	8,600	8.23	3,150
0.13 to 0.15	6,740	3.06	5,130
0.315	472	0.38	267
	16,037	5.85	8,772

15. Government assistance

The Company has signed contribution agreements with National Research Council Canada (“NRC”) whereby the NRC has provided government assistance in the form of Industrial Research Assistance Program (“IRAP”) grants to cover specific salaries and contractor fees related to the development of the Company’s non-immunosuppressive cyclosporine analogue molecules (“NICAMs”) program. The Company recorded funding of $58,000 for the year ended December 31, 2012 (2011-$108,000) which has been recognized as a reduction of research and development expenses.

	2012 $	2011 $
Gross research and development expenses	5,675	3,856
Less: Government assistance:		
NRC	(58)	(108)
Alberta refundable research and development tax credits	(136)	(199)
	(194)	(307)
Research and development expenses, net	5,481	3,549

(amounts in tabular columns expressed in thousands of Canadian dollars)

16. Nature of expenses

	2012 $	2011 $
Research and development, net, composed of:		
Drug supply (note 11)	2,741	—
Wages and employee benefits	1,546	1,895
Study contracts, consulting and other outside services	324	791
Rent, utilities and other facility costs	495	483
Gases, chemicals and lab supplies	75	97
Stock compensation expense	104	137
Patent annuity and legal fees	318	309
Insurance	39	45
Other	33	99
	5,675	3,856
Less Government assistance	(194)	(307)
Net research and development expenses	5,481	3,549

	$	$
Corporate and administration composed of:		
Wages and benefits	957	937
Directors fees	177	114
Professional and consulting fees and services	1,871	869
Travel and promotion	284	185
Stock compensation expense	171	242
Trustee fees, filing fees and other public company costs	110	93
Rent, utilities and other facility costs	59	89
Insurance	65	67
Office, data processing, telecommunications and other	188	206
General and administration expenses	3,881	2,802
Other expense (income), net, composed of:		
Financial assets at fair value through profit or loss		
Loss (gain) on derivative financial asset (note 5)	4,178	(4,178)
Finance income		
Interest income on short-term bank deposits	(7)	(10)
Finance costs		
Interest on drug supply payable	51	—
Debt finance fee	45	—
Interest on finance lease	5	1
	101	1
Other		
Provision for doubtful collection of receivable from Lux (note 13(f))	1,310	—
Foreign exchange loss (gain)	(16)	71
Gain on disposal of equipment	(8)	—
Royalty expense	—	137
	1,286	208
	5,558	(3,979)

(amounts in tabular columns expressed in thousands of Canadian dollars)

17. Income taxes

At December 31, 2012, the Company has available non-capital losses in the amount of $21,035,000 (2011 – $11,054,000) to reduce taxable income in future years. The Company has unclaimed investment tax credits of $754,000 (2011 – $499,000) available to reduce future income taxes otherwise payable.

The losses and credits will expire as follows:

	Non-capital losses carried forward $	Federal investment tax credits $
2014	57	—
2015	733	—
2029	4,559	42
2030	3,240	69
2031	2,465	388
2032	9,981	255

At December 31, 2012 and December 31, 2011, temporary differences for which no deferred tax asset was recognized were as follows:

	2012 $	2011 $
Deferred tax assets		
Loss carry forwards	5,258	2,764
Share issue costs	40	59
Deferred revenue	733	1,776
Property and equipment	95	62
Intangible assets	1,331	1,474
Other	17	26
	7,474	6,161
Deferred tax liabilities		
Derivative financial asset	—	(522)
Potential tax assets not recognized	(7,474)	(5,639)
Net deferred tax assets	—	—

Given the Company's past losses, management does not believe that it is more probable than not that the Company can realize its deferred tax assets and therefore it has not recognized any amount in the statement of financial position.

The difference between the expected income tax recovery based on a 25.0% (2011 – 26.5%) Canadian statutory tax rate and the actual income tax recovery is summarized as follows:

	2012 $	2011 $
Expected recovery at the statutory rate	(2,422)	(651)
Non-deductible expenses including stock compensation	67	(373)
Non-deductible portion of capital gain	520	(520)
Impact of substantively enacted rates	—	614
Unrecognized deductible temporary differences	1,835	930
Total income and capital taxes	—	—

(amounts in tabular columns expressed in thousands of Canadian dollars)

18. Loss per common share

Basic and diluted net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding for the year. In determining diluted net loss per common share, the weighted average number of common shares outstanding is adjusted for stock options and warrants eligible for exercise where the average market price of common shares for the year ended December 31, 2012 exceeds the exercise price. Common shares that could potentially dilute basic net loss per common share in the future that could be issued from the exercise of stock options and warrants were not included in the computation of the diluted loss per common share for the years ended December 31, 2012 and December 31, 2011 because to do so would be anti-dilutive.

The numerator and denominator used in the calculation of historical basic and diluted net loss amounts per common share are as follows:

	2012 $	2011 $
Net loss for the year	(9,687)	(2,458)
	# In thousands	# In thousands
Weighted average common shares outstanding	177,619	172,964
	$	$
Loss per common share *(expressed in $ per share)*		
Net loss for the year	(0.05)	(0.01)

The outstanding number and type of securities that would potentially dilute basic loss per common share in the future and which were not included in the computation of diluted loss per share, because to do so would have reduced the loss per common share (anti-dilutive) for the years presented, are as follows:

	2012 # In thousands	2011 # In thousands
Stock options	16,037	9,376
Warrants	19,351	401
Share purchase rights to ILJIN (note 13(d))	79,200	79,200
	114,588	88,977

The Share purchase rights pursuant to the DDLA with ILJIN are included in the potential dilution numbers as at December 31, 2012; however, because of the definitive settlement agreement entered into between ILJIN, Aurinia and the Company subsequent to year end, these rights will be cancelled subject to certain future events. (See subsequent Note 25).

19. Segment disclosures

The Company's operations comprise a single reporting segment engaged in the research, development and commercialization of therapeutic drugs. As the operations comprise a single reporting segment, amounts disclosed in the financial statements represent those of the single reporting unit. In addition, all of the Company's long-lived assets are located in Canada.

(amounts in tabular columns expressed in thousands of Canadian dollars)

The following geographic area data reflects revenue based on customer location.

Geographic information

	2012 $	2011 $
Revenue		
Canada	221	193
United States	1,361	520
China	142	131
Korea	4,402	103
	6,126	947

20. Supplementary cash flow information

Net change in other operating assets and liabilities:

	2012 $	2011 $
Accounts receivable	102	(171)
Prepaid expenses and deposits	124	(82)
Accounts payable and accrued liabilities	805	(72)
Drug supply payable	1,698	—
	2,729	(325)

21. Related parties

Compensation of key management

Key management includes the Board of directors and Officers of the Company.

Compensation awarded to key management was composed of the following:

	2012 $	2011 $
Salaries and short-term employee benefits	1,034	1,022
Director fees accrued or paid	177	114
Consulting fees	—	21
Stock-based compensation	211	241
	1,422	1,398

For 2011, ILJIN was considered a related party as a result of their Board representation, the DDLA and the Company's economic dependence on ILJIN. As a result of ILJIN not making their required payment under the DDLA, the Company notified ILJIN, on January 30, 2012 that it was terminating the DDLA, with ILJIN subsequently filing for arbitration. Upon this notification of termination and the sequestering of the ILJIN nominated Board members, ILJIN ceased to be a related party.

(amounts in tabular columns expressed in thousands of Canadian dollars)

22. Commitments and contingencies

The Company's long-term operating lease for its premises expired on August 31, 2012. The Company, since September 1, 2012 leases the premises on a month-to-month basis with a two month notice period.

Future minimum lease payments for its premises and other purchase obligations are as follows:

	Operating lease $	Purchase obligations $
	(in thousands of Canadian dollars)	
January 1, 2013 – December 31, 2013	76	160
January 1, 2014 – December 31, 2014	—	53
January 1, 2015 – December 31, 2015	—	35
January 1, 2016 – December 31, 2016	—	15
	76	263

The Company has sub-leased certain laboratory and office space in its premises and received sublease payments of $185,000 for the year ended December 31, 2012 which has been netted against rent expense of $484,000. The Company currently receives sublease payments of $15,000 on a month-to-month basis.

Contingencies

i) The Company may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes that the ultimate resolution of such contingencies will not have a material adverse effect on the consolidated financial position of the Company.

ii) The Company entered into indemnification agreements with its officers and directors. The maximum potential amount of future payments required under these indemnification agreements is unlimited. However, the Company does maintain liability insurance to limit the exposure of the Company.

iii) The Company has entered into license and research and development agreements with third parties that include indemnification and obligation provisions that are customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of third party claims or damages arising from these transactions. These provisions may survive termination of the underlying agreement. The nature of the obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any payments under such agreements and no amount has been accrued in the accompanying consolidated financial statements.

iv) The Company and ILJIN incurred legal and other costs related to the arbitration process. The allocation of costs has not yet been determined by the arbitration panel. The Company believes its maximum exposure to costs incurred by ILJIN would not exceed $1,200,000, however, management's assessment is that a cost award in favour of ILJIN is unlikely. Accordingly no provision has been made. Further, upon completion of the transactions contemplated as described in Note 25 (a), all claims by ILJIN against the Company would be dismissed.

23. Capital management

The Company's objective in managing capital is to ensure a sufficient liquidity position to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company defines capital as net equity, comprised of issued common shares, warrants, contributed surplus and deficit.

The Company's objective with respect to its capital management is to ensure that it has sufficient cash resources to maintain its ongoing operations and finance its research and development activities, corporate and administration expenses, working capital and overall capital expenditures.

(amounts in tabular columns expressed in thousands of Canadian dollars)

Since inception, the Company has primarily financed its liquidity needs through public offerings of common shares and private placements. The Company has also met its liquidity needs through non-dilutive sources, such as debt financings, licensing fees from its partners and research and development fees. See note 2 (Going Concern).

There have been no changes to the Company's objectives and what it manages as capital since the prior fiscal year. The Company is not subject to externally imposed capital requirements.

24. Financial instruments and fair values

As explained in Note 4, financial assets and liabilities have been classified into categories that determine their basis of measurement and for items measured at fair value, whether changes in fair value are recognized in the statement of operations or comprehensive loss. Those categories are fair value through profit or loss; loans and receivables; and, for liabilities, amortized cost.

In establishing fair value, the Company used a fair value hierarchy based on levels defined below:

- Level 1: defined as observable inputs such as quoted prices in active markets.
- Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: defined as inputs that are based on little or no observable market data, therefore requiring entities to develop its own assumptions.

The Company has determined that the carrying values of its short-term financial assets and liabilities, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, drug supply payable and finance lease liability, approximate their fair value because of the relatively short period to maturity of the instruments.

Derivative financial assets and liabilities are stated at estimated fair value. The derivative asset related to the ILJIN share purchase rights at December 31, 2011 had been classified into the level 3 category. Note 5 provides additional disclosure regarding this item. The fair value of the investment in Aurinia is also classified into level 3.

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. Risk management is carried out by management under policies approved by the board of directors. Management identifies and evaluates the financial risks. The Company's overall risk management program seeks to minimize adverse effects on the Company's financial performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through the management of its capital structure and financial leverage as discussed above. It also manages liquidity risk by continuously monitoring actual and projected cash flows. There are material uncertainties that may cast a significant doubt that the Company will be able to continue as a going concern without raising additional funds as more fully discussed in Note 2 Going Concern. See also Subsequent Events (Note 25) for activities being conducted by the Company subsequent to the year end.

The Company's activities have been financed through a combination of the cash flows from licensing and development fees and the issuance of equity and/or debt. The Company completed a $758,000 private placement in the fourth quarter of 2012.

Accounts payable and accrued liabilities of $1,573,000, drug supply payable of $1,698,000 and the current portion of finance lease liability of $36,000 are due and payable within one year.

(amounts in tabular columns expressed in thousands of Canadian dollars)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's exposure to interest rate risk at December 31, 2012 is considered minimal.

Foreign currency risk

The Company is exposed to financial risk related to the fluctuation of foreign currency exchange rates.

Foreign currency risk is the risk that variations in exchange rates between the Canadian dollar and foreign currencies, primarily with the United States dollar, will affect the Company's operating and financial results. The Company's exposure to foreign currency risk at December 31, 2012 is considered minimal

The Company, in the second quarter ended June 30, 2011, entered into eight $250,000 USD-CDN foreign exchange collar contracts to reduce its exposure to foreign exchange fluctuations. At December 31, 2011 the Company had four of these foreign exchange collar arrangements outstanding. Under the terms of the collars, the Company bore the exchange risk or benefit when the USD dollar traded against the CDN dollar at specific rates ranging from $0.955 to $1.025 over specific periods of time ranging from 90 days to 365 days. For the year ended December 31, 2011 the valuation of these collar contracts to fair value resulted in an unrealized foreign exchange loss adjustment of $96,000 which was recorded in foreign exchange loss on the Consolidated Statement of Operations and Comprehensive loss. At December 31, 2011 the Company recorded a derivative financial liability of $96,000 on the Consolidated Statement of Financial Position. The remaining contracts were either settled or expired in 2012 and as a result the derivative financial liability was derecognized upon settlement during 2012.

Credit risk

The Company's cash was held at a major Canadian Bank. The Company had a credit risk of $1,310,000 related to a Receivable from partner (Lux) during the year. The Company impaired the receivable at December 31, 2012 as more fully described in note 13(f).

25. Subsequent events

a) Term sheet for merger and tripartite settlement agreement

The Company and privately-held Aurinia Pharmaceuticals Inc. ("Aurinia") on February 5, 2013 signed a Binding Term Sheet ("Term Sheet") for the merger of the two companies, resulting in a clinical stage pharmaceutical company focused on the global nephrology market.

Aurinia is a spin-out from Vifor Pharma ("Vifor"). The Company signed a global Licensing and Collaboration Agreement effective December 30, 2011 with Vifor (International) AG ("Vifor"), the specialty pharma company of Switzerland based Galenica Group. The agreement granted Vifor an exclusive license for voclosporin, for the treatment of lupus and all proteinuric nephrology indications (the "Vifor License"). The Vifor License is for the United States and other regions outside of Canada, South Africa, Israel, China, Taiwan and Hong Kong (the "Vifor Territory"). Aurinia's current leadership team is comprised primarily of former senior managers, directors and officers of Aspreva Pharmaceuticals ("Aspreva"), which Galenica acquired in 2008. While at Aspreva, this management team executed a significant lupus nephritis study, called the Aspreva Lupus Management Study ("ALMS"), which resulted in the emergence of mycophenolate mofetil as a new standard treatment for patients suffering from this devastating and potentially fatal disease. Aurinia now holds certain rights to this large ALMS database and holds the license for voclosporin in lupus nephritis. Aurinia's lupus rights and database will be combined in the newly merged company with the transplantation and autoimmune rights, and the database held by Isotechnika.

The Term Sheet sets forth the main criteria to be incorporated into a definitive merger agreement under which Isotechnika will acquire 100% of the outstanding securities of Aurinia. The merger is expected to be effected by an exchange of Isotechnika shares for securities of Aurinia, resulting in an estimated 65:35 post-merger ownership split between Isotechnika and Aurinia, respectively.

In addition, Isotechnika and Aurinia have negotiated a definitive tripartite settlement with ILJIN pursuant to which, upon the successful completion of the proposed merger, the combined company will re-acquire full rights to voclosporin for autoimmune

indications including lupus, and transplantation in the United States, Europe and other regions of the world, outside of Canada, Israel, South Africa, China, Taiwan and Hong Kong. In return, ILJIN will be entitled to receive certain pre-defined future milestone payments in the aggregate amount of $10,000,000, plus up to $1,600,000 upon the new company reaching certain financing milestones. ILJIN will also own 25% of the issued and outstanding shares of the merged company.

The transaction is subject to certain closing conditions including, among others, the negotiation and completion of a merger agreement, acceptance and approval by the Toronto Stock Exchange (the "TSX"), the approval of Isotechnika's shareholders and Isotechnika securing a minimum of $3,000,000 in convertible debt or equity financing satisfactory for it to fulfill its obligations as contemplated by the Term Sheet. The merged entity is expected to adopt Aurinia Pharmaceuticals Inc. as its new corporate name.

b) Drug supply payable to Paladin

Subsequent to the year end, Paladin agreed to accept revised payment terms on the drug supply payable amount of $1,698,000, subject to certain conditions, including that on or before June 1, 2013 the Company obtains bridge financing in the sum of not less than $3,000,000 and completes the proposed merger with Aurinia. Paladin shall retain title to the manufactured API and agrees to transfer title and to ship the manufactured API to the Company as it is paid for.

The terms of repayment are as follows:

(i) Isotechnika will pay to Paladin the sum of $100,000 per month, commencing 15 days after the successful completion of the bridge financing.

(ii) The outstanding balances shall be due on or before December 31, 2014;

(iii) Isotechnika will pay interest on the outstanding balances at a rate of 10%, compounded monthly for the first 12 months, commencing upon first payment, and then pay interest on the outstanding balances at a rate of 18%, compounded monthly after the first 12 months. The Company will have the right to prepay the balance owing on the outstanding balances, plus accrued interest to the date of prepayment, at any time and from time to time without penalty.

Exhibit 99.18

Aurinia Pharmaceuticals Inc.

Consolidated Financial Statements
December 31, 2013 and 2012

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of **Aurinia Pharmaceuticals Inc.** are the responsibility of management.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and reflect and, where appropriate, management's best estimates and judgments based on currently available information. Management has prepared the financial information presented elsewhere in the Management's Discussion and Analysis and has ensured it is consistent with the consolidated financial statements.

The Company maintains systems of internal accounting and administrative controls. These systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors exercises its responsibility over the consolidated financial statements and over financial reporting and internal controls principally through the Company's Audit Committee. The Board appoints the Audit Committee and its members are outside and unrelated directors. The Audit Committee meets periodically with management, to discuss internal controls over the financial reporting process and financial reporting issues and to satisfy itself that each party is properly discharging its responsibilities. The Audit Committee reviews the annual consolidated financial statements with both management and the independent auditors and reports its findings to the Board of Directors before such statements are approved by the Board. The Audit Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, the Company's independent auditors, in accordance with Canadian Auditing Standards on behalf of the shareholders. Their report outlines the scope of their audit and gives their opinion on the consolidated financial statements. PricewaterhouseCoopers LLP has full and free access to the Audit Committee.

(Signed) "Stephen Zaruby"
Chief Executive Officer

(Signed) "Dennis Bourgeault"
Chief Financial Officer

Victoria, British Columbia
March 27, 2014

March 28, 2014

Independent Auditor's Report

To the Shareholders of
Aurinia Pharmaceuticals Inc.
(formerly Isotechnika Pharma Inc.)

We have audited the accompanying consolidated financial statements of Aurinia Pharmaceuticals Inc. (formerly Isotechnika Pharma Inc.) and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012 and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity (deficit) and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
TD Tower, 10088 102 Avenue NW, Suite 1501, Edmonton, Alberta, Canada T5J 3N5
T: +1 780 441 6700, F: +1 780 441 6776

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aurinia Pharmaceuticals Inc. and its subsidiaries as at December 31, 2013 and 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Accountants

Aurinia Pharmaceuticals Inc.
Consolidated Statements of Financial Position
As at December 31, 2013 and 2012

(in thousands of Canadian dollars)

	2013 $	2012 $
Assets		
Current assets		
Cash and cash equivalents (note 6)	1,937	184
Accounts receivable (note 7)	113	183
Prepaid expenses and other	180	75
	2,230	442
Non-current assets		
Property and equipment (note 8)	39	88
Intangible assets (note 9)	22,210	3,016
Prepaid deposit (note 23)	162	—
Investment (note 10)	—	592
Total assets	24,641	4,138
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	3,087	1,573
Drug supply loan (note 12)	1,402	1,698
Contingent consideration (note 14)	1,702	—
Current portion of deferred revenue (note 13)	242	338
Finance lease liability	—	36
Current portion of deferred leasehold inducements	—	8
	6,433	3,653
Non-current liabilities		
Deferred revenue (note 13)	1,185	2,593
Contingent consideration (note 14)	2,861	—
	10,479	6,246
Shareholders' equity (deficit)		
Share capital		
Common shares (note 15)	220,480	203,645
Warrants (note 15)	2,326	415
Contributed surplus	10,029	9,794
Deficit	(218,673)	(215,962)
Total shareholders' equity (deficit)	14,162	(2,108)
Total liabilities and shareholders' equity	24,641	4,138

Commitments and contingencies (note 23)

Subsequent events (note 26)

Approved by the Board of Directors

(Signed) "Richard Glickman" Director

(Signed) "Peter Wijngaard" Director

The accompanying notes are an integral part of these consolidated financial statements.

Aurinia Pharmaceuticals Inc.
Consolidated Statements of Operations and Comprehensive Loss
For the years ended December 31, 2013 and 2012

(in thousands of Canadian dollars, except per share data)

	2013 $	2012 $
Revenue (note 13)		
Licensing revenue	898	4,656
Research and development revenue	111	111
Contract services	1	59
Other	—	1,300
	1,010	6,126
Expenses		
Research and development – net (note 16)	2,059	5,481
Corporate and administration (note 16)	2,376	3,881
Acquisition and restructuring costs (note 16)	1,570	—
Other expense – net (note 17)	955	5,558
Amortization and impairment of intangible assets (note 9)	817	267
Amortization of property and equipment	49	580
Contract services	1	46
	7,827	15,813
Loss before income taxes	(6,817)	(9,687)
Income tax (recovery) (note 18)	(4,106)	—
Net loss for the year	(2,711)	(9,687)
Comprehensive loss for the year	(2,711)	(9,687)
Net loss per share (note 19) *(expressed in $ per share)*		
Basic and diluted loss per common share	(0.43)	(2.73)

The accompanying notes are an integral part of these consolidated financial statements.

Aurinia Pharmaceuticals Inc.
Consolidated Statements of Changes in Shareholders' Equity (Deficit)
For the years ended December 31, 2013 and 2012

(in thousands of Canadian dollars)

	Common shares $	Warrants $	Contributed surplus $	Deficit $	Shareholders' Equity (deficit) $
Balance – January 1, 2012	203,131	171	9,519	(206,275)	6,546
Issue of common shares and warrants	514	244	—	—	758
Stock-based compensation	—	—	275	—	275
Net loss for the year	—	—	—	(9,687)	(9,687)
Balance – December 31, 2012	203,645	415	9,794	(215,962)	(2,108)

	Common shares $	Warrants $	Contributed surplus $	Deficit $	Shareholders' Equity (deficit) $
Balance – January 1, 2013	203,645	415	9,794	(215,962)	(2,108)
Issuance of first offering units (note 15)	410	476	—	—	886
Issuance of second offering units (note 15)	4,340	1,416	—	—	5,756
Issuance of common shares to ILJIN (note 15)	3,812	—	—	—	3,812
Issuance of Common shares and warrants on acquisition of Aurinia Pharma Corp. (note 15)	8,266	19	—	—	8,285
Stock-based compensation (note 15)	—	—	238	—	238
Exercise of stock options	7	—	(3)	—	4
Net loss for the year	—	—	—	(2,711)	(2,711)
Balance – December 31, 2013	220,480	2,326	10,029	(218,673)	14,162

The accompanying notes are an integral part of these consolidated financial statements.

Aurinia Pharmaceuticals Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2013 and 2012

(in thousands of Canadian dollars)

	2013 $	2012 $
Cash flow provided by (used in)		
Operating activities		
Net loss for the year	(2,711)	(9,687)
Adjustments for:		
Amortization of deferred revenue	(1,009)	(4,767)
Amortization of property and equipment	49	580
Amortization and impairment of intangible assets	817	267
Amortization of deferred lease inducements	(8)	(17)
Stock-based compensation	238	275
Deferred income tax recovery	(4,106)	—
Gain on disposal of property and equipment	(69)	(8)
Foreign exchange loss related to non-operating activities	166	33
Gain on acquisition of Aurinia Pharma Corp.	(3,675)	—
Loss on contract settlement with ILJIN	4,479	—
Loss on derivative liability	—	(96)
Loss on derivative financial asset	—	4,178
	(5,829)	(9,242)
Net change in other operating assets and liabilities (note 21)	1,013	2,729
Net cash used in operating activities	(4,816)	(6,513)
Investing activities		
Cash acquired from Aurinia Pharma Corp. (note 5(b))	4	—
Proceeds on disposal of property and equipment	69	8
Purchase of property and equipment	—	(5)
Patent costs	(111)	(34)
Net cash used in investing activities	(38)	(31)
Financing activities		
Proceeds from issuance of units, net	6,241	758
Proceeds from exercise of stock options	2	—
Proceeds from issuance of promissory notes	400	—
Principal payments under capital lease	(36)	(45)
Net cash generated from financing activities	6,607	713
Effect of exchange rate changes on cash and cash equivalents	—	(33)
Increase (decrease) in cash and cash equivalents	1,753	(5,864)
Cash and cash equivalents – Beginning of year	184	6,048
Cash and cash equivalents – End of year	1,937	184

The accompanying notes are an integral part of these consolidated financial statements.

(expressed in Canadian dollars, tabular amounts in thousands)

1. Corporate information

Aurinia Pharmaceuticals Inc. (formerly Isotechnika Pharma Inc.) or the "Company" is a biopharmaceutical company with its registered office located at 5120 – 75 Street, Edmonton, Alberta T6E 6W2. The Company has its head office located at #1203-4464 Markham Street, Victoria, British Columbia which incorporates clinical, regulatory and business development functions of the Company.

On October 23, 2013, the Company changed its name from Isotechnika Pharma Inc. to Aurinia Pharmaceuticals Inc. In connection with its name change, the Company's trading symbol on the TSX Venture Exchange was changed to "AUP", and outstanding common shares were consolidated on a 50:1 basis. Accordingly, all share and per share references in these financial statements are on a post-conversion basis.

The Company is incorporated pursuant to the Business Corporations Act (Alberta). The Company's primary business is the development of a therapeutic drug to treat autoimmune diseases, in particular Lupus Nephritis, and for the prevention of graft rejection in solid organ transplant patients.

These consolidated financial statements include the accounts of the Company and it's wholly owned subsidiaries, Aurinia Pharma Corp. (formerly Aurinia Pharmaceuticals Inc.), Aurinia Pharmaceuticals, Inc. (Delaware incorporated) and Aurinia Limited (UK incorporated). Aurinia Pharma Corp. has one wholly owned inactive subsidiary, Aurinia Holdings Corp. (Barbados), which in turn has one wholly owned inactive subsidiary Aurinia Development Corp. (Barbados).

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on March 27, 2014.

(b) Basis of measurement

The consolidated financial statements have been prepared on a going concern and historical cost basis, other than certain financial instruments recognized at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(expressed in Canadian dollars, tabular amounts in thousands)

3. Summary of significant accounting policies

Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies. The Company has a 100% voting interest in all of its subsidiaries.

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealized gains on transactions between companies are eliminated. Unrealized losses are also eliminated when necessary amounts reported by subsidiaries have been adjusted to conform with the Company's accounting policies.

Translation of foreign currencies

The monetary assets and liabilities of Canadian operations denominated in a foreign currency are translated into Canadian dollars at rates of exchange in effect at the end of the period. Revenues and expenses related to monetary assets and liabilities are translated at average rates of exchange during the period. Exchange gains and losses arising on translation are included in the statement of operations and comprehensive income (loss).

(expressed in Canadian dollars, tabular amounts in thousands)

Revenue recognition

Payments received under collaboration agreements may include upfront payments, milestone payments, contract services, royalties and license fees. Revenues for each unit of accounting are recorded as described below:

Licensing and research and development revenues

The Company is currently in a phase in which certain potential products are being further developed jointly with strategic partners. Licensing agreements usually include one-time payments (upfront payments), payments for research and development services in the form of cost reimbursements, milestone payments and royalty receipts. Revenues associated with those multiple-element arrangements are allocated to the various elements based on their relative fair value.

Agreements containing multiple elements are divided into separate units of accounting if certain criteria are met, including whether the delivered element has stand-alone value to the customer and whether there is objective and reliable evidence of the fair value of the undelivered obligation(s). The consideration received is allocated among the separate units based on each unit's fair value, and the applicable revenue recognition criteria are applied to each of the separate units.

License fees representing non-refundable payments received at the time of signature of license agreements are recognized as revenue upon signature of the license agreements when the Company has no significant future performance obligations and collectability of the fees is assured. Upfront payments received at the beginning of licensing agreements are deferred and recognized as revenue on a systematic basis over the period during which the related services are rendered and all obligations are performed.

Milestone payments

Milestone payments, which are generally based on developmental or regulatory events, are recognized as revenue when the milestones are achieved, collectability is assured, and when the Company has no significant future performance obligations in connection with the milestones.

Contract services

Revenues from contract services are recognized as services are rendered, the price is fixed or determinable and collection is reasonably assured.

Royalty payments

Royalty income is recognized on the accrual basis in accordance with the substance of the relevant agreement.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

Property and equipment

Property and equipment are stated at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The carrying amount of a replaced asset is derecognized when replaced. Repair and maintenance costs are charged to the statement of operations during the period in which they are incurred.

(expressed in Canadian dollars, tabular amounts in thousands)

The major categories of property and equipment are amortized on a straight-line basis as follows:

Leasehold improvements	Term of the lease
Scientific equipment	20%
Office equipment and furniture	20%
Computer equipment and software	33.3%

Intangible assets

External patent costs specifically associated with the preparation, filing and obtaining of patents are capitalized and amortized straight-line over the shorter of the estimated useful life and the patent life, commencing in the year of the grant of the patent. In-house and other intellectual property expenditures are recorded as research and development expenses on the statement of operations and comprehensive loss as incurred.

Purchased intellectual property rights are capitalized and amortized on a straight-line basis in the statement of operations over the patent life, which is typically 20 years. The ALMS database (see note 5(b)) is being amortized over 10 years.

Impairment of non-financial assets

Property and equipment and intangible assets with a finite useful life are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Proceeds on the issue of common share purchase warrants (warrants) are recorded as a separate component of equity. Costs incurred on the issue of warrants are netted against proceeds. Warrants issued with common shares are measured at fair value at the date of issue using the Black-Scholes pricing model, which incorporates certain input assumptions including the warrant price, risk-free interest rate, expected warrant life and expected share price volatility. The fair value is included as a component of equity and is transferred from warrants to common shares on exercise.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are assessed by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(expressed in Canadian dollars, tabular amounts in thousands)

Stock-based compensation

The Company records stock-based compensation related to employee stock options granted using the fair value at the date of grant and expensed, as employee benefits, over the period in which employees unconditionally become entitled to the award. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related services and non-market performance conditions at the vesting date. The corresponding charge is to contributed surplus. Any consideration paid on the exercise of stock options is credited to share capital.

Leases

Operating lease payments are recognized in net income (loss) on a straight-line basis over the term of the lease.

Lease inducements arising from leasehold improvement allowances form part of the total lease cost and are deferred and recognized in net income (loss) over the term of the lease on a straight line basis**.**

The Company leases specific computer equipment under a finance lease. Leases of equipment where the Company has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of fair value of the leased equipment and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The equipment acquired under the finance lease is amortized over the expected useful life of the asset.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the statement of operations and comprehensive loss except to the extent that it relates to items recognized directly in shareholders' equity, in which case the income tax is also recognized directly in shareholders' equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax assets and liabilities are presented as non-current.

(expressed in Canadian dollars, tabular amounts in thousands)

Earnings (loss) per share

Basic earnings (loss) per share ("EPS") is calculated by dividing the net income (loss) for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The Company's potentially dilutive common shares comprise stock options and warrants.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

A derivative is a financial instrument whose value changes in response to a specified variable, requires little or no net investment and is settled at a future date.

At initial recognition, the Company classifies its financial instruments in the following categories:

i) Financial assets and liabilities at fair value through profit or loss: a financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term.

   Derivatives are also included in this category unless they are designated as hedges. The Company has, in prior years, used derivatives in the form of foreign exchange collars to manage foreign exchange risk. The Company also had a derivative related to share purchase rights granted to ILJIN Life Science Co., Ltd. ("ILJIN").

   Financial instruments in this category are recognized initially and subsequently at fair value. Gains and losses arising from changes in fair value are presented in the consolidated statement of operations and comprehensive loss within other income (expenses) in the period in which they arise.

ii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

iii) Available for sale financial assets: Available for sale assets are non-derivative financial assets that are designated as available for sale and are not categorized into any of the other categories described above. They are initially recognized at fair value including direct and incremental transaction costs. They are subsequently recognized at fair value. Gains and losses arising from changes in fair value are included as a separate component of equity until sale, when the cumulative gain or loss is transferred to the statement of operations. Interest is determined using the effective interest method, and impairment losses and translation differences on monetary items are recognized in the statement of operations. Prior to the acquisition of Aurinia Pharma Corp., the Company's 10% investment in Aurinia Pharma Corp. was classified as available for sale (see note 10).

iv) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade payables, drug supply loan and finance lease liability. Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

v) Financial liabilities at fair value: Contingent consideration provided to ILJIN (see note 14) is a financial liability recorded at fair value with subsequent changes in fair value recorded in the statement of operations.

Impairment of financial assets

Financial assets carried at amortized cost

At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the consolidated statement of operations. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For practical reasons, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

Recent changes in accounting standards

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10, consolidated financial statements, replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements, and SIC—12, Consolidation-Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Company has assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 does not result in any change in the consolidation status of any of its subsidiaries or investees.

IFRS 13, fair value measurement, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as of January 1, 2013. Additional fair value disclosures have been provided as applicable in these consolidated financial statements.

IAS 1, amendment, presentation of items of other comprehensive income, the Company has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required the Company to identify other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. Other comprehensive income consists of fair value changes in an investment held for sale and may be subsequently reclassified to net earnings. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

Accounting standards and amendments issued but not yet adopted

IFRS 9, *Financial Instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. The effective date of IFRS 9 has been deferred and is currently unknown.

(expressed in Canadian dollars, tabular amounts in thousands)

4. Critical accounting estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS often requires management to make estimates about, and apply assumptions or subjective judgment to, future events and other matters that affect the reported amounts of the Company's assets, liabilities, revenues, expenses and related disclosures. Assumptions, estimates and judgments are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's consolidated financial statements are prepared. Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates and judgments in order to ensure that the consolidated financial statements are presented fairly and in accordance with IFRS.

Critical accounting estimates and judgments are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustment.

Management considers the following areas to be those where critical accounting policies affect the significant judgments and estimates used in the preparation of the Company's consolidated financial statements.

Critical judgments in applying the Company's accounting policies

Revenue recognition

Management's assessments related to the recognition of revenues for arrangements containing multiple elements are based on estimates and assumptions. Judgment is necessary to identify separate units of accounting and to allocate related consideration to each separate unit of accounting. Where deferral of upfront payments or license fees is deemed appropriate, subsequent revenue recognition is often determined based upon certain assumptions and estimates, the Company's continuing involvement in the arrangement, the benefits expected to be derived by the customer and expected patent lives. To the extent that any of the key assumptions or estimates change, future operating results could be affected (see also note 13).

Impairment of intangible assets

The Company follows the guidance of IAS 36 to determine when impairment indicators exist for its intangible assets. When impairment indicators exist, the Company is required to make a formal estimate of the recoverable amount of its intangible assets. This determination requires significant judgment. In making this judgment, management evaluates external and internal factors, such as significant adverse changes in the technological, market, economic or legal environment in which the Company operates as well as the results of its ongoing development programs. Management also considers the carrying amount of the Company's net assets in relation to its market capitalization, as a key indicator. In making a judgment as to whether impairment indicators exist at December 31, 2013, management concluded that there were none.

(expressed in Canadian dollars, tabular amounts in thousands)

Goodwill and business combinations

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. Management makes judgments and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognized as goodwill and if negative, it is recognized as a gain in the Statement of Operations.

The amount of goodwill initially recognized as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of assets and liabilities is based, to a considerable extent, on management's judgment. Allocation of the purchase price affects the results of the Company as finite life intangible assets are amortized, whereas indefinite life intangible assets, including goodwill, are not amortized and could result in differing amortization charges based on the allocation to indefinite life and finite life intangible assets (see also note 5(b)).

The Company's acquisition of Aurinia Pharma Corp (see note 5(b)) has resulted in the recognition of a gain of $3,675,000. This is primarily as a result of the value allocated to the intangible property rights being reacquired from Aurinia Pharma Corp. as a result of the merger. The value of these rights was determined using a differential income approach; that is, the discounted cash flows that the Company is able to generate above and beyond what it was entitled to from the Vifor License, determined over the contract life to 2029. The determination of these cash flows is subject to significant estimates and assumptions, including:

- The amount and timing of projected future cash flows, adjusted for the probability of technical and marketing success;
- The amount and timing of projected costs to develop voclosporin into a commercially viable treatment for lupus nephritis;
- The discount rate selected to measure the risks inherent in the future cash flows; and
- An assessment of voclosporin's life-cycle and the competitive trends impacting the drug, including consideration of any technical, legal, regulatory, or economic barriers to entry.

Management believes the fair value assigned to the reacquired rights is based on reasonable assumptions, however these assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur.

The key assumptions used by management include the ultimate probability of successful product launch of 18%, after considering financial, clinic and regulatory risks, and a discount rate of 21%. If the probability for success were to increase to 20%, this would increase the reacquired right by approximately $2,300,000. If the probability for success were to decrease to 16%, this would decrease the reacquired right by approximately $1,300,000. If the discount rate were to increase to 22%, this would decrease the reacquired right by approximately $3,200,000. If the discount rate were to decrease to 20%, this would increase the reacquired right by approximately $3,600,000. A change in the reacquired right value would also impact the related deferred tax liability and purchase gain recorded on the date of acquisition.

(expressed in Canadian dollars, tabular amounts in thousands)

Reacquired right from IJIN

The recognition of a reacquired right recognized as an intangible asset should be measured on the basis of the remaining contractual term of the related contract regardless of whether market participants should consider potential contractual renewals when measuring its fair value. Management makes judgments and estimates in relation to the fair value of the reacquired right. If the terms of the contract giving rise to a reacquired right are favourable or unfavourable relative to the terms of current market transactions for the same or similar items, the difference is recognized as a gain or loss in the Statement of Operations.

The Company's tripartite settlement agreement with Aurinia Pharma Corp. and ILJIN Life Science Co., Ltd. (see note 5 (a)) has resulted in the recognition of a loss on contract settlement with ILJIN of $4,479,000. This is the result of a value allocated to the intangible property rights being reacquired from ILJIN Life Science Co., Ltd. as a result of the settlement. The value of these rights was determined using a differential income approach; that is, the discounted cash flows that the Company is able to generate above and beyond what it was entitled to under the original licensing agreement. The cash flows used to determine the value of these rights are derived from the same cash flows used to determine the reacquired right from Aurinia Pharma Corp. above. The determination of these cash flows is therefore subject to the same significant estimates and assumptions described above.

Management believes the fair value assigned to the reacquired rights is based on reasonable assumptions, however these assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur.

The key assumptions used by management include the ultimate probability of successful product launch of 18%, after considering financial, clinic and regulatory risks, and a discount rate of 21%. If the probability for success were to increase to 20%, this would increase the reacquired right by approximately $576,000. If the probability for success were to decrease to 16%, this would decrease the reacquired right by approximately $418,000. If the discount rate were to increase to 22%, this would decrease the reacquired right by approximately $707,000. If the discount rate were to decrease to 20%, this would increase the reacquired right by approximately $783,000.

Contingent consideration

Contingent consideration is a financial liability recorded at fair value (see note 14). The amount of contingent consideration to be paid is based on the occurrence of future events, such as the achievement of certain development, regulatory and sales milestones. Accordingly, the estimate of fair value contains uncertainties as it involves judgment about the likelihood and timing of achieving these milestones as well as future foreign exchange rates and the discount rate used. Changes in fair value of the contingent consideration obligation result from changes to the assumptions used to estimate the probability of success for each milestone, the anticipated timing of achieving the milestones, and the discount period and rate to be applied. A change in any of these assumptions could produce a different fair value, which could have a material impact to the results from operations.

The key assumptions used by management include the probability of successful for each milestone (35% – 70%) and a discount rate of 15%. If the probability for success were to increase by a factor of 10% for each milestone this would increase the obligation by approximately $430,000 at December 31, 2013. If the probability for success were to decrease by a factor of 10% for each milestone this would decrease the obligation by approximately $500,000 at December 31, 2013. If the discount rate were to increase to 16%, this would decrease the obligation by approximately $105,000. If the discount rate were to decrease to 14%, this would increase the obligation by approximately $110,000.

5. Plan of Arrangement and Acquisition of Aurinia Pharma Corp.

On February 5, 2013 the Company announced that it had signed a binding term sheet (the "Term Sheet") with Aurinia Pharma Corp. for the merger of the two companies, creating a clinical development stage pharmaceutical company focused on the global nephrology market. The Term Sheet set forth the main criteria to be incorporated into a definitive merger agreement under which the Company would acquire 100% of the outstanding securities of Aurinia Pharma Corp. The merger was expected to be effected by the exchange of shares in the Company for securities of Aurinia Pharma Corp. resulting in an estimated 65:35 post merger ownership split, on a warrant diluted basis, between the Company and Aurinia Pharma Corp. shareholders, respectively.

On April 3, 2013, the Company and Aurinia Pharma Corp. negotiated a tripartite settlement agreement (the "Settlement Agreement") with ILJIN Life Science Co., Ltd. ("ILJIN") pursuant to which, upon the successful completion of the proposed merger, the combined company would re-acquire the license previously granted to ILJIN and therefore obtain full rights to voclosporin for autoimmune indications including lupus, and transplantation in the United States, Europe and other regions of the world, outside of Canada, Israel, South Africa, China, Taiwan and Hong Kong. In return, ILJIN would be entitled to receive certain predefined future milestone payments and would also own approximately 25% of the issued and outstanding shares of the merged company on a warrant diluted basis, which is calculated to give effect to the dilution by the exercise of warrants but excluding the exercise of stock options. On June 11, 2013, a draft arrangement agreement was prepared implementing the arrangement (the "Arrangement Agreement"), the terms of which were subsequently negotiated by the parties. The Arrangement was intended to implement the terms of the Settlement Agreement, whereby ILJIN would receive a further ownership interest in the Company in exchange for:

(i) returning to the Company and terminating:

  (a) all of its rights, licenses and obligations under the DDLA (see Note 13b); and

  (b) all other licenses and sublicenses between ILJIN and any of the Company, Aurinia Pharma Corp. or Vifor (International) AG ("Vifor"); and

(ii) suspending all of its current or contemplated legal or financial claims against the Company, Aurinia Pharma Corp. or Vifor.

Upon closing of the plan of arrangement on September 20, 2013 the Company issued common shares to ILJIN. In addition ILJIN is entitled to receive certain predefined future success based clinical and marketing milestone payments in the aggregate amount of up to US$10,000,000, plus up to US$1,600,000 upon the merged company reaching certain financing milestones (see note 14).

(expressed in Canadian dollars, tabular amounts in thousands)

The Company also acquired all of the issued and outstanding common shares of Aurinia Pharma Corp. at a ratio of approximately 19.83 Common Shares for each Aurinia Pharma Corp. share held by an Aurinia Pharma Corp. shareholder.

a) Settlement with ILJIN

The estimated fair value of the contract settlement with ILJIN at September 20, 2013 was $8,879,000 and has been determined to represent reacquired license rights in the amount of $4,400,000 and a loss on contract settlement of $4,479,000. Consideration paid or payable to ILJIN is as follows: the Company's 10% interest in Aurinia Pharma Corp. of $670,000, $3,812,000 in common shares (by issuance of 1,694,000 common shares at a deemed price of $2.25 per share), $1,645,000 in financial milestones payable and $2,752,000 in clinical and sales milestones payable based on the estimated fair value of the pre-defined future milestone payments.

b) Acquisition of Aurinia Pharma Corp.

The Company determined that the transaction with Aurinia Pharma Corp. represented a business combination with the Company identified as the acquirer. The Company began consolidation of the operating results, cash flows and net assets of Aurinia Pharma Corp. on September 20, 2013. Had the Company consolidated the results of Aurinia Pharma Corp. from January 1, 2013, the revenue and net income of the Company would have been $1,010,000 and $3,071,000, respectively.

The table below presents the allocation of the purchase price to the assets and liabilities acquired, as well as the settlement of pre-existing balances between the parties to the Arrangement Agreement prior to acquisition.

	Carrying value $	Settle Pre-existing items $	Fair value adjustments $	Fair value of acquisition $
Cash	4	—	—	4
Prepaid expenses and deposits	123	—	—	123
Inventory	80	—	—	80
	207	—	—	207
Intangibles	2,448	(577)	15,148	17,019
	2,655	(577)	15,148	17,226
Accounts payable	185	(49)	—	136
Note payable	528	(528)	—	—
Deferred income taxes	—	—	4,500	4,500
	713	(577)	4,500	4,636
Net assets acquired	1,942	—	10,648	12,590

(expressed in Canadian dollars, tabular amounts in thousands)

Consideration provided by the Company for the acquisition of Aurinia Pharma Corp. was 3,682,000 common shares of the Company with a fair value of $8,285,000, less $495,000 of deferred revenue that was effectively settled as a result of the business combination. The fair value of the shares issued was determined by the trading price on September 20, 2013. The $3,675,000 difference between the fair value of net consideration of $7,790,000 and the fair value of net assets acquired of $11,465,000, is recorded as a gain in other income. Acquisition costs of $259,000 have been expensed (note 16).

The fair value of the reacquired rights and intellectual know-how, including the Aspreva Lupus Management Study (ALMS) database, was determined to be $15,500,000. The fair value was determined using a differential income approach, as described more fully in note 4 – *Goodwill and business combinations*. Management attributes the gain recognized on the purchase to the fact that the consideration provided was determined by the trading price of the Company's shares on the measurement date, and that the share price would not have fully reflected the value of the transaction.

6. Cash and cash equivalents

	2013 $	2012 $
Cash at bank and on hand	1,437	184
Short-term bank deposit	500	—
	1,937	184

The interest rate on the short-term bank deposit at December 31, 2013 was 1.00%.

7. Accounts receivable

	2013 $	2012 $
Trade receivables	51	29
Accrued receivables	34	1
Research tax credits recoverable	17	135
Sales tax recoverable	11	18
	113	183

(expressed in Canadian dollars, tabular amounts in thousands)

8. Property and equipment

	Leasehold Improvements $	Scientific Equipment $	Office Equipment, Furniture and Other $	Computer Equipment and Software $	Total $
Year ended December 31, 2012					
At January 1, 2011	532	25	4	102	663
Additions	—	3	—	2	5
Amortization	(527)	(13)	(3)	(37)	(580)
At December 31, 2012	5	15	1	67	88
At December 31, 2012					
Cost	6,007	3,671	526	697	10,901
Accumulated amortization	(6,002)	(3,656)	(525)	(630)	(10,813)
Net book value	5	15	1	67	88
Year ended December 31, 2013					
At January 1, 2013	5	15	1	67	88
Disposals	—	—	—	—	—
Amortization	(5)	(7)	(1)	(36)	(49)
Net book value	—	8	—	31	39
At December 31, 2013					
Cost	2,587	1,357	498	667	5,109
Accumulated amortization	(2,587)	(1,349)	(498)	(636)	(5,070)
Net book value	—	8	—	31	39

Computer software is used in conjunction with the computer equipment. For the year ended December 31, 2013, the Company disposed of fully depreciated equipment for proceeds of $69,000, resulting in a gain of $69,000.

(expressed in Canadian dollars, tabular amounts in thousands)

9. Intangible assets

	Patents $	Purchased intellectual property and reacquired rights $	Total $
Year ended December 31, 2012			
Opening net book value	2,003	1,246	3,249
Additions	34	—	34
Amortization for the year	(154)	(113)	(267)
Closing net book value	1,883	1,133	3,016
Year ended December 31, 2013			
Opening net book value	1,883	1,133	3,016
Additions	111	—	111
Fair value of re-acquired rights from ILJIN (note 5(a))	—	4,400	4,400
Fair value of intangible assets acquired from Aurinia Pharma Corp. (note 5(b))	—	15,500	15,500
Amortization for the year	(163)	(442)	(605)
Impairment of patents	(212)	—	(212)
Closing net book value	1,619	20,591	22,210

As a result of the Arrangement Agreement as described in note 5, the Company recognized re-acquired rights from ILJIN and Aurinia Pharma Corp. in the total amount of $19,900,000. The re-acquired rights represent the value of discounted cash flows expected to arise from the return of the licenses granted under the ILJIN DDLA (note 13(b)) and the Vifor License and ILJIN License Back (note 13).

On February 14, 2014 the Company signed a NICAMs Purchase and Sale Agreement with Ciclofilin Pharmaceuticals Inc. (“Ciclofilin”) whereby it divested its early stage research and development NICAMS asset, consisting of intellectual property, including patent applications and know-how to Ciclofilin. Consideration will consist of future contingent milestones and a royalty. Due to the early stage of development of this technology and the contingent nature of the consideration to be received by the Company, the Company recognized an impairment against the entire capitalized cost of the NICAMs patent portfolio ($212,000) at December 31, 2013.

(expressed in Canadian dollars, tabular amounts in thousands)

10. Investment

	2013 $	2012 $
Opening fair value	592	—
Shares received from Aurinia Phara Corp. (note 13(a)	—	592
Change in fair value to date of disposal (note 17)	78	—
Shares provided to ILJIN (note 5(a))	(670)	—
Closing fair value	—	592

The Company's investment in Aurinia Pharma Corp. was carried at fair value, with changes in fair value recognized in other comprehensive income ("OCI"). Since Aurinia Pharma Corp.'s shares did not trade in a public market, the Company used a form of comparable company valuation approach to determine fair value, categorized as level 3 in the fair value hierarchy. Due to the unique nature of Aurinia Pharma Corp's primary assets, being its license agreement with the Company and its intellectual property related to lupus nephrology research, management does not believe there are any comparable companies that trade publicly for which an indicative value could be obtained. As a result, it compared the value of Aurinia Pharma Corp. to the value of the Company based on the planned merger of the entities and the relative valuation formula agreed to by the parties and approved by the shareholders. Without providing for any adjustments for lack of liquidity or non-controlling interests, this approach resulted in a fair value of the investment of $670,210 at September 20, 2013. Pursuant to the plan of arrangement as described in note 5 the Company transferred its ownership interest in Aurinia Pharma Corp. to ILJIN. The Company recorded a gain of $78,000 on the statement of operations upon disposal of this investment.

11. Accounts payable and accrued liabilities

	2013 $	2012 $
Trade payables	1,176	1,159
Accrued severance costs (note 16)	815	—
Accrued wages, vacation pay and director fees	596	152
Payroll taxes payable	38	17
Other accrued liabilities	462	245
	3,087	1,573

(expressed in Canadian dollars, tabular amounts in thousands)

12. Drug supply loan

On January 31, 2012, the Company entered into an agreement with Paladin Labs Inc. ("Paladin") which set forth different payment and delivery terms of manufactured API for previously ordered batches of API pursuant to the terms of the Company's Supply Agreement with Paladin. The obligation for the API was split into three separate payments with the first payment due the later of April 30, 2012 or within five business days of the Company receiving a certificate of analysis from the API manufacturer. On April 5, 2012, the risks and rewards relating to the API were transferred to the Company, and the Company paid the first instalment of $849,000. The unpaid balance was reflected as drug supply payable.

Pursuant to a letter agreement as amended on August 8, 2013, Paladin agreed to accept repayment terms on the unpaid portion of the drug supply payable, subject to certain conditions, including that on or before September 30, 2013 the Company obtain financing in the sum of not less than $3,000,000 and complete the merger with Aurinia Pharma Corp. which the Company met. As a result the Company on September 20, 2013 reclassified the unpaid balance as a drug supply loan.

The terms of repayment were as follows:

(i) The Company is to pay Paladin $100,000 per month, commencing 15 days after the successful completion of the Company raising a minimum of $3,000,000 in financing which occurred on September 20, 2013;

(ii) Any outstanding balance was due on or before December 31, 2014;

(iii) Interest on the outstanding balance was at a rate of 10%, compounded monthly for the first 12 months, commencing upon first payment, and then payable at a rate of 18%, compounded monthly after the first 12 months. The Company had the right to prepay the balance owing on the outstanding balances, plus accrued interest to the date of prepayment, at any time without penalty.

Subsequent to the year end, the Company repaid the outstanding balance of the loan.

(expressed in Canadian dollars, tabular amounts in thousands)

13. Revenue and deferred revenue

	(a) Aurinia $	(b) ILJIN $	(c) 3SBio $	(d) Lux $	(e) Paladin $	Total $
At January 1, 2012	—	4,402	1,413	792	499	7,106
Deferred licensing fee received	592	—	—	—	—	592
R&D revenues recognized	—	—	—	—	(111)	(111)
Licensing revenue recognized	(62)	(4,402)	(132)	(60)	—	(4,656)
At December 31, 2012	530	—	1,281	732	388	2,931
Current portion – December 31, 2012	(35)	—	(131)	(61)	(111)	(338)
Long-term portion – December 31, 2012	495	—	1,150	671	277	2,593
At January 1, 2013	530	—	1,281	732	388	2,931
R&D revenues recognized	—	—	—	—	(111)	(111)
Licensing revenue recognized	(35)	—	(131)	(732)	—	(898)
Settle deferred revenue on acquisition (note 5(b))	(495)	—	—	—	—	(495)
At December 31, 2013	—	—	1,150	—	277	1,427
Current portion – December 31, 2013	—	—	(131)	—	(111)	(242)
Long-term portion – December 31, 2013	—	—	1,019	—	166	1,185

Revenue is composed of:

	2013 $	2012 $
Licensing revenue		
Aurinia Pharma Corp.	35	62
3SBio	131	132
Lux	732	60
ILJIN	—	4,402
	898	4,656
Research and development revenue		
Paladin	111	111
Contract services	1	59
Other	—	1,300
	1,010	6,126

Licensing and research and development fee revenues represent the amortization of deferred revenue from fee payments received by the Company. The deferred revenue is recorded as revenue as the Company incurs the costs related to meeting its obligations under the terms of the applicable agreements.

(a) Licensing and Collaboration Agreement with Aurinia Pharma Corp.

The Company signed a global Licensing and Collaboration Agreement ("LCA") effective December 30, 2011 with Vifor. The agreement granted Vifor an exclusive license for voclosporin, for the treatment of lupus and all proteinuric nephrology indications (the "Vifor License"). The Vifor License was for the United States and other regions outside of Canada, South Africa, Israel, China, Taiwan and Hong Kong (the "Vifor Territory"). Under the terms of the Agreement, the Company was to receive milestone payments, as well as royalties on commercial sales. In connection with this agreement, Vifor was to purchase voclosporin active pharmaceutical ingredient ("API") from the Company. Vifor was to carry the burden of the costs associated with these clinical trials. On December 13, 2012, the LCA was assigned to Aurinia Development Corp. by Vifor. Aurinia Development Corp. is a subsidiary of Aurinia Pharma Corp.

In order for these rights to be licensed to Vifor, ILJIN had provided a License Back of certain rights especially for the field of lupus and proteinuric kidney diseases for the Territory defined in the ILJIN DDLA, in return for certain milestones and royalties to be paid by Vifor.

On December 10, 2012, pursuant to the LCA, the Company received as a milestone payment, an investment in Aurinia Pharma Corp. Aurinia Pharma Corp. issued the Company a share certificate representing 10% of the common shares of Aurinia Pharma Corp. Aurinia Pharma Corp. had the option of granting the Company these shares or $592,000 in cash (US$600,000). The Company determined that the fair value of the shares in Aurinia Pharma Corp. approximated $592,000 and therefore recorded the value of the investment in Aurinia Pharma Corp. shares at $592,000 (see note 10). The Company had recorded this milestone payment as deferred revenue upon receipt. Under the LCA, the primary substantive obligations of the Company were to maintain the patent portfolio and pay for drug supply if costs exceeded a certain amount. Until September 20, 2013 deferred revenue was being amortized into licensing revenue as the Company incurred the costs related to meeting its obligations under the LCA. Effective with the acquisition of Aurinia Pharma Corp. (as described in note 5), to the deferred revenue of $495,000 at September 20, 2013 was an adjustment to the purchase consideration.

(b) Development, Distribution and License Agreement with ILJIN Life Science Co., Ltd.

Effective January 28, 2011 (the "Effective Date") the Company completed a Development, Distribution and License Agreement (the "DDLA") with ILJIN for the further clinical and commercial development of voclosporin for use in transplant indications applicable to voclosporin. The Company granted to ILJIN an exclusive license to voclosporin for transplant and autoimmune indications for the United States and other regions outside of Europe, Canada, Israel, South Africa, China, Taiwan and Hong Kong. The Company retained the rights over voclosporin in Europe for future development and commercialization.

Pursuant to the DDLA, the Company was to receive a total license fee of US$5,000,000. In addition, ILJIN was to purchase 90,700,000 common shares (pre-conversion) of the Company for gross proceeds of US$19,875,000 in three tranches.

The Company was obligated under the terms of the agreement to complete a single Phase 3 clinical trial for the prevention of kidney transplant rejection. A Joint Steering Committee ("JSC") with equal membership from the Company and ILJIN was to have been formed to oversee the development and commercialization of voclosporin in the ILJIN territories.

The Company received $4,505,000 (US$4,500,000) of the license fee and the first private placement tranche of $2,377,000 (US$2,375,000) on January 28, 2011 which was the Effective Date of the Agreement. The Company issued 11,500,000 common shares (pre-conversion) at a price of $0.207 per share (US$0.207) to ILJIN pursuant to the subscription agreement for securities. On or before January 28, 2012 ILJIN was to pay US$500,000 to the Company as the Second Development Payment and purchase 39,600,000 common shares (pre-conversion) of the Company issued from treasury for an aggregate subscription price of US$8,500,000. On or before January 28, 2013, ILJIN was to purchase the final tranche of 39,600,000 common shares (pre-conversion) of the Company issued from treasury for an aggregate subscription price of US$9,000,000.

Prior to the January 28, 2012 date, ILJIN verbally indicated their intent to alter the economics of the DDLA. Consequently, payment under the DDLA was not received as required per the agreement. The Company on January 30, 2012 notified ILJIN that it was terminating the DDLA. At that time the Company believed that the termination of the original DDLA was valid. As a result, the remaining deferred revenue balance of $4,402,000 was recorded as licensing revenue on January 30, 2012.

The Company received notification in March, 2012 that ILJIN submitted a request for arbitration to the International Chamber of Commerce ("ICC") Court of Arbitration relating to the Company's termination of the DDLA. The Arbitration hearing to determine the Company's right to terminate the agreement was held early in the fourth quarter of 2012.

In November, 2012 the Company received notification from the ICC that a Partial Award regarding its right to terminate the DDLA with ILJIN had been issued to the parties. In the result, the Partial Award provided that the DDLA had not been terminated and, therefore, the Company's contractual relationship with ILJIN still existed. As such the Partial Award rejected the Company's interpretation of the DDLA's termination provision. Since the DDLA was not considered to have been terminated, the Company assessed whether it had an onerous contract under the provisions guidance of IAS 37, and concluded that no provision was required.

In January of 2013, ILJIN formally notified the Company and the arbitral tribunal that ILJIN had withdrawn all claims for damages in the parties' pending arbitration.

On September 20, 2013, the Company, ILJIN and Aurinia Pharma Corp. completed a plan of arrangement whereby the DDLA was terminated as more fully described in note 5.

(expressed in Canadian dollars, tabular amounts in thousands)

(c) Development, Distribution and License Agreement with 3SBio, Inc.

On August 23, 2010, the Company and 3SBio, Inc. ("3SBio") completed a Development, Distribution and License Agreement for voclosporin for the territories of China, Hong Kong and Taiwan. The transaction with 3SBio included a non-refundable licensing fee of $1,578,000 (US$1,500,000) which was originally recorded as deferred revenue.

Under the agreement, the primary substantive obligations of the Company are to grant the license and transfer intellectual knowledge to 3SBio. Management believes it had fulfilled these obligations by December 31, 2010. However, under the agreement, the Company is also required to maintain the patent portfolio in China, Taiwan and Hong Kong, and to provide further support and cooperation to 3SBio over the life of the agreement, which coincides with the life of the patents. Any additional assistance which may be provided to 3SBio will be performed on a full cost recovery basis. For accounting purposes, when services are to be performed by an indeterminate number of acts over a specific period of time, revenue is recognized on a straight-line basis over this future period. As a result, the balance in deferred revenue is being amortized into licensing revenue on a straight-line basis to 2022.

(d) Development, Distribution and License Agreement with Lux Biosciences, Inc.

Upon signing a Distribution and License Agreement ("DDLA") with Lux Biosciences, Inc. ("Lux") in 2006, Isotechnika Inc. received an upfront payment of $3,320,000 (US$3,000,000) which was recorded as deferred revenue. The balance of deferred revenue remaining at January 1, 2011 was being recorded as revenue on a straight line basis as the Company incurred costs related to meeting its remaining obligation of maintaining the patent portfolio. In late December, 2012 the Company received notice from Lux that its Phase 3 clinical trial using voclosporin for the treatment of non-infectious uveitis did not meet its primary endpoint. In December, 2013 the Company received notice from Lux, that it would be ceasing operations and returning the license to the Company. As a result, at December 31, 2013 the Company determined it had no further obligations pursuant to the DDLA and recorded the remaining balance of deferred revenue associated with the Lux DDLA as licensing revenue in the statement of operations and comprehensive loss. The Company and Lux signed the Termination, Assignment and Assumption Agreement on February 27, 2014.

(e) Plan of Arrangement with Paladin Labs Inc.

Research and development revenues represent the amortization of the deferred monthly research and development fee payments received by the Company from Paladin for the period July 1, 2009 to June 30, 2010, pursuant to the terms of the Research and Development Agreement. Under the agreement, the primary substantive obligations of the Company had been achieved by the Company by December 31, 2010. However, under the agreement, the Company is also required to maintain the patent portfolio in Canada, South Africa and Israel and to provide further support and cooperation to Paladin over the life of the agreement. As a result, the balance in deferred revenue at January 1, 2011 is being amortized into research and development revenue on a straight-line basis over the remaining life of the agreement, which ends in June 2016.

(expressed in Canadian dollars, tabular amounts in thousands)

(f) Other revenue

In January, 2012 the Company satisfied an outstanding condition pursuant to an agreement with Lux for the sale of API such that $1,323,000 (US$1,300,000) was due and payable in two instalments of $661,000 (US$650,000) each on July 29, 2012 and July 29, 2013, respectively. The Company recorded the sale of API in the amount of $1,300,000 (US$1,300,000) as other income in the first quarter ended March 31, 2012. The Company, in a previous year, had recorded the cost of this API as a research and development expense.

As the timing and collectability of the amount was previously uncertain, particularly as a result of Lux not meeting the primary endpoint in the Phase 3 uveitis clinical trial the Company recorded a provision for doubtful collection of $1,310,000 for the year ended December 31, 2012. As a result of Lux ceasing operations and not having sufficient funds to repay this amount, the Company wrote off this receivable as uncollectible in 2013.

14. Contingent consideration

As described in note 5(a)) the Company has recorded the fair value of contingent consideration payable to ILJIN resulting from the Arrangement Agreement.

There are two categories of contingent consideration. The first is a financing milestone of US$1,600,000 payable upon the Company completing a financing of up to US$10,000,000. This was completed subsequent to year-end (see note 26) and the milestone payment has been made, accordingly this portion of the contingent consideration was classified as a current liability at its full amount of $1,702,000 at December 31, 2013.

The second category of contingent consideration relates to payments of up to US$10,000,000 to be paid in five equal tranches according to the achievement of pre-defined clinical and marketing milestones. If all milestones are met, the timing of these payments is expected to occur as follows:

2016	US$2,000
2017	2,000
2018	—
2019	4,000
2020	US$2,000

The fair value of this portion of contingent consideration was estimated to be $2,861,000 and was determined by applying the income approach. The fair value estimates are based on a discount rate of 15% and an assumed probability-adjusted payment range between 35% and 70%. This is a level 3 recurring fair value measurement.

As of 31 December 2013, there was an increase in foreign exchange loss of $61,000 recognized in the income statement for the contingent consideration arrangement, as the assumed probability adjusted payments were recalculated to reflect updated assumptions for the US dollar conversion rates.

(expressed in Canadian dollars, tabular amounts in thousands)

15. Share Capital

(a) Share consolidation

On October 23, 2013, the Company consolidated its common shares, warrants and stock options on a 50:1 basis. All of the common shares, warrant and stock options numbers below have been retroactively restated to reflect the 50:1 consolidation.

(b) Common shares

Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

	Common shares	
Issued	**#**	**$**
	(in thousands)	
Balance at January 1, 2012	3,478	203,131
Issued pursuant to October, 2012 Private Placement	379	514
Balance at December 31, 2012	3,857	203,645
Balance at January 1, 2013	3,857	203,645
Issued pursuant to June 26, 2013 Private Placement	453	410
Issued to ILJIN pursuant to plan of arrangement (note 5(a))	1,694	3,812
Issued on acquisition of Aurinia Pharma Corp. (note 5(b))	3,682	8,266
Issued pursuant to September 20, 2013 Private Placement	2,687	4,340
Issued pursuant to exercise of stock options	2	7
Balance at December 31, 2013	12,375	220,480

On September 20, 2013, the Company closed a Second Unit Offering private placement, raising gross proceeds of $6,000,000 by the issuance of 2,687,000 units at a price of $2.25 per unit. Each unit consisted of one common share and one half of a whole non-transferable Second Offering warrant. Each whole Second Unit warrant is exercisable at $2.50 for a period of three years from the closing date. The fair value attributed to the warrants using the Black-Scholes option pricing model was $1,285,000.

The Company paid a cash commission of $230,000, issued 20,000 Second Offering units at a deemed value of $2.25 per share and 102,067 broker warrants to the agents. The broker warrants are exercisable at a price of $2.25 and will expire three years from the closing date. The Company recorded share based compensation of $45,000 and $130,000 to the broker units and broker warrants respectively as share issue costs.

On June 26, 2013, the Company closed a First Unit Offering private placement, raising gross proceeds of $1,019,500 by the issuance of 453,000 units at a price of $2.25 per unit. Each unit consisted of one common share and one non-transferable common share purchase warrant exercisable at $2.50 for a period of five years from the closing date. The issue of the warrants was subject to shareholder approval which was received at the August 15, 2013 Special and Annual Shareholder meeting. No fair value was attributed to the warrants until shareholder approval was received. Upon shareholder approval, the Company recorded an adjustment to attribute $443,000 as the fair value of these warrants. The Company paid a 7% cash commission on $619,500 of the private placement and issued 19,273 broker warrants. The broker warrants are exercisable at a price of $2.25 and will expire five years from the closing date. Related to this the Company recorded share based compensation of $33,000 as a share issue cost and a fair value adjustment to warrants. In addition the Company incurred legal and other advisory fees of $90,000 to complete the private placement.

In order to help fund its operations in the first half of 2013, the Company received loans in April, 2013 from Dr. Richard Glickman, who was a major Aurinia Pharma Corp. shareholder, and ILJIN consisting of the issuance of zero-coupon promissory notes in the principal amount of $200,000 each for a total of $400,000. Dr. Glickman and ILJIN subscribed for Units in the June 26, 2013 private placement in the amount of $200,000 each and the promissory notes were cancelled.

In October of 2012, pursuant to a non-brokered private placement comprised of two tranches, the Company raised proceeds of $758,000 by the issuance of 379,000 units at a price of $2.50 per unit. Each unit consisted of one common share and one non-transferable common share purchase warrant exercisable at $2.50 for a period of two years from the closing dates. No commissions or finder's fees were paid. The fair value attributed to the warrants was $244,000 with $514,000 attributed to the common shares issued.

(c) Warrants

	Warrants	
Issued	**#**	**$**
	(in thousands)	
Balance at January 1, 2012	8	171
Issued pursuant to October, 2012 Private Placement	379	244
Balance at December 31, 2012	387	415
Balance at January 1, 2013	387	415
Issued pursuant to June 26, 2013 Private Placement	472	476
Issued on acquisition of Aurinia Pharma Corp. (note 5)	14	19
Issued pursuant to September 20, 2013 Private Placement	1,445	1,416
Balance at December 31, 2013	2,318	2,326

The warrants issued on acquisition of Aurinia Pharma Corp. are exercisable at $2.00 per share until December 31, 2018.

(expressed in Canadian dollars, tabular amounts in thousands)

On October 17, 2012, pursuant to close of the first tranche of a private placement, the Company issued 303,500 warrants to purchase common shares at a price of $2.50 per common share. On October 30, 2012, pursuant to the close of the second tranche of the private placement, the Company issued 75,500 warrants to purchase common shares at a price of $2.50 per common share. The warrants have a term of two years from the date of issuance. The fair value attributed to the warrants using the Black-Scholes option pricing model was $244,000.

On June 18, 2008, pursuant to a debt financing, the Company issued 8,028 warrants to purchase common shares at a price of $50.00 per common share. The warrants have a term of seven years. The fair value attributed to the warrants using the Black-Scholes option pricing model was $171,000.

The Company uses the Black-Scholes warrant pricing model to estimate the fair value of the warrants. The following weighted average assumptions were used to estimate the fair value of the warrants granted during the years ended December 31, 2013 and December 31, 2012:

	2013	2012
Annualized volatility	92.9%	70.7%
Risk-free interest rate	1.5%	1.13%
Expected life of warrants in years	3.5 years	2 years
Dividend rate	0.0%	0.0%
Exercise price	$ 2.50	$ 2.50
Market price on date of grant	$ 2.25	$ 2.00
Fair value per common share warrant	$ 1.50	$ 0.64

Expiry date:	Number (in 000's) #	Weighted average exercise price $
October 17 and 31, 2014	379	2.50
June 18, 2015	8	50.00
September 20, 2016	1,445	2.50
June 26, 2018	472	2.50
December 31, 2018	14	2.00
	2,318	2.50

(d) Stock options and compensation expense

The maximum number of common shares issuable under the 2012 Option Plan is equal to 10% of the issued and outstanding common shares at the time the common shares are reserved for issuance. As at December 31, 2013 there were 12,375,000 common shares of the Company issued and outstanding, resulting in a maximum of 1,237,000 options available for issuance under the 2012 Stock Option Plan. At December 31, 2013 an aggregate total of 276,000 options were outstanding, representing 2.23% of the issued and outstanding common shares of the Company.

(expressed in Canadian dollars, tabular amounts in thousands)

The Stock Option Plan requires the exercise price of each option to be determined by the Board of Directors and not to be less than the closing market price of the Company's stock on the day immediately prior to the date of grant. Any options which expire may be re-granted. The Board approves the vesting criteria and periods at its discretion. The options issued under the plans are accounted for as equity-settled share-based payments.

A summary of the status of the Company's stock option plans as of December 31, 2013 and 2012 and changes during the years ended on those dates is presented below:

	2013		2012	
	#	Weighted average exercise price $	#	Weighted average exercise price $
Outstanding – Beginning of year	321	5.50	188	9.50
Granted	—	—	178	3.50
Exercised	(2)	2.50	—	—
Expired	(7)	15.75	(16)	31.50
Cancelled and forfeited	(36)	5.99	(29)	7.50
Outstanding – End of year	276	5.04	321	5.50
Options exercisable – End of year	244	4.76	175	6.00

For the year ended December 31, 2013, the Company granted no stock options. In 2012 the Company granted 178,000 stock options to the executives, directors and employees of the Company at a weighted average price of $3.50 per share.

The Company uses the Black-Scholes option pricing model to estimate the fair value of the options granted to employees, officers and directors.

The following weighted average assumptions were used to estimate the fair value of the options granted during the years ended December 31, 2013 and 2012:

	2013	2012
Annualized volatility	—	97.6%
Risk-free interest rate	—	1.26%
Expected life of options in years	—	4.52 years
Estimated forfeiture rate	—	7.76%
Dividend rate	—	0.0%
Exercise price	—	$ 3.50
Market price on date of grant	—	$ 3.50
Fair value per common share option	—	$ 2.50

(expressed in Canadian dollars, tabular amounts in thousands)

The Company considers historical volatility of its common shares in estimating its future stock price volatility. The risk-free interest rate for the expected life of the options was based on the yield available on government benchmark bonds with an approximate equivalent remaining term at the time of the grant. The expected time until exercise is based upon the contractual term, taking into account expected employee exercise and expected post-vesting employment termination behaviour.

Application of the fair value method resulted in a charge to stock-based compensation expense of $238,000 (2012 – $275,000) with corresponding credits to contributed surplus. For the year ended December 31, 2013, stock compensation expense has been allocated to research and development expense in the amount of $100,000 (2012 – $104,000) and corporate administration expense in the amount of $138,000 (2012 – $171,000).

The following table summarizes information on stock options outstanding at December 31, 2013:

Options outstanding			Options exercisable
Range of Exercise prices $	Number outstanding # (in thousands)	Weighted average remaining contractual life (years)	Number outstanding # (in thousands)
2.50	3	8.63	3
3.50	155	7.54	155
6.50	2	3.12	2
7.00	81	2.59	62
7.50	35	0.47	21
	276	5.18	243

16. Nature of expenses

	2013 $	2012 $
Research and development, net, composed of		
Drug supply	388	3,080
Wages and employee benefits	884	1,546
Study contracts, consulting and other outside services	189	(14)
Rent, utilities and other facility costs	333	495
Stock compensation expense	100	104
Patent annuity and legal fees	317	318
Insurance	5	39
Other	33	107
	2,249	5,675
Less: Government assistance(1)	(190)	(194)
Net research and development expenses	2,059	5,481

(expressed in Canadian dollars, tabular amounts in thousands)

(1) The Company has signed contribution agreements with National Research Council Canada ("NRC") whereby the NRC has provided government assistance in the form of Industrial Research Assistance Program ("IRAP") grants to cover specific salaries and contractor fees related to the development of the Company's non-immunosuppressive cyclosporine analogue molecules ("NICAMs") program. The Company recorded funding of $170,000 for the year ended December 31, 2013 (2012 – $58,000) which has been recognized as a reduction of research and development expenses. In addition, the Company has recognized Alberta refundable research and development tax credits for the year ended December 31, 2013 in the amount of $20,000 (2012 – $136,000).

	2013 $	2012 $
Corporate and administration composed of		
Wages and benefits	1,076	957
Directors fees	196	177
Professional and consulting fees and services	403	1,871
Travel and promotion	129	284
Stock compensation expense	138	171
Trustee fees, filing fees and other public company costs	137	110
Rent, utilities and other facility costs	172	59
Insurance	38	64
Office, data processing, telecommunications and other	87	188
General and administration expenses	2,376	3,881

	2013 $	2012 $
Acquisition and restructuring costs composed of		
Acquisition costs, including legal and filing fees	259	—
Restructuring costs composed of severance costs	1,311	—
	1,570	—

As a result of the restructuring and rebranding of the Company following the Plan of Arrangement, the Company eliminated certain positions and recorded a severance provision in 2013. At December 31, 2013, $815,000 of this provision remained outstanding (note 11). Subsequent to the year end, the remaining balance of accrued severance costs was paid.

(expressed in Canadian dollars, tabular amounts in thousands)

17. Other expense (income), net

	2013 $	2012 $
Finance income		
Interest income on short-term bank deposits	(3)	(7)
Finance costs		
Interest on drug supply loan	106	51
Interest on finance lease	1	5
Debt finance fee	—	45
	107	101
Financial assets at fair value through profit or loss		
Loss on derivative financial asset (see below)	—	4,178
Other		
Loss on contract settlement with ILJIN (note 5(a))	4,479	—
Gain on acquisition of Aurinia Pharma Corp. (note 5(b))	(3,675)	—
Realized gain on disposal of investment in Aurinia Pharma Corp. (note 10(a))	(78)	—
Foreign exchange loss (gain)	194	(16)
Gain on disposal of equipment	(69)	(8)
Provision for doubtful collection of receivable from Lux (note 12(f))	—	1,310
	851	1,286
	955	5,558

Fair value of financial derivative asset

Pursuant to the Development, Distribution & Licensing Agreement ("DDLA") with ILJIN, ILJIN was entitled to acquire a fixed number of common shares for a fixed US dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of operations and comprehensive loss as they arise. At December 31, 2011 the Company recorded a financial asset at the fair value of $4,178,000 and recorded a non-cash gain in other income. Management had estimated the fair value of the derivative asset at December 31, 2011 considering all factors that would impact the fair value. The Company used a 50% probability weighting factor as at December 31, 2011 as to the whether ILJIN would make the payment as required on or before January 28, 2012 and as result recorded a fair value change of $4,178,000 as a non-cash gain on derivative financial asset in 2011.

(expressed in Canadian dollars, tabular amounts in thousands)

ILJIN did not make the required payment, resulting in a dispute that led to arbitration. The Company, Aurinia and ILJIN, entered into a definitive tripartite agreement as more fully described in note 5. As a result, the fair value of the financial derivative asset was assessed to be $nil at December 31, 2012 and accordingly the Company recorded a loss on financial derivative asset of $4,178,000 in other expense (income) in the statement of operations and comprehensive loss for the year ended December 31, 2012.

18. Income taxes

At December 31, 2013, the Company has available Canadian non-capital losses in the amount of $28,693,000 (2012 – $21,035,000) to reduce Canadian taxable income in future years. The Company has unclaimed investment tax credits of $784,000 (2012 – $754,000) available to reduce future Canadian income taxes otherwise payable.

The Company has available US net operating losses in the amount of $112,000 (2012 – $nil) to reduce US taxable income in future years.

The losses and credits will expire as follows:

	Net operating losses carried forward $	Non-capital losses carried forward $	Federal investment tax credits $
2014	—	57	—
2015	—	733	—
2029	—	4,559	42
2030	—	3,240	69
2031	—	2,459	388
2032	—	9,998	255
2033	112	7,647	30

At December 31, 2013 and December 31, 2012, temporary differences for which no deferred tax asset was recognized were as follows:

	2013 $	2012 $
Deferred tax assets (liabilities)		
Loss carry forwards	7,540	5,258
Share issue costs	166	40
Deferred revenue	371	733
Property and equipment	(76)	95
Intangible assets	(2,502)	1,331
Other	(3)	17
	5,496	7,474
Potential tax assets not recognized	(5,496)	(7,474)
Net deferred tax assets	—	—

Given the Company's past losses, management does not believe that it is more probable than not that the Company can realize its deferred tax assets and therefore it has not recognized any amount in the statement of financial position.

The difference between the expected income tax recovery based on a 25.0% (2012 – 25.0%) Canadian statutory tax rate and the actual income tax recovery is summarized as follows:

	2013 $	2012 $
Expected recovery at the statutory rate	(1,704)	(2,422)
Non-deductible expenses including stock compensation	59	67
Non-deductible portion of capital gain	(18)	520
Unrecognized deductible temporary differences	(2,076)	1,835
Impact of substantively enacted rates	(367)	—
Total income tax recovery	(4,106)	—

19. Net loss per common share

Basic and diluted net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding for the year. In determining diluted net loss per common share, the weighted average number of common shares outstanding is adjusted for stock options and warrants eligible for exercise where the average market price of common shares for the year ended December 31, 2013 exceeds the exercise price. Common shares that could potentially dilute basic net loss per common share in the future that could be issued from the exercise of stock options and warrants were not included in the computation of the diluted loss per common share for the years ended December 31, 2013 and December 31, 2012 because to do so would be anti-dilutive.

The numerator and denominator used in the calculation of historical basic and diluted net loss amounts per common share are as follows:

	2013 $	2012 $
Net loss for the year	(2,711)	(9,687)
	# In thousands	# In thousands
Weighted average common shares outstanding	6,344	3,552
	$	$
Net loss per common share ***(expressed in $ per share)***	(0.43)	(2.73)

The outstanding number and type of securities that would potentially dilute basic loss per common share in the future and which were not included in the computation of diluted loss per share, because to do so would have reduced the loss per common share (anti-dilutive) for the years presented, are as follows:

	2013 # In thousands	2012 # In thousands
Stock options	276	321
Warrants	2,318	387
Share purchase rights to ILJIN	—	1,584
	2,594	2,292

20. Segment disclosures

The Company's operations comprise a single reporting segment engaged in the research, development and commercialization of therapeutic drugs. As the operations comprise a single reporting segment, amounts disclosed in the financial statements represent those of the single reporting unit. In addition, all of the Company's long-lived assets are located in Canada.

The following geographic information reflects revenue based on customer location.

Geographic information

	2013 $	2012 $
Revenue		
Canada	147	221
United States	732	1,361
China	131	142
Korea	—	4,402
	1,010	6,126

(expressed in Canadian dollars, tabular amounts in thousands)

21. Supplementary cash flow information

Net change in other operating assets and liabilities:

	2013 $	2012 $
Accounts receivable	70	102
Prepaid expenses and other	(105)	124
Prepaid rent deposit	(162)	—
Accounts payable and accrued liabilities	1,506	805
Drug supply loan	(296)	1,698
	1,013	2,729

22. Related parties

Compensation of key management

Key management includes Directors and Officers of the Company.

Compensation awarded to key management was composed of the following:

	2013 $	2012 $
Salaries and short-term employee benefits	1,346	1,034
Severance accrued or paid	1,264	—
Director fees accrued or paid	198	177
Stock-based compensation	130	211
	2,938	1,422

As a result of the Arrangement Agreement as described in note 5(a), ILJIN has significant influence over the Company effective September 20, 2013. Apart from transactions and balances with ILJIN described elsewhere in these consolidated financial statements, there have been no other transactions with ILJIN since September 20, 2013.

(expressed in Canadian dollars, tabular amounts in thousands)

23. Commitments and contingencies

On October 1, 2013, the Company significantly reduced its leased premises costs by entering into a three year sublease with the new head lessee for approximately 9,000 square feet while vacating 16,318 square feet it had previously been leasing. The Sublease is $22,000 monthly and includes base rent, utilities and operating costs. In turn, the Company subleases out, on a month-to-month basis, a portion of the 9,000 square feet, and receives rental proceeds of approximately $10,000 per month. The Company provided a deposit of $162,000 to the head lessee which covers the last 7.4 months rent on the sublease.

The Company continues to lease two adjoining office bays from the landlord on month-to-month basis at $10,000 per month as it transitions its operations to Victoria, British Columbia.

The Company has entered into contractual obligations for services and materials required for the Phase IIb clinical trial.

Future minimum lease payments for its premises and other purchase obligations are as follows:

	Operating lease $	Purchase obligations $
2014	283	405
2015	263	60
2016	197	33
2017	—	11
2018	—	11
	743	520

The Company sub-leased certain laboratory and office space in its premises and received sublease payments of $142,000 for the year ended December 31, 2013 which has been netted against gross rent expense of $422,000.

Contingencies

i) The Company may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes that the ultimate resolution of such contingencies will not have a material adverse effect on the consolidated financial position of the Company.

ii) The Company entered into indemnification agreements with its officers and directors. The maximum potential amount of future payments required under these indemnification agreements is unlimited. However, the Company does maintain liability insurance to limit the exposure of the Company.

iii) The Company has entered into license and research and development agreements with third parties that include indemnification and obligation provisions that are customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of third party claims or damages arising from these transactions. These provisions may survive termination of the underlying agreement. The nature of the obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any payments under such agreements and no amount has been accrued in the accompanying consolidated financial statements.

24. Capital management

The Company's objective in managing capital is to ensure a sufficient liquidity position to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company defines capital as net equity, comprised of issued common shares, warrants, contributed surplus and deficit.

The Company's objective with respect to its capital management is to ensure that it has sufficient cash resources to maintain its ongoing operations and finance its research and development activities, corporate and administration expenses, working capital and overall capital expenditures.

Since inception, the Company has primarily financed its liquidity needs through public offerings and private placements of common shares (see subsequent event note 26). The Company has also met its liquidity needs through non-dilutive sources, such as debt financings, licensing fees from its partners and research and development fees.

There have been no changes to the Company's objectives and what it manages as capital since the prior fiscal year. The Company is not subject to externally imposed capital requirements.

25. Financial instruments and fair values

As explained in Note 3, financial assets and liabilities have been classified into categories that determine their basis of measurement and for items measured at fair value, whether changes in fair value are recognized in the statement of operations or comprehensive loss. Those categories are fair value through profit or loss; loans and receivables; and, for most liabilities, amortized cost.

In establishing fair value, the Company used a fair value hierarchy based on levels defined below:

- Level 1: defined as observable inputs such as quoted prices in active markets.
- Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: defined as inputs that are based on little or no observable market data, therefore requiring entities to develop its own assumptions.

The Company has determined that the carrying values of its short-term financial assets and liabilities, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, drug

supply payable, financing milestones payable to ILJIN (note 14), and finance lease liability, approximate their fair value because of the relatively short period to maturity of the instruments. Information on the fair value of long-term contingent consideration is included in note 14 and information on the fair value of investments is included in note 10.

Derivative financial assets and liabilities are stated at estimated fair value.

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. Risk management is carried out by management under policies approved by the board of directors. Management identifies and evaluates the financial risks. The Company's overall risk management program seeks to minimize adverse effects on the Company's financial performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through the management of its capital structure and financial leverage as discussed in note 24. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors and/or the Audit Committee reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business. The Company invests its cash equivalents in bankers' acceptances and/or guaranteed investments certificates with 30 to 90 day maturities to ensure the Company's liquidity needs are met. See Subsequent Event note 26 for the financing completed by the Company subsequent to the year end.

The Company's activities have been financed through a combination of the cash flows from licensing and development fees and the issuance of equity and/or debt.

All of the Company's financial liabilities are due within one year except for part of the Contingent Consideration as described in note 14.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and cash equivalents are comprised of highly liquid investments that earn interest at market rates. Accounts receivable, accounts payable and accrued liabilities bear no interest. The drug supply loan bears interest at 10%. Subsequent to year end this loan was repaid.

The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. The Company's policy limits the investing of excess funds to liquid guaranteed investment certificates and bankers acceptances. The Company's exposure to interest rate risk at December 31, 2013 is considered minimal.

(expressed in Canadian dollars, tabular amounts in thousands)

Foreign currency risk

The Company is exposed to financial risk related to the fluctuation of foreign currency exchange rates. Foreign currency risk is the risk that variations in exchange rates between the Canadian dollar and foreign currencies, primarily with the United States dollar, will affect the Company's operating and financial results.

The following table presents the Company's exposure to the US dollar:

	2013 $	2012 $
Cash and cash equivalents	4	52
Accounts receivable	1	13
Accounts payable and accrued liabilities	(422)	(332)
Contingent consideration	(4,563)	—
Net exposure	(4,980)	(267)

	Reporting date rate	
	2013 $	2012 $
$US – $CA	1.064	0.995

Based on the Company's foreign currency exposures noted above, varying the foreign exchange rates to reflect a ten percent strengthening of the Canadian dollar would have decreased the net loss by $497,000 (2012 – $27,000) assuming that all other variables remained constant. An assumed 10 percent weakening of the Canadian dollar would have had an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally to cash and cash equivalents. The Company's cash and cash equivalents were held at a major Canadian Bank. The Company regularly monitors the credit risk exposure and takes steps to mitigate the likehood of these exposures resulting in actual loss.

(expressed in Canadian dollars, tabular amounts in thousands)

26. Subsequent events

a) Private Placement Financing

On February 14, 2014, the Company completed a US$52,000,000 (C$57,477,000) private placement (the "Offering"). The Company intends to use the net proceeds from the Offering to advance the clinical and nonclinical development of its lead drug candidate, voclosporin, as a therapy for lupus nephritis, and for general corporate purposes.

Under the terms of the Offering, the Company issued 18,919,404 units (the "Units") at a subscription price per Unit of US$2.7485 (C$3.038), each Unit consisting of one common share and one-quarter (0.25) of a common share purchase warrant (a "Warrant"), exercisable for a period of five years from the date of issuance at an exercise price of US$3.2204 (C$3.56). In addition, in the event that the Company does not reduce the size of its Board of Directors to seven directors within 90 days following closing, an additional 0.1 Warrants will be issued for each Unit purchased by a subscriber for every additional 90 day period delay, up to a maximum of 0.35 Warrants per Unit. This represents a maximum of 6,621,791 additional Warrants. If the Company does not obtain approval to list its common shares on NASDAQ within 12 months following the closing, the Company has agreed to issue an additional 0.1 Warrants for each Unit purchased by a subscriber for every 90 day period delay, up to a maximum of 0.35 Warrants per Unit. This represents a maximum of 6,621,791 additional Warrants. All securities issued in connection with the Offering will be subject to a four month hold period from the date of issuance in accordance with applicable securities law, which expires on June 15, 2014 for the securities issued at closing.

The placement agents were paid a 7.5% cash commission on subscriptions excluding those from existing shareholders for a total commission of $3,863,000.

b) Stock Option Grant

On February 18, 2014, the Company granted 1,192,200 stock options to certain directors and officers of the Company at a price of $3.50 per common share. The options are exercisable for a term of ten years.

Exhibit 99.19

Financial Statements

Aurinia Pharmaceuticals Inc.

YEAR END 13

For the year ended
December 31, 2013

Aurinia

Aurinia Pharmaceuticals Inc.

Consolidated Financial Statements
December 31, 2013 and 2012

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of **Aurinia Pharmaceuticals Inc.** are the responsibility of management.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and reflect and, where appropriate, management's best estimates and judgments based on currently available information. Management has prepared the financial information presented elsewhere in the Management's Discussion and Analysis and has ensured it is consistent with the consolidated financial statements.

The Company maintains systems of internal accounting and administrative controls. These systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors exercises its responsibility over the consolidated financial statements and over financial reporting and internal controls principally through the Company's Audit Committee. The Board appoints the Audit Committee and its members are outside and unrelated directors. The Audit Committee meets periodically with management, to discuss internal controls over the financial reporting process and financial reporting issues and to satisfy itself that each party is properly discharging its responsibilities. The Audit Committee reviews the annual consolidated financial statements with both management and the independent auditors and reports its findings to the Board of Directors before such statements are approved by the Board. The Audit Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, the Company's independent auditors, in accordance with Canadian Auditing Standards on behalf of the shareholders. Their report outlines the scope of their audit and gives their opinion on the consolidated financial statements. PricewaterhouseCoopers LLP has full and free access to the Audit Committee.

(Signed) "Stephen Zaruby"
Chief Executive Officer

(Signed) "Dennis Bourgeault"
Chief Financial Officer

Victoria, British Columbia
March 27, 2014

March 28, 2014

Independent Auditor's Report

To the Shareholders of
Aurinia Pharmaceuticals Inc.
(formerly Isotechnika Pharma Inc.)

We have audited the accompanying consolidated financial statements of Aurinia Pharmaceuticals Inc. (formerly Isotechnika Pharma Inc.) and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012 and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity (deficit) and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
TD Tower, 10088 102 Avenue NW, Suite 1501, Edmonton, Alberta, Canada T5J 3N5
T: +1 780 441 6700, F: +1 780 441 6776

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aurinia Pharmaceuticals Inc. and its subsidiaries as at December 31, 2013 and 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Accountants

Aurinia Pharmaceuticals Inc.
Consolidated Statements of Financial Position
As at December 31, 2013 and 2012

(in thousands of Canadian dollars)

	2013 $	2012 $
Assets		
Current assets		
Cash and cash equivalents (note 6)	1,937	184
Accounts receivable (note 7)	113	183
Prepaid expenses and other	180	75
	2,230	442
Non-current assets		
Property and equipment (note 8)	39	88
Intangible assets (note 9)	22,210	3,016
Prepaid deposit (note 23)	162	—
Investment (note 10)	—	592
Total assets	24,641	4,138
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	3,087	1,573
Drug supply loan (note 12)	1,402	1,698
Contingent consideration (note 14)	1,702	—
Current portion of deferred revenue (note 13)	242	338
Finance lease liability	—	36
Current portion of deferred leasehold inducements	—	8
	6,433	3,653
Non-current liabilities		
Deferred revenue (note 13)	1,185	2,593
Contingent consideration (note 14)	2,861	—
	10,479	6,246
Shareholders' equity (deficit)		
Share capital		
Common shares (note 15)	220,480	203,645
Warrants (note 15)	2,326	415
Contributed surplus	10,029	9,794
Deficit	(218,673)	(215,962)
Total shareholders' equity (deficit)	14,162	(2,108)
Total liabilities and shareholders' equity	24,641	4,138

Commitments and contingencies (note 23)
Subsequent events (note 26)

Approved by the Board of Directors

(Signed) "Richard Glickman" Director

(Signed) "Peter Wijngaard" Director

The accompanying notes are an integral part of these consolidated financial statements.

Aurinia Pharmaceuticals Inc.
Consolidated Statements of Operations and Comprehensive Loss
For the years ended December 31, 2013 and 2012

(in thousands of Canadian dollars, except per share data)

	2013 $	2012 $
Revenue (note 13)		
Licensing revenue	898	4,656
Research and development revenue	111	111
Contract services	1	59
Other	—	1,300
	1,010	6,126
Expenses		
Research and development – net (note 16)	2,059	5,481
Corporate and administration (note 16)	2,376	3,881
Acquisition and restructuring costs (note 16)	1,570	—
Other expense – net (note 17)	955	5,558
Amortization and impairment of intangible assets (note 9)	817	267
Amortization of property and equipment	49	580
Contract services	1	46
	7,827	15,813
Loss before income taxes	(6,817)	(9,687)
Income tax (recovery) (note 18)	(4,106)	—
Net loss for the year	(2,711)	(9,687)
Comprehensive loss for the year	(2,711)	(9,687)
Net loss per share (note 19) *(expressed in $ per share)*		
Basic and diluted loss per common share	(0.43)	(2.73)

The accompanying notes are an integral part of these consolidated financial statements.

Aurinia Pharmaceuticals Inc.
Consolidated Statements of Changes in Shareholders' Equity (Deficit)
For the years ended December 31, 2013 and 2012

(in thousands of Canadian dollars)

	Common shares $	Warrants $	Contributed surplus $	Deficit $	Shareholders' Equity (deficit) $
Balance – January 1, 2012	203,131	171	9,519	(206,275)	6,546
Issue of common shares and warrants	514	244	—	—	758
Stock-based compensation	—	—	275	—	275
Net loss for the year	—	—	—	(9,687)	(9,687)
Balance – December 31, 2012	203,645	415	9,794	(215,962)	(2,108)

	Common shares $	Warrants $	Contributed surplus $	Deficit $	Shareholders' Equity (deficit) $
Balance – January 1, 2013	203,645	415	9,794	(215,962)	(2,108)
Issuance of first offering units (note 15)	410	476	—	—	886
Issuance of second offering units (note 15)	4,340	1,416	—	—	5,756
Issuance of common shares to ILJIN (note 15)	3,812	—	—	—	3,812
Issuance of Common shares and warrants on acquisition of Aurinia Pharma Corp. (note 15)	8,266	19	—	—	8,285
Stock-based compensation (note 15)	—	—	238	—	238
Exercise of stock options	7	—	(3)	—	4
Net loss for the year	—	—	—	(2,711)	(2,711)
Balance – December 31, 2013	220,480	2,326	10,029	(218,673)	14,162

The accompanying notes are an integral part of these consolidated financial statements.

Aurinia Pharmaceuticals Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2013 and 2012

(in thousands of Canadian dollars)

	2013 $	2012 $
Cash flow provided by (used in)		
Operating activities		
Net loss for the year	(2,711)	(9,687)
Adjustments for:		
Amortization of deferred revenue	(1,009)	(4,767)
Amortization of property and equipment	49	580
Amortization and impairment of intangible assets	817	267
Amortization of deferred lease inducements	(8)	(17)
Stock-based compensation	238	275
Deferred income tax recovery	(4,106)	—
Gain on disposal of property and equipment	(69)	(8)
Foreign exchange loss related to non-operating activities	166	33
Gain on acquisition of Aurinia Pharma Corp.	(3,675)	—
Loss on contract settlement with ILJIN	4,479	—
Loss on derivative liability	—	(96)
Loss on derivative financial asset	—	4,178
	(5,829)	(9,242)
Net change in other operating assets and liabilities (note 21)	1,013	2,729
Net cash used in operating activities	(4,816)	(6,513)
Investing activities		
Cash acquired from Aurinia Pharma Corp. (note 5(b))	4	—
Proceeds on disposal of property and equipment	69	8
Purchase of property and equipment	—	(5)
Patent costs	(111)	(34)
Net cash used in investing activities	(38)	(31)
Financing activities		
Proceeds from issuance of units, net	6,241	758
Proceeds from exercise of stock options	2	—
Proceeds from issuance of promissory notes	400	—
Principal payments under capital lease	(36)	(45)
Net cash generated from financing activities	6,607	713
Effect of exchange rate changes on cash and cash equivalents	—	(33)
Increase (decrease) in cash and cash equivalents	1,753	(5,864)
Cash and cash equivalents – Beginning of year	184	6,048
Cash and cash equivalents – End of year	1,937	184

The accompanying notes are an integral part of these consolidated financial statements.

(expressed in Canadian dollars, tabular amounts in thousands)

1. Corporate information

Aurinia Pharmaceuticals Inc. (formerly Isotechnika Pharma Inc.) or the "Company" is a biopharmaceutical company with its registered office located at 5120 – 75 Street, Edmonton, Alberta T6E 6W2. The Company has its head office located at #1203-4464 Markham Street, Victoria, British Columbia which incorporates clinical, regulatory and business development functions of the Company.

On October 23, 2013, the Company changed its name from Isotechnika Pharma Inc. to Aurinia Pharmaceuticals Inc. In connection with its name change, the Company's trading symbol on the TSX Venture Exchange was changed to "AUP", and outstanding common shares were consolidated on a 50:1 basis. Accordingly, all share and per share references in these financial statements are on a post-conversion basis.

The Company is incorporated pursuant to the Business Corporations Act (Alberta). The Company's primary business is the development of a therapeutic drug to treat autoimmune diseases, in particular Lupus Nephritis, and for the prevention of graft rejection in solid organ transplant patients.

These consolidated financial statements include the accounts of the Company and it's wholly owned subsidiaries, Aurinia Pharma Corp. (formerly Aurinia Pharmaceuticals Inc.), Aurinia Pharmaceuticals, Inc. (Delaware incorporated) and Aurinia Limited (UK incorporated). Aurinia Pharma Corp. has one wholly owned inactive subsidiary, Aurinia Holdings Corp. (Barbados), which in turn has one wholly owned inactive subsidiary Aurinia Development Corp. (Barbados).

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on March 27, 2014.

(b) Basis of measurement

The consolidated financial statements have been prepared on a going concern and historical cost basis, other than certain financial instruments recognized at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(expressed in Canadian dollars, tabular amounts in thousands)

3. Summary of significant accounting policies

Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies. The Company has a 100% voting interest in all of its subsidiaries.

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealized gains on transactions between companies are eliminated. Unrealized losses are also eliminated when necessary amounts reported by subsidiaries have been adjusted to conform with the Company's accounting policies.

Translation of foreign currencies

The monetary assets and liabilities of Canadian operations denominated in a foreign currency are translated into Canadian dollars at rates of exchange in effect at the end of the period. Revenues and expenses related to monetary assets and liabilities are translated at average rates of exchange during the period. Exchange gains and losses arising on translation are included in the statement of operations and comprehensive income (loss).

(expressed in Canadian dollars, tabular amounts in thousands)

Revenue recognition

Payments received under collaboration agreements may include upfront payments, milestone payments, contract services, royalties and license fees. Revenues for each unit of accounting are recorded as described below:

Licensing and research and development revenues

The Company is currently in a phase in which certain potential products are being further developed jointly with strategic partners. Licensing agreements usually include one-time payments (upfront payments), payments for research and development services in the form of cost reimbursements, milestone payments and royalty receipts. Revenues associated with those multiple-element arrangements are allocated to the various elements based on their relative fair value.

Agreements containing multiple elements are divided into separate units of accounting if certain criteria are met, including whether the delivered element has stand-alone value to the customer and whether there is objective and reliable evidence of the fair value of the undelivered obligation(s). The consideration received is allocated among the separate units based on each unit's fair value, and the applicable revenue recognition criteria are applied to each of the separate units.

License fees representing non-refundable payments received at the time of signature of license agreements are recognized as revenue upon signature of the license agreements when the Company has no significant future performance obligations and collectability of the fees is assured. Upfront payments received at the beginning of licensing agreements are deferred and recognized as revenue on a systematic basis over the period during which the related services are rendered and all obligations are performed.

Milestone payments

Milestone payments, which are generally based on developmental or regulatory events, are recognized as revenue when the milestones are achieved, collectability is assured, and when the Company has no significant future performance obligations in connection with the milestones.

Contract services

Revenues from contract services are recognized as services are rendered, the price is fixed or determinable and collection is reasonably assured.

Royalty payments

Royalty income is recognized on the accrual basis in accordance with the substance of the relevant agreement.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

Property and equipment

Property and equipment are stated at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The carrying amount of a replaced asset is derecognized when replaced. Repair and maintenance costs are charged to the statement of operations during the period in which they are incurred.

(expressed in Canadian dollars, tabular amounts in thousands)

The major categories of property and equipment are amortized on a straight-line basis as follows:

Leasehold improvements	Term of the lease
Scientific equipment	20%
Office equipment and furniture	20%
Computer equipment and software	33.3%

Intangible assets

External patent costs specifically associated with the preparation, filing and obtaining of patents are capitalized and amortized straight-line over the shorter of the estimated useful life and the patent life, commencing in the year of the grant of the patent. In-house and other intellectual property expenditures are recorded as research and development expenses on the statement of operations and comprehensive loss as incurred.

Purchased intellectual property rights are capitalized and amortized on a straight-line basis in the statement of operations over the patent life, which is typically 20 years. The ALMS database (see note 5(b)) is being amortized over 10 years.

Impairment of non-financial assets

Property and equipment and intangible assets with a finite useful life are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Proceeds on the issue of common share purchase warrants (warrants) are recorded as a separate component of equity. Costs incurred on the issue of warrants are netted against proceeds. Warrants issued with common shares are measured at fair value at the date of issue using the Black-Scholes pricing model, which incorporates certain input assumptions including the warrant price, risk-free interest rate, expected warrant life and expected share price volatility. The fair value is included as a component of equity and is transferred from warrants to common shares on exercise.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are assessed by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(expressed in Canadian dollars, tabular amounts in thousands)

Stock-based compensation

The Company records stock-based compensation related to employee stock options granted using the fair value at the date of grant and expensed, as employee benefits, over the period in which employees unconditionally become entitled to the award. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related services and non-market performance conditions at the vesting date. The corresponding charge is to contributed surplus. Any consideration paid on the exercise of stock options is credited to share capital.

Leases

Operating lease payments are recognized in net income (loss) on a straight-line basis over the term of the lease.

Lease inducements arising from leasehold improvement allowances form part of the total lease cost and are deferred and recognized in net income (loss) over the term of the lease on a straight line basis**.**

The Company leases specific computer equipment under a finance lease. Leases of equipment where the Company has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of fair value of the leased equipment and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The equipment acquired under the finance lease is amortized over the expected useful life of the asset.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the statement of operations and comprehensive loss except to the extent that it relates to items recognized directly in shareholders' equity, in which case the income tax is also recognized directly in shareholders' equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax assets and liabilities are presented as non-current.

(expressed in Canadian dollars, tabular amounts in thousands)

Earnings (loss) per share

Basic earnings (loss) per share ("EPS") is calculated by dividing the net income (loss) for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The Company's potentially dilutive common shares comprise stock options and warrants.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

A derivative is a financial instrument whose value changes in response to a specified variable, requires little or no net investment and is settled at a future date.

At initial recognition, the Company classifies its financial instruments in the following categories:

i) Financial assets and liabilities at fair value through profit or loss: a financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term.

   Derivatives are also included in this category unless they are designated as hedges. The Company has, in prior years, used derivatives in the form of foreign exchange collars to manage foreign exchange risk. The Company also had a derivative related to share purchase rights granted to ILJIN Life Science Co., Ltd. ("ILJIN").

   Financial instruments in this category are recognized initially and subsequently at fair value. Gains and losses arising from changes in fair value are presented in the consolidated statement of operations and comprehensive loss within other income (expenses) in the period in which they arise.

ii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(expressed in Canadian dollars, tabular amounts in thousands)

iii) Available for sale financial assets: Available for sale assets are non-derivative financial assets that are designated as available for sale and are not categorized into any of the other categories described above. They are initially recognized at fair value including direct and incremental transaction costs. They are subsequently recognized at fair value. Gains and losses arising from changes in fair value are included as a separate component of equity until sale, when the cumulative gain or loss is transferred to the statement of operations. Interest is determined using the effective interest method, and impairment losses and translation differences on monetary items are recognized in the statement of operations. Prior to the acquisition of Aurinia Pharma Corp., the Company's 10% investment in Aurinia Pharma Corp. was classified as available for sale (see note 10).

iv) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade payables, drug supply loan and finance lease liability. Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

v) Financial liabilities at fair value: Contingent consideration provided to ILJIN (see note 14) is a financial liability recorded at fair value with subsequent changes in fair value recorded in the statement of operations.

Impairment of financial assets

Financial assets carried at amortized cost

At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the consolidated statement of operations. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For practical reasons, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

Recent changes in accounting standards

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

(expressed in Canadian dollars, tabular amounts in thousands)

IFRS 10, consolidated financial statements, replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements, and SIC - 12, Consolidation-Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Company has assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 does not result in any change in the consolidation status of any of its subsidiaries or investees.

IFRS 13, fair value measurement, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as of January 1, 2013. Additional fair value disclosures have been provided as applicable in these consolidated financial statements.

IAS 1, amendment, presentation of items of other comprehensive income, the Company has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required the Company to identify other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. Other comprehensive income consists of fair value changes in an investment held for sale and may be subsequently reclassified to net earnings. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

Accounting standards and amendments issued but not yet adopted

IFRS 9, *Financial Instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. The effective date of IFRS 9 has been deferred and is currently unknown.

(expressed in Canadian dollars, tabular amounts in thousands)

4. Critical accounting estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS often requires management to make estimates about, and apply assumptions or subjective judgment to, future events and other matters that affect the reported amounts of the Company's assets, liabilities, revenues, expenses and related disclosures. Assumptions, estimates and judgments are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's consolidated financial statements are prepared. Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates and judgments in order to ensure that the consolidated financial statements are presented fairly and in accordance with IFRS.

Critical accounting estimates and judgments are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustment.

Management considers the following areas to be those where critical accounting policies affect the significant judgments and estimates used in the preparation of the Company's consolidated financial statements.

Critical judgments in applying the Company's accounting policies

Revenue recognition

Management's assessments related to the recognition of revenues for arrangements containing multiple elements are based on estimates and assumptions. Judgment is necessary to identify separate units of accounting and to allocate related consideration to each separate unit of accounting. Where deferral of upfront payments or license fees is deemed appropriate, subsequent revenue recognition is often determined based upon certain assumptions and estimates, the Company's continuing involvement in the arrangement, the benefits expected to be derived by the customer and expected patent lives. To the extent that any of the key assumptions or estimates change, future operating results could be affected (see also note 13).

Impairment of intangible assets

The Company follows the guidance of IAS 36 to determine when impairment indicators exist for its intangible assets. When impairment indicators exist, the Company is required to make a formal estimate of the recoverable amount of its intangible assets. This determination requires significant judgment. In making this judgment, management evaluates external and internal factors, such as significant adverse changes in the technological, market, economic or legal environment in which the Company operates as well as the results of its ongoing development programs. Management also considers the carrying amount of the Company's net assets in relation to its market capitalization, as a key indicator. In making a judgment as to whether impairment indicators exist at December 31, 2013, management concluded that there were none.

(expressed in Canadian dollars, tabular amounts in thousands)

Goodwill and business combinations

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. Management makes judgments and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognized as goodwill and if negative, it is recognized as a gain in the Statement of Operations.

The amount of goodwill initially recognized as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of assets and liabilities is based, to a considerable extent, on management's judgment. Allocation of the purchase price affects the results of the Company as finite life intangible assets are amortized, whereas indefinite life intangible assets, including goodwill, are not amortized and could result in differing amortization charges based on the allocation to indefinite life and finite life intangible assets (see also note 5(b)).

The Company's acquisition of Aurinia Pharma Corp (see note 5(b)) has resulted in the recognition of a gain of $3,675,000. This is primarily as a result of the value allocated to the intangible property rights being reacquired from Aurinia Pharma Corp. as a result of the merger. The value of these rights was determined using a differential income approach; that is, the discounted cash flows that the Company is able to generate above and beyond what it was entitled to from the Vifor License, determined over the contract life to 2029. The determination of these cash flows is subject to significant estimates and assumptions, including:

- The amount and timing of projected future cash flows, adjusted for the probability of technical and marketing success;
- The amount and timing of projected costs to develop voclosporin into a commercially viable treatment for lupus nephritis;
- The discount rate selected to measure the risks inherent in the future cash flows; and
- An assessment of voclosporin's life-cycle and the competitive trends impacting the drug, including consideration of any technical, legal, regulatory, or economic barriers to entry.

Management believes the fair value assigned to the reacquired rights is based on reasonable assumptions, however these assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur.

The key assumptions used by management include the ultimate probability of successful product launch of 18%, after considering financial, clinic and regulatory risks, and a discount rate of 21%. If the probability for success were to increase to 20%, this would increase the reacquired right by approximately $2,300,000. If the probability for success were to decrease to 16%, this would decrease the reacquired right by approximately $1,300,000. If the discount rate were to increase to 22%, this would decrease the reacquired right by approximately $3,200,000. If the discount rate were to decrease to 20%, this would increase the reacquired right by approximately $3,600,000. A change in the reacquired right value would also impact the related deferred tax liability and purchase gain recorded on the date of acquisition.

(expressed in Canadian dollars, tabular amounts in thousands)

Reacquired right from IJIN

The recognition of a reacquired right recognized as an intangible asset should be measured on the basis of the remaining contractual term of the related contract regardless of whether market participants should consider potential contractual renewals when measuring its fair value. Management makes judgments and estimates in relation to the fair value of the reacquired right. If the terms of the contract giving rise to a reacquired right are favourable or unfavourable relative to the terms of current market transactions for the same or similar items, the difference is recognized as a gain or loss in the Statement of Operations.

The Company's tripartite settlement agreement with Aurinia Pharma Corp. and ILJIN Life Science Co., Ltd. (see note 5 (a)) has resulted in the recognition of a loss on contract settlement with ILJIN of $4,479,000. This is the result of a value allocated to the intangible property rights being reacquired from ILJIN Life Science Co., Ltd. as a result of the settlement. The value of these rights was determined using a differential income approach; that is, the discounted cash flows that the Company is able to generate above and beyond what it was entitled to under the original licensing agreement. The cash flows used to determine the value of these rights are derived from the same cash flows used to determine the reacquired right from Aurinia Pharma Corp. above. The determination of these cash flows is therefore subject to the same significant estimates and assumptions described above.

Management believes the fair value assigned to the reacquired rights is based on reasonable assumptions, however these assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur.

The key assumptions used by management include the ultimate probability of successful product launch of 18%, after considering financial, clinic and regulatory risks, and a discount rate of 21%. If the probability for success were to increase to 20%, this would increase the reacquired right by approximately$576,000. If the probability for success were to decrease to 16%, this would decrease the reacquired right by approximately $418,000. If the discount rate were to increase to 22%, this would decrease the reacquired right by approximately $707,000. If the discount rate were to decrease to 20%, this would increase the reacquired right by approximately $783,000.

Contingent consideration

Contingent consideration is a financial liability recorded at fair value (see note 14). The amount of contingent consideration to be paid is based on the occurrence of future events, such as the achievement of certain development, regulatory and sales milestones. Accordingly, the estimate of fair value contains uncertainties as it involves judgment about the likelihood and timing of achieving these milestones as well as future foreign exchange rates and the discount rate used. Changes in fair value of the contingent consideration obligation result from changes to the assumptions used to estimate the probability of success for each milestone, the anticipated timing of achieving the milestones, and the discount period and rate to be applied. A change in any of these assumptions could produce a different fair value, which could have a material impact to the results from operations.

The key assumptions used by management include the probability of successful for each milestone (35% - 70%) and a discount rate of 15%. If the probability for success were to increase by a factor of 10% for each milestone this would increase the obligation by approximately $430,000 at December 31, 2013. If the probability for success were to decrease by a factor of 10% for each milestone this would decrease the obligation by approximately $500,000 at December 31, 2013. If the discount rate were to increase to 16%, this would decrease the obligation by approximately $105,000. If the discount rate were to decrease to 14%, this would increase the obligation by approximately $110,000.

5. Plan of Arrangement and Acquisition of Aurinia Pharma Corp.

On February 5, 2013 the Company announced that it had signed a binding term sheet (the "Term Sheet") with Aurinia Pharma Corp. for the merger of the two companies, creating a clinical development stage pharmaceutical company focused on the global nephrology market. The Term Sheet set forth the main criteria to be incorporated into a definitive merger agreement under which the Company would acquire 100% of the outstanding securities of Aurinia Pharma Corp. The merger was expected to be effected by the exchange of shares in the Company for securities of Aurinia Pharma Corp. resulting in an estimated 65:35 post merger ownership split, on a warrant diluted basis, between the Company and Aurinia Pharma Corp. shareholders, respectively.

On April 3, 2013, the Company and Aurinia Pharma Corp. negotiated a tripartite settlement agreement (the "Settlement Agreement") with ILJIN Life Science Co., Ltd. ("ILJIN") pursuant to which, upon the successful completion of the proposed merger, the combined company would re-acquire the license previously granted to ILJIN and therefore obtain full rights to voclosporin for autoimmune indications including lupus, and transplantation in the United States, Europe and other regions of the world, outside of Canada, Israel, South Africa, China, Taiwan and Hong Kong. In return, ILJIN would be entitled to receive certain predefined future milestone payments and would also own approximately 25% of the issued and outstanding shares of the merged company on a warrant diluted basis, which is calculated to give effect to the dilution by the exercise of warrants but excluding the exercise of stock options. On June 11, 2013, a draft arrangement agreement was prepared implementing the arrangement (the "Arrangement Agreement"), the terms of which were subsequently negotiated by the parties. The Arrangement was intended to implement the terms of the Settlement Agreement, whereby ILJIN would receive a further ownership interest in the Company in exchange for:

(i) returning to the Company and terminating:

  (a) all of its rights, licenses and obligations under the DDLA (see Note 13b); and

  (b) all other licenses and sublicenses between ILJIN and any of the Company, Aurinia Pharma Corp. or Vifor (International) AG ("Vifor"); and

(ii) suspending all of its current or contemplated legal or financial claims against the Company, Aurinia Pharma Corp. or Vifor.

Upon closing of the plan of arrangement on September 20, 2013 the Company issued common shares to ILJIN. In addition ILJIN is entitled to receive certain predefined future success based clinical and marketing milestone payments in the aggregate amount of up to US$10,000,000, plus up to US$1,600,000 upon the merged company reaching certain financing milestones (see note 14).

(expressed in Canadian dollars, tabular amounts in thousands)

The Company also acquired all of the issued and outstanding common shares of Aurinia Pharma Corp. at a ratio of approximately 19.83 Common Shares for each Aurinia Pharma Corp. share held by an Aurinia Pharma Corp. shareholder.

a) Settlement with ILJIN

The estimated fair value of the contract settlement with ILJIN at September 20, 2013 was $8,879,000 and has been determined to represent reacquired license rights in the amount of $4,400,000 and a loss on contract settlement of $4,479,000. Consideration paid or payable to ILJIN is as follows: the Company's 10% interest in Aurinia Pharma Corp. of $670,000, $3,812,000 in common shares (by issuance of 1,694,000 common shares at a deemed price of $2.25 per share), $1,645,000 in financial milestones payable and $2,752,000 in clinical and sales milestones payable based on the estimated fair value of the pre-defined future milestone payments.

b) Acquisition of Aurinia Pharma Corp.

The Company determined that the transaction with Aurinia Pharma Corp. represented a business combination with the Company identified as the acquirer. The Company began consolidation of the operating results, cash flows and net assets of Aurinia Pharma Corp. on September 20, 2013. Had the Company consolidated the results of Aurinia Pharma Corp. from January 1, 2013, the revenue and net income of the Company would have been $1,010,000 and $2,902,000, respectively.

The table below presents the allocation of the purchase price to the assets and liabilities acquired, as well as the settlement of pre-existing balances between the parties to the Arrangement Agreement prior to acquisition.

	Carrying value $	Settle Pre-existing items $	Fair value adjustments $	Fair value of acquisition $
Cash	4	—	—	4
Prepaid expenses and deposits	123	—	—	123
Inventory	80	—	—	80
	207	—	—	207
Intangibles	2,448	(577)	13,629	15,500
	2,655	(577)	13,629	15,707
Accounts payable	185	(49)	—	136
Note payable	528	(528)	—	—
Deferred income taxes	—	—	4,106	4,106
	713	(577)	4,106	4,242
Net assets acquired	1,942	—	9,523	11,465

(expressed in Canadian dollars, tabular amounts in thousands)

Consideration provided by the Company for the acquisition of Aurinia Pharma Corp. was 3,682,000 common shares of the Company with a fair value of $8,285,000, less $495,000 of deferred revenue that was effectively settled as a result of the business combination. The fair value of the shares issued was determined by the trading price on September 20, 2013. The $3,675,000 difference between the fair value of net consideration of $7,790,000 and the fair value of net assets acquired of $11,465,000, is recorded as a gain in other income. Acquisition costs of $259,000 have been expensed (note 16).

The fair value of the reacquired rights and intellectual know-how, including the Aspreva Lupus Management Study (ALMS) database, was determined to be $15,500,000. The fair value was determined using a differential income approach, as described more fully in note 4 – *Goodwill and business combinations*. Management attributes the gain recognized on the purchase to the fact that the consideration provided was determined by the trading price of the Company's shares on the measurement date, and that the share price would not have fully reflected the value of the transaction.

6. Cash and cash equivalents

	2013 $	2012 $
Cash at bank and on hand	1,437	184
Short-term bank deposit	500	—
	1,937	184

The interest rate on the short-term bank deposit at December 31, 2013 was 1.00%.

7. Accounts receivable

	2013 $	2012 $
Trade receivables	51	29
Accrued receivables	34	1
Research tax credits recoverable	17	135
Sales tax recoverable	11	18
	113	183

(expressed in Canadian dollars, tabular amounts in thousands)

8. Property and equipment

	Leasehold Improvements $	Scientific Equipment $	Office Equipment, Furniture and Other $	Computer Equipment and Software $	Total $
Year ended December 31, 2012					
At January 1, 2011	532	25	4	102	663
Additions	—	3	—	2	5
Amortization	(527)	(13)	(3)	(37)	(580)
At December 31, 2012	5	15	1	67	88
At December 31, 2012					
Cost	6,007	3,671	526	697	10,901
Accumulated amortization	(6,002)	(3,656)	(525)	(630)	(10,813)
Net book value	5	15	1	67	88
Year ended December 31, 2013					
At January 1, 2013	5	15	1	67	88
Disposals	—	—	—	—	—
Amortization	(5)	(7)	(1)	(36)	(49)
Net book value	—	8	—	31	39
At December 31, 2013					
Cost	2,587	1,357	498	667	5,109
Accumulated amortization	(2,587)	(1,349)	(498)	(636)	(5,070)
Net book value	—	8	—	31	39

Computer software is used in conjunction with the computer equipment. For the year ended December 31, 2013, the Company disposed of fully depreciated equipment for proceeds of $69,000, resulting in a gain of $69,000.

(expressed in Canadian dollars, tabular amounts in thousands)

9. Intangible assets

	Patents $	Purchased intellectual property and reacquired rights $	Total $
Year ended December 31, 2012			
Opening net book value	2,003	1,246	3,249
Additions	34	—	34
Amortization for the year	(154)	(113)	(267)
Closing net book value	1,883	1,133	3,016
Year ended December 31, 2013			
Opening net book value	1,883	1,133	3,016
Additions	111	—	111
Fair value of re-acquired rights from ILJIN (note 5(a))	—	4,400	4,400
Fair value of intangible assets acquired from Aurinia Pharma Corp. (note 5(b))	—	15,500	15,500
Amortization for the year	(163)	(442)	(605)
Impairment of patents	(212)	—	(212)
Closing net book value	1,619	20,591	22,210

As a result of the Arrangement Agreement as described in note 5, the Company recognized re-acquired rights from ILJIN and Aurinia Pharma Corp. in the total amount of $19,900,000. The re-acquired rights represent the value of discounted cash flows expected to arise from the return of the licenses granted under the ILJIN DDLA (note 13(b)) and the Vifor License and ILJIN License Back (note 13).

On February 14, 2014 the Company signed a NICAMs Purchase and Sale Agreement with Ciclofilin Pharmaceuticals Inc. (“Ciclofilin”) whereby it divested its early stage research and development NICAMS asset, consisting of intellectual property, including patent applications and know-how to Ciclofilin. Consideration will consist of future contingent milestones and a royalty. Due to the early stage of development of this technology and the contingent nature of the consideration to be received by the Company, the Company recognized an impairment against the entire capitalized cost of the NICAMs patent portfolio ($212,000) at December 31, 2013.

(expressed in Canadian dollars, tabular amounts in thousands)

10. Investment

	2013 $	2012 $
Opening fair value	592	—
Shares received from Aurinia Phara Corp. (note 13(a))	—	592
Change in fair value to date of disposal (note 17)	78	—
Shares provided to ILJIN (note 5(a))	(670)	—
Closing fair value	—	592

The Company's investment in Aurinia Pharma Corp. was carried at fair value, with changes in fair value recognized in other comprehensive income ("OCI"). Since Aurinia Pharma Corp.'s shares did not trade in a public market, the Company used a form of comparable company valuation approach to determine fair value, categorized as level 3 in the fair value hierarchy. Due to the unique nature of Aurinia Pharma Corp's primary assets, being its license agreement with the Company and its intellectual property related to lupus nephrology research, management does not believe there are any comparable companies that trade publicly for which an indicative value could be obtained. As a result, it compared the value of Aurinia Pharma Corp. to the value of the Company based on the planned merger of the entities and the relative valuation formula agreed to by the parties and approved by the shareholders. Without providing for any adjustments for lack of liquidity or non-controlling interests, this approach resulted in a fair value of the investment of $670,210 at September 20, 2013. Pursuant to the plan of arrangement as described in note 5 the Company transferred its ownership interest in Aurinia Pharma Corp. to ILJIN. The Company recorded a gain of $78,000 on the statement of operations upon disposal of this investment.

11. Accounts payable and accrued liabilities

	2013 $	2012 $
Trade payables	1,176	1,159
Accrued severance costs (note 16)	815	—
Accrued wages, vacation pay and director fees	596	152
Payroll taxes payable	38	17
Other accrued liabilities	462	245
	3,087	1,573

(expressed in Canadian dollars, tabular amounts in thousands)

12. Drug supply loan

On January 31, 2012, the Company entered into an agreement with Paladin Labs Inc. ("Paladin") which set forth different payment and delivery terms of manufactured API for previously ordered batches of API pursuant to the terms of the Company's Supply Agreement with Paladin. The obligation for the API was split into three separate payments with the first payment due the later of April 30, 2012 or within five business days of the Company receiving a certificate of analysis from the API manufacturer. On April 5, 2012, the risks and rewards relating to the API were transferred to the Company, and the Company paid the first installment of $849,000. The unpaid balance was reflected as drug supply payable.

Pursuant to a letter agreement as amended on August 8, 2013, Paladin agreed to accept repayment terms on the unpaid portion of the drug supply payable, subject to certain conditions, including that on or before September 30, 2013 the Company obtain financing in the sum of not less than $3,000,000 and complete the merger with Aurinia Pharma Corp. which the Company met. As a result the Company on September 20, 2013 reclassified the unpaid balance as a drug supply loan.

The terms of repayment were as follows:

(i) The Company is to pay Paladin $100,000 per month, commencing 15 days after the successful completion of the Company raising a minimum of $3,000,000 in financing which occurred on September 20, 2013;

(ii) Any outstanding balance was due on or before December 31, 2014;

(iii) Interest on the outstanding balance was at a rate of 10%, compounded monthly for the first 12 months, commencing upon first payment, and then payable at a rate of 18%, compounded monthly after the first 12 months. The Company had the right to prepay the balance owing on the outstanding balances, plus accrued interest to the date of prepayment, at any time without penalty.

Subsequent to the year end, the Company repaid the outstanding balance of the loan.

(expressed in Canadian dollars, tabular amounts in thousands)

13. Revenue and deferred revenue

	(a) Aurinia $	(b) ILJIN $	(c) 3SBio $	(d) Lux $	(e) Paladin $	Total $
At January 1, 2012	—	4,402	1,413	792	499	7,106
Deferred licensing fee received	592	—	—	—	—	592
R&D revenues recognized	—	—	—	—	(111)	(111)
Licensing revenue recognized	(62)	(4,402)	(132)	(60)	—	(4,656)
At December 31, 2012	530	—	1,281	732	388	2,931
Current portion – December 31, 2012	(35)	—	(131)	(61)	(111)	(338)
Long-term portion – December 31, 2012	495	—	1,150	671	277	2,593
At January 1, 2013	530	—	1,281	732	388	2,931
R&D revenues recognized	—	—	—	—	(111)	(111)
Licensing revenue recognized	(35)	—	(131)	(732)	—	(898)
Settle deferred revenue on acquisition (note 5(b))	(495)	—	—	—	—	(495)
At December 31, 2013	—	—	1,150	—	277	1,427
Current portion – December 31, 2013	—	—	(131)	—	(111)	(242)
Long-term portion – December 31, 2013	—	—	1,019	—	166	1,185

Revenue is composed of:

	2013 $	2012 $
Licensing revenue		
Aurinia Pharma Corp.	35	62
3SBio	131	132
Lux	732	60
ILJIN	—	4,402
	898	4,656
Research and development revenue		
Paladin	111	111
Contract services	1	59
Other	—	1,300
	1,010	6,126

(expressed in Canadian dollars, tabular amounts in thousands)

Licensing and research and development fee revenues represent the amortization of deferred revenue from fee payments received by the Company. The deferred revenue is recorded as revenue as the Company incurs the costs related to meeting its obligations under the terms of the applicable agreements.

(a) Licensing and Collaboration Agreement with Aurinia Pharma Corp.

The Company signed a global Licensing and Collaboration Agreement ("LCA") effective December 30, 2011 with Vifor. The agreement granted Vifor an exclusive license for voclosporin, for the treatment of lupus and all proteinuric nephrology indications (the "Vifor License"). The Vifor License was for the United States and other regions outside of Canada, South Africa, Israel, China, Taiwan and Hong Kong (the "Vifor Territory"). Under the terms of the Agreement, the Company was to receive milestone payments, as well as royalties on commercial sales. In connection with this agreement, Vifor was to purchase voclosporin active pharmaceutical ingredient ("API") from the Company. Vifor was to carry the burden of the costs associated with these clinical trials. On December 13, 2012, the LCA was assigned to Aurinia Development Corp. by Vifor. Aurinia Development Corp. is a subsidiary of Aurinia Pharma Corp.

In order for these rights to be licensed to Vifor, ILJIN had provided a License Back of certain rights especially for the field of lupus and proteinuric kidney diseases for the Territory defined in the ILJIN DDLA, in return for certain milestones and royalties to be paid by Vifor.

On December 10, 2012, pursuant to the LCA, the Company received as a milestone payment, an investment in Aurinia Pharma Corp. Aurinia Pharma Corp. issued the Company a share certificate representing 10% of the common shares of Aurinia Pharma Corp. Aurinia Pharma Corp. had the option of granting the Company these shares or $592,000 in cash (US$600,000). The Company determined that the fair value of the shares in Aurinia Pharma Corp. approximated $592,000 and therefore recorded the value of the investment in Aurinia Pharma Corp. shares at $592,000 (see note 10). The Company had recorded this milestone payment as deferred revenue upon receipt. Under the LCA, the primary substantive obligations of the Company were to maintain the patent portfolio and pay for drug supply if costs exceeded a certain amount. Until September 20, 2013 deferred revenue was being amortized into licensing revenue as the Company incurred the costs related to meeting its obligations under the LCA. Effective with the acquisition of Aurinia Pharma Corp. (as described in note 5), to the deferred revenue of $495,000 at September 20, 2013 was an adjustment to the purchase consideration.

(b) Development, Distribution and License Agreement with ILJIN Life Science Co., Ltd.

Effective January 28, 2011 (the "Effective Date") the Company completed a Development, Distribution and License Agreement (the "DDLA") with ILJIN for the further clinical and commercial development of voclosporin for use in transplant indications applicable to voclosporin. The Company granted to ILJIN an exclusive license to voclosporin for transplant and autoimmune indications for the United States and other regions outside of Europe, Canada, Israel, South Africa, China, Taiwan and Hong Kong. The Company retained the rights over voclosporin in Europe for future development and commercialization.

Pursuant to the DDLA, the Company was to receive a total license fee of US$5,000,000. In addition, ILJIN was to purchase 90,700,000 common shares (pre-conversion) of the Company for gross proceeds of US$19,875,000 in three tranches.

The Company was obligated under the terms of the agreement to complete a single Phase 3 clinical trial for the prevention of kidney transplant rejection. A Joint Steering Committee ("JSC") with equal membership from the Company and ILJIN was to have been formed to oversee the development and commercialization of voclosporin in the ILJIN territories.

The Company received $4,505,000 (US$4,500,000) of the license fee and the first private placement tranche of $2,377,000 (US$2,375,000) on January 28, 2011 which was the Effective Date of the Agreement. The Company issued 11,500,000 common shares (pre-conversion) at a price of $0.207 per share (US$0.207) to ILJIN pursuant to the subscription agreement for securities. On or before January 28, 2012 ILJIN was to pay US$500,000 to the Company as the Second Development Payment and purchase 39,600,000 common shares (pre-conversion) of the Company issued from treasury for an aggregate subscription price of US$8,500,000. On or before January 28, 2013, ILJIN was to purchase the final tranche of 39,600,000 common shares (pre-conversion) of the Company issued from treasury for an aggregate subscription price of US$9,000,000.

Prior to the January 28, 2012 date, ILJIN verbally indicated their intent to alter the economics of the DDLA. Consequently, payment under the DDLA was not received as required per the agreement. The Company on January 30, 2012 notified ILJIN that it was terminating the DDLA. At that time the Company believed that the termination of the original DDLA was valid. As a result, the remaining deferred revenue balance of $4,402,000 was recorded as licensing revenue on January 30, 2012.

The Company received notification in March, 2012 that ILJIN submitted a request for arbitration to the International Chamber of Commerce ("ICC") Court of Arbitration relating to the Company's termination of the DDLA. The Arbitration hearing to determine the Company's right to terminate the agreement was held early in the fourth quarter of 2012.

In November, 2012 the Company received notification from the ICC that a Partial Award regarding its right to terminate the DDLA with ILJIN had been issued to the parties. In the result, the Partial Award provided that the DDLA had not been terminated and, therefore, the Company's contractual relationship with ILJIN still existed. As such the Partial Award rejected the Company's interpretation of the DDLA's termination provision. Since the DDLA was not considered to have been terminated, the Company assessed whether it had an onerous contract under the provisions guidance of IAS 37, and concluded that no provision was required.

In January of 2013, ILJIN formally notified the Company and the arbitral tribunal that ILJIN had withdrawn all claims for damages in the parties' pending arbitration.

On September 20, 2013, the Company, ILJIN and Aurinia Pharma Corp. completed a plan of arrangement whereby the DDLA was terminated as more fully described in note 5.

(expressed in Canadian dollars, tabular amounts in thousands)

(c) Development, Distribution and License Agreement with 3SBio, Inc.

On August 23, 2010, the Company and 3SBio, Inc. ("3SBio") completed a Development, Distribution and License Agreement for voclosporin for the territories of China, Hong Kong and Taiwan. The transaction with 3SBio included a non-refundable licensing fee of $1,578,000 (US$1,500,000) which was originally recorded as deferred revenue.

Under the agreement, the primary substantive obligations of the Company are to grant the license and transfer intellectual knowledge to 3SBio. Management believes it had fulfilled these obligations by December 31, 2010. However, under the agreement, the Company is also required to maintain the patent portfolio in China, Taiwan and Hong Kong, and to provide further support and cooperation to 3SBio over the life of the agreement, which coincides with the life of the patents. Any additional assistance which may be provided to 3SBio will be performed on a full cost recovery basis. For accounting purposes, when services are to be performed by an indeterminate number of acts over a specific period of time, revenue is recognized on a straight-line basis over this future period. As a result, the balance in deferred revenue is being amortized into licensing revenue on a straight-line basis to 2022.

(d) Development, Distribution and License Agreement with Lux Biosciences, Inc.

Upon signing a Distribution and License Agreement ("DDLA") with Lux Biosciences, Inc. ("Lux") in 2006, Isotechnika Inc. received an upfront payment of $3,320,000 (US$3,000,000) which was recorded as deferred revenue. The balance of deferred revenue remaining at January 1, 2011 was being recorded as revenue on a straight line basis as the Company incurred costs related to meeting its remaining obligation of maintaining the patent portfolio. In late December, 2012 the Company received notice from Lux that its Phase 3 clinical trial using voclosporin for the treatment of non-infectious uveitis did not meet its primary endpoint. In December, 2013 the Company received notice from Lux, that it would be ceasing operations and returning the license to the Company. As a result, at December 31, 2013 the Company determined it had no further obligations pursuant to the DDLA and recorded the remaining balance of deferred revenue associated with the Lux DDLA as licensing revenue in the statement of operations and comprehensive loss. The Company and Lux signed the Termination, Assignment and Assumption Agreement on February 27, 2014.

(e) Plan of Arrangement with Paladin Labs Inc.

Research and development revenues represent the amortization of the deferred monthly research and development fee payments received by the Company from Paladin for the period July 1, 2009 to June 30, 2010, pursuant to the terms of the Research and Development Agreement. Under the agreement, the primary substantive obligations of the Company had been achieved by the Company by December 31, 2010. However, under the agreement, the Company is also required to maintain the patent portfolio in Canada, South Africa and Israel and to provide further support and cooperation to Paladin over the life of the agreement. As a result, the balance in deferred revenue at January 1, 2011 is being amortized into research and development revenue on a straight-line basis over the remaining life of the agreement, which ends in June 2016.

(expressed in Canadian dollars, tabular amounts in thousands)

(f) Other revenue

In January, 2012 the Company satisfied an outstanding condition pursuant to an agreement with Lux for the sale of API such that $1,323,000 (US$1,300,000) was due and payable in two installments of $661,000 (US$650,000) each on July 29, 2012 and July 29, 2013, respectively. The Company recorded the sale of API in the amount of $1,300,000 (US$1,300,000) as other income in the first quarter ended March 31, 2012. The Company, in a previous year, had recorded the cost of this API as a research and development expense.

As the timing and collectability of the amount was previously uncertain, particularly as a result of Lux not meeting the primary endpoint in the Phase 3 uveitis clinical trial the Company recorded a provision for doubtful collection of $1,310,000 for the year ended December 31, 2012. As a result of Lux ceasing operations and not having sufficient funds to repay this amount, the Company wrote off this receivable as uncollectible in 2013.

14. Contingent consideration

As described in note 5(a)) the Company has recorded the fair value of contingent consideration payable to ILJIN resulting from the Arrangement Agreement.

There are two categories of contingent consideration. The first is a financing milestone of US$1,600,000 payable upon the Company completing a financing of up to US$10,000,000. This was completed subsequent to year-end (see note 26) and the milestone payment has been made, accordingly this portion of the contingent consideration was classified as a current liability at its full amount of $1,702,000 at December 31, 2013.

The second category of contingent consideration relates to payments of up to US$10,000,000 to be paid in five equal tranches according to the achievement of pre-defined clinical and marketing milestones. If all milestones are met, the timing of these payments is expected to occur as follows:

2016	US$2,000
2017	2,000
2018	—
2019	4,000
2020	US$2,000

The fair value of this portion of contingent consideration was estimated to be $2,861,000 and was determined by applying the income approach. The fair value estimates are based on a discount rate of 15% and an assumed probability-adjusted payment range between 35% and 70%. This is a level 3 recurring fair value measurement.

As of 31 December 2013, there was an increase in foreign exchange loss of $61,000 recognized in the income statement for the contingent consideration arrangement, as the assumed probability adjusted payments were recalculated to reflect updated assumptions for the US dollar conversion rates.

(expressed in Canadian dollars, tabular amounts in thousands)

15. Share Capital

(a) Share consolidation

On October 23, 2013, the Company consolidated its common shares, warrants and stock options on a 50:1 basis. All of the common shares, warrant and stock options numbers below have been retroactively restated to reflect the 50:1 consolidation.

(b) Common shares

Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

	Common shares	
Issued	**#**	**$**
	(in thousands)	
Balance at January 1, 2012	3,478	203,131
Issued pursuant to October, 2012 Private Placement	379	514
Balance at December 31, 2012	3,857	203,645
Balance at January 1, 2013	3,857	203,645
Issued pursuant to June 26, 2013 Private Placement	453	410
Issued to ILJIN pursuant to plan of arrangement (note 5(a))	1,694	3,812
Issued on acquisition of Aurinia Pharma Corp. (note 5(b))	3,682	8,266
Issued pursuant to September 20, 2013 Private Placement	2,687	4,340
Issued pursuant to exercise of stock options	2	7
Balance at December 31, 2013	12,375	220,480

On September 20, 2013, the Company closed a Second Unit Offering private placement, raising gross proceeds of $6,000,000 by the issuance of 2,687,000 units at a price of $2.25 per unit. Each unit consisted of one common share and one half of a whole non-transferable Second Offering warrant. Each whole Second Unit warrant is exercisable at $2.50 for a period of three years from the closing date. The fair value attributed to the warrants using the Black-Scholes option pricing model was $1,285,000.

The Company paid a cash commission of $230,000, issued 20,000 Second Offering units at a deemed value of $2.25 per share and 102,067 broker warrants to the agents. The broker warrants are exercisable at a price of $2.25 and will expire three years from the closing date. The Company recorded share based compensation of $45,000 and $130,000 to the broker units and broker warrants respectively as share issue costs.

(expressed in Canadian dollars, tabular amounts in thousands)

On June 26, 2013, the Company closed a First Unit Offering private placement, raising gross proceeds of $1,019,500 by the issuance of 453,000 units at a price of $2.25 per unit. Each unit consisted of one common share and one non-transferable common share purchase warrant exercisable at $2.50 for a period of five years from the closing date. The issue of the warrants was subject to shareholder approval which was received at the August 15, 2013 Special and Annual Shareholder meeting. No fair value was attributed to the warrants until shareholder approval was received. Upon shareholder approval, the Company recorded an adjustment to attribute $443,000 as the fair value of these warrants. The Company paid a 7% cash commission on $619,500 of the private placement and issued 19,273 broker warrants. The broker warrants are exercisable at a price of $2.25 and will expire five years from the closing date. Related to this the Company recorded share based compensation of $33,000 as a share issue cost and a fair value adjustment to warrants. In addition the Company incurred legal and other advisory fees of $90,000 to complete the private placement.

In order to help fund its operations in the first half of 2013, the Company received loans in April, 2013 from Dr. Richard Glickman, who was a major Aurinia Pharma Corp. shareholder, and ILJIN consisting of the issuance of zero-coupon promissory notes in the principal amount of $200,000 each for a total of $400,000. Dr. Glickman and ILJIN subscribed for Units in the June 26, 2013 private placement in the amount of $200,000 each and the promissory notes were cancelled.

In October of 2012, pursuant to a non-brokered private placement comprised of two tranches, the Company raised proceeds of $758,000 by the issuance of 379,000 units at a price of $2.50 per unit. Each unit consisted of one common share and one non-transferable common share purchase warrant exercisable at $2.50 for a period of two years from the closing dates. No commissions or finder's fees were paid. The fair value attributed to the warrants was $244,000 with $514,000 attributed to the common shares issued.

(c) Warrants

	Warrants	
Issued	**#**	**$**
	(in thousands)	
Balance at January 1, 2012	8	171
Issued pursuant to October, 2012 Private Placement	379	244
Balance at December 31, 2012	387	415
Balance at January 1, 2013	387	415
Issued pursuant to June 26, 2013 Private Placement	472	476
Issued on acquisition of Aurinia Pharma Corp. (note 5)	14	19
Issued pursuant to September 20, 2013 Private Placement	1,445	1,416
Balance at December 31, 2013	2,318	2,326

The warrants issued on acquisition of Aurinia Pharma Corp. are exercisable at $2.00 per share until December 31, 2018.

(expressed in Canadian dollars, tabular amounts in thousands)

On October 17, 2012, pursuant to close of the first tranche of a private placement, the Company issued 303,500 warrants to purchase common shares at a price of $2.50 per common share. On October 30, 2012, pursuant to the close of the second tranche of the private placement, the Company issued 75,500 warrants to purchase common shares at a price of $2.50 per common share. The warrants have a term of two years from the date of issuance. The fair value attributed to the warrants using the Black-Scholes option pricing model was $244,000.

On June 18, 2008, pursuant to a debt financing, the Company issued 8,028 warrants to purchase common shares at a price of $50.00 per common share. The warrants have a term of seven years. The fair value attributed to the warrants using the Black-Scholes option pricing model was $171,000.

The Company uses the Black-Scholes warrant pricing model to estimate the fair value of the warrants. The following weighted average assumptions were used to estimate the fair value of the warrants granted during the years ended December 31, 2013 and December 31, 2012:

	2013	2012
Annualized volatility	92.9%	70.7%
Risk-free interest rate	1.5%	1.13%
Expected life of warrants in years	3.5 years	2 years
Dividend rate	0.0%	0.0%
Exercise price	$ 2.50	$ 2.50
Market price on date of grant	$ 2.25	$ 2.00
Fair value per common share warrant	$ 1.50	$ 0.64

Expiry date:	Number (in 000's) #	Weighted average exercise price $
October 17 and 31, 2014	379	2.50
June 18 , 2015	8	50.00
September 20, 2016	1,445	2.50
June 26, 2018	472	2.50
December 31, 2018	14	2.00
	2,318	2.50

(d) Stock options and compensation expense

The maximum number of common shares issuable under the 2012 Option Plan is equal to 10% of the issued and outstanding common shares at the time the common shares are reserved for issuance. As at December 31, 2013 there were 12,375,000 common shares of the Company issued and outstanding, resulting in a maximum of 1,237,000 options available for issuance under the 2012 Stock Option Plan. At December 31, 2013 an aggregate total of 276,000 options were outstanding, representing 2.23% of the issued and outstanding common shares of the Company.

(expressed in Canadian dollars, tabular amounts in thousands)

The Stock Option Plan requires the exercise price of each option to be determined by the Board of Directors and not to be less than the closing market price of the Company's stock on the day immediately prior to the date of grant. Any options which expire may be re-granted. The Board approves the vesting criteria and periods at its discretion. The options issued under the plans are accounted for as equity-settled share-based payments.

A summary of the status of the Company's stock option plans as of December 31, 2013 and 2012 and changes during the years ended on those dates is presented below:

	2013		2012	
	#	Weighted average exercise price $	#	Weighted average exercise price $
Outstanding – Beginning of year	321	5.50	188	9.50
Granted	—	—	178	3.50
Exercised	(2)	2.50	—	—
Expired	(7)	15.75	(16)	31.50
Cancelled and forfeited	(36)	5.99	(29)	7.50
Outstanding – End of year	276	5.04	321	5.50
Options exercisable – End of year	244	4.76	175	6.00

For the year ended December 31, 2013, the Company granted no stock options. In 2012 the Company granted 178,000 stock options to the executives, directors and employees of the Company at a weighted average price of $3.50 per share.

The Company uses the Black-Scholes option pricing model to estimate the fair value of the options granted to employees, officers and directors.

The following weighted average assumptions were used to estimate the fair value of the options granted during the years ended December 31, 2013 and 2012:

	2013	2012
Annualized volatility	—	97.6%
Risk-free interest rate	—	1.26%
Expected life of options in years	—	4.52 years
Estimated forfeiture rate	—	7.76%
Dividend rate	—	0.0%
Exercise price	—	$ 3.50
Market price on date of grant	—	$ 3.50
Fair value per common share option	—	$ 2.50

(expressed in Canadian dollars, tabular amounts in thousands)

The Company considers historical volatility of its common shares in estimating its future stock price volatility. The risk-free interest rate for the expected life of the options was based on the yield available on government benchmark bonds with an approximate equivalent remaining term at the time of the grant. The expected time until exercise is based upon the contractual term, taking into account expected employee exercise and expected post-vesting employment termination behaviour.

Application of the fair value method resulted in a charge to stock-based compensation expense of $238,000 (2012 – $275,000) with corresponding credits to contributed surplus. For the year ended December 31, 2013, stock compensation expense has been allocated to research and development expense in the amount of $100,000 (2012 – $104,000) and corporate administration expense in the amount of $138,000 (2012 – $171,000).

The following table summarizes information on stock options outstanding at December 31, 2013:

	Options outstanding			Options exercisable
	Range of Exercise prices $	Number outstanding # (in thousands)	Weighted average remaining contractual life (years)	Number outstanding # (in thousands)
	2.50	3	8.63	3
	3.50	155	7.54	155
	6.50	2	3.12	2
	7.00	81	2.59	62
	7.50	35	0.47	21
		276	5.18	243

16. Nature of expenses

	2013 $	2012 $
Research and development, net, composed of		
Drug supply	388	3,080
Wages and employee benefits	884	1,546
Study contracts, consulting and other outside services	189	(14)
Rent, utilities and other facility costs	333	495
Stock compensation expense	100	104
Patent annuity and legal fees	317	318
Insurance	5	39
Other	33	107
	2,249	5,675
Less: Government assistance(1)	(190)	(194)
Net research and development expenses	2,059	5,481

(expressed in Canadian dollars, tabular amounts in thousands)

(1) The Company has signed contribution agreements with National Research Council Canada ("NRC") whereby the NRC has provided government assistance in the form of Industrial Research Assistance Program ("IRAP") grants to cover specific salaries and contractor fees related to the development of the Company's non-immunosuppressive cyclosporine analogue molecules ("NICAMs") program. The Company recorded funding of $170,000 for the year ended December 31, 2013 (2012 – $58,000) which has been recognized as a reduction of research and development expenses. In addition, the Company has recognized Alberta refundable research and development tax credits for the year ended December 31, 2013 in the amount of $20,000 (2012 – $136,000).

	2013 $	2012 $
Corporate and administration composed of		
Wages and benefits	1,076	957
Directors fees	196	177
Professional and consulting fees and services	403	1,871
Travel and promotion	129	284
Stock compensation expense	138	171
Trustee fees, filing fees and other public company costs	137	110
Rent, utilities and other facility costs	172	59
Insurance	38	64
Office, data processing, telecommunications and other	87	188
General and administration expenses	2,376	3,881

	2013 $	2012 $
Acquisition and restructuring costs composed of		
Acquisition costs, including legal and filing fees	259	—
Restructuring costs composed of severance costs	1,311	—
	1,570	—

As a result of the restructuring and rebranding of the Company following the Plan of Arrangement, the Company eliminated certain positions and recorded a severance provision in 2013. At December 31, 2013, $815,000 of this provision remained outstanding (note 11). Subsequent to the year end, the remaining balance of accrued severance costs was paid.

(expressed in Canadian dollars, tabular amounts in thousands)

17. Other expense (income), net

	2013 $	2012 $
Finance income		
Interest income on short-term bank deposits	(3)	(7)
Finance costs		
Interest on drug supply loan	106	51
Interest on finance lease	1	5
Debt finance fee	—	45
	107	101
Financial assets at fair value through profit or loss		
Loss on derivative financial asset (see below)	—	4,178
Other		
Loss on contract settlement with ILJIN (note 5(a))	4,479	—
Gain on acquisition of Aurinia Pharma Corp. (note 5(b))	(3,675)	—
Realized gain on disposal of investment in Aurinia Pharma Corp. (note 10(a))	(78)	—
Foreign exchange loss (gain)	194	(16)
Gain on disposal of equipment	(69)	(8)
Provision for doubtful collection of receivable from Lux (note 12(f))	—	1,310
	851	1,286
	955	5,558

Fair value of financial derivative asset

Pursuant to the Development, Distribution & Licensing Agreement (“DDLA”) with ILJIN, ILJIN was entitled to acquire a fixed number of common shares for a fixed US dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company’s functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of operations and comprehensive loss as they arise. At December 31, 2011 the Company recorded a financial asset at the fair value of $4,178,000 and recorded a non-cash gain in other income. Management had estimated the fair value of the derivative asset at December 31, 2011 considering all factors that would impact the fair value. The Company used a 50% probability weighting factor as at December 31, 2011 as to the whether ILJIN would make the payment as required on or before January 28, 2012 and as result recorded a fair value change of $4,178,000 as a non-cash gain on derivative financial asset in 2011.

(expressed in Canadian dollars, tabular amounts in thousands)

ILJIN did not make the required payment, resulting in a dispute that led to arbitration. The Company, Aurinia and ILJIN, entered into a definitive tripartite agreement as more fully described in note 5. As a result, the fair value of the financial derivative asset was assessed to be $nil at December 31, 2012 and accordingly the Company recorded a loss on financial derivative asset of $4,178,000 in other expense (income) in the statement of operations and comprehensive loss for the year ended December 31, 2012.

18. Income taxes

At December 31, 2013, the Company has available Canadian non-capital losses in the amount of $28,693,000 (2012 - $21,035,000) to reduce Canadian taxable income in future years. The Company has unclaimed investment tax credits of $784,000 (2012 – $754,000) available to reduce future Canadian income taxes otherwise payable.

The Company has available US net operating losses in the amount of $112,000 (2012 - $nil) to reduce US taxable income in future years.

The losses and credits will expire as follows:

	Net operating losses carried forward $	Non-capital losses carried forward $	Federal investment tax credits $
2014	—	57	—
2015	—	733	—
2029	—	4,559	42
2030	—	3,240	69
2031	—	2,459	388
2032	—	9,998	255
2033	112	7,647	30

At December 31, 2013 and December 31, 2012, temporary differences for which no deferred tax asset was recognized were as follows:

	2013 $	2012 $
Deferred tax assets (liabilities)		
Loss carry forwards	7,540	5,258
Share issue costs	166	40
Deferred revenue	371	733
Property and equipment	(76)	95
Intangible assets	(2,502)	1,331
Other	(3)	17
	5,496	7,474
Potential tax assets not recognized	(5,496)	(7,474)
Net deferred tax assets	—	—

Given the Company's past losses, management does not believe that it is more probable than not that the Company can realize its deferred tax assets and therefore it has not recognized any amount in the statement of financial position.

The difference between the expected income tax recovery based on a 25.0% (2012 – 25.0%) Canadian statutory tax rate and the actual income tax recovery is summarized as follows:

	2013 $	2012 $
Expected recovery at the statutory rate	(1,704)	(2,422)
Non-deductible expenses including stock compensation	59	67
Non-deductible portion of capital gain	(18)	520
Unrecognized deductible temporary differences	(2,076)	1,835
Impact of substantively enacted rates	(367)	—
Total income tax recovery	(4,106)	—

19. Net loss per common share

Basic and diluted net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding for the year. In determining diluted net loss per common share, the weighted average number of common shares outstanding is adjusted for stock options and warrants eligible for exercise where the average market price of common shares for the year ended December 31, 2013 exceeds the exercise price. Common shares that could potentially dilute basic net loss per common share in the future that could be issued from the exercise of stock options and warrants were not included in the computation of the diluted loss per common share for the years ended December 31, 2013 and December 31, 2012 because to do so would be anti-dilutive.

The numerator and denominator used in the calculation of historical basic and diluted net loss amounts per common share are as follows:

	2013 $	2012 $
Net loss for the year	(2,711)	(9,687)
	# In thousands	# In thousands
Weighted average common shares outstanding	6,344	3,552
	$	$
Net loss per common share *(expressed in $ per share)*	(0.43)	(2.73)

(expressed in Canadian dollars, tabular amounts in thousands)

The outstanding number and type of securities that would potentially dilute basic loss per common share in the future and which were not included in the computation of diluted loss per share, because to do so would have reduced the loss per common share (anti-dilutive) for the years presented, are as follows:

	2013 # In thousands	2012 # In thousands
Stock options	276	321
Warrants	2,318	387
Share purchase rights to ILJIN	—	1,584
	2,594	2,292

20. Segment disclosures

The Company's operations comprise a single reporting segment engaged in the research, development and commercialization of therapeutic drugs. As the operations comprise a single reporting segment, amounts disclosed in the financial statements represent those of the single reporting unit. In addition, all of the Company's long-lived assets are located in Canada.

The following geographic information reflects revenue based on customer location.

Geographic information

	2013 $	2012 $
Revenue		
Canada	147	221
United States	732	1,361
China	131	142
Korea	—	4,402
	1,010	6,126

(expressed in Canadian dollars, tabular amounts in thousands)

21. Supplementary cash flow information

Net change in other operating assets and liabilities:

	2013 $	2012 $
Accounts receivable	70	102
Prepaid expenses and other	(105)	124
Prepaid rent deposit	(162)	—
Accounts payable and accrued liabilities	1,506	805
Drug supply loan	(296)	1,698
	1,013	2,729

22. Related parties

Compensation of key management

Key management includes Directors and Officers of the Company.

Compensation awarded to key management was composed of the following:

	2013 $	2012 $
Salaries and short-term employee benefits	1,346	1,034
Severance accrued or paid	1,264	—
Director fees accrued or paid	198	177
Stock-based compensation	130	211
	2,938	1,422

As a result of the Arrangement Agreement as described in note 5(a), ILJIN has significant influence over the Company effective September 20, 2013. Apart from transactions and balances with ILJIN described elsewhere in these consolidated financial statements, there have been no other transactions with ILJIN since September 20, 2013.

(expressed in Canadian dollars, tabular amounts in thousands)

23. Commitments and contingencies

On October 1, 2013, the Company significantly reduced its leased premises costs by entering into a three year sublease with the new head lessee for approximately 9,000 square feet while vacating 16,318 square feet it had previously been leasing. The Sublease is $22,000 monthly and includes base rent, utilities and operating costs. In turn, the Company subleases out, on a month-to-month basis, a portion of the 9,000 square feet, and receives rental proceeds of approximately $10,000 per month. The Company provided a deposit of $162,000 to the head lessee which covers the last 7.4 months rent on the sublease.

The Company continues to lease two adjoining office bays from the landlord on month-to-month basis at $10,000 per month as it transitions its operations to Victoria, British Columbia.

The Company has entered into contractual obligations for services and materials required for the Phase IIb clinical trial.

Future minimum lease payments for its premises and other purchase obligations are as follows:

	Operating lease $	Purchase obligations $
2014	283	405
2015	263	60
2016	197	33
2017	—	11
2018	—	11
	743	520

The Company sub-leased certain laboratory and office space in its premises and received sublease payments of $142,000 for the year ended December 31, 2013 which has been netted against gross rent expense of $422,000.

Contingencies

i) The Company may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes that the ultimate resolution of such contingencies will not have a material adverse effect on the consolidated financial position of the Company.

ii) The Company entered into indemnification agreements with its officers and directors. The maximum potential amount of future payments required under these indemnification agreements is unlimited. However, the Company does maintain liability insurance to limit the exposure of the Company.

iii) The Company has entered into license and research and development agreements with third parties that include indemnification and obligation provisions that are customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of third party claims or damages arising from these transactions. These provisions may survive termination of the underlying agreement. The nature of the obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any payments under such agreements and no amount has been accrued in the accompanying consolidated financial statements.

24. Capital management

The Company's objective in managing capital is to ensure a sufficient liquidity position to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company defines capital as net equity, comprised of issued common shares, warrants, contributed surplus and deficit.

The Company's objective with respect to its capital management is to ensure that it has sufficient cash resources to maintain its ongoing operations and finance its research and development activities, corporate and administration expenses, working capital and overall capital expenditures.

Since inception, the Company has primarily financed its liquidity needs through public offerings and private placements of common shares (see subsequent event note 26). The Company has also met its liquidity needs through non-dilutive sources, such as debt financings, licensing fees from its partners and research and development fees.

There have been no changes to the Company's objectives and what it manages as capital since the prior fiscal year. The Company is not subject to externally imposed capital requirements.

25. Financial instruments and fair values

As explained in Note 3, financial assets and liabilities have been classified into categories that determine their basis of measurement and for items measured at fair value, whether changes in fair value are recognized in the statement of operations or comprehensive loss. Those categories are fair value through profit or loss; loans and receivables; and, for most liabilities, amortized cost.

In establishing fair value, the Company used a fair value hierarchy based on levels defined below:

- Level 1: defined as observable inputs such as quoted prices in active markets.
- Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: defined as inputs that are based on little or no observable market data, therefore requiring entities to develop its own assumptions.

The Company has determined that the carrying values of its short-term financial assets and liabilities, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, drug supply payable, financing milestones payable to ILJIN (note 14), and finance lease liability, approximate their fair value because of the relatively short period to maturity of the instruments. Information on the fair value of long-term contingent consideration is included in note 14 and information on the fair value of investments is included in note 10.

Derivative financial assets and liabilities are stated at estimated fair value.

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. Risk management is carried out by management under policies approved by the board of directors. Management identifies and evaluates the financial risks. The Company's overall risk management program seeks to minimize adverse effects on the Company's financial performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through the management of its capital structure and financial leverage as discussed in note 24. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors and/or the Audit Committee reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business. The Company invests its cash equivalents in bankers' acceptances and/or guaranteed investments certificates with 30 to 90 day maturities to ensure the Company's liquidity needs are met. See Subsequent Event note 26 for the financing completed by the Company subsequent to the year end.

The Company's activities have been financed through a combination of the cash flows from licensing and development fees and the issuance of equity and/or debt.

All of the Company's financial liabilities are due within one year except for part of the Contingent Consideration as described in note 14.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and cash equivalents are comprised of highly liquid investments that earn interest at market rates. Accounts receivable, accounts payable and accrued liabilities bear no interest. The drug supply loan bears interest at 10%. Subsequent to year end this loan was repaid.

The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. The Company's policy limits the investing of excess funds to liquid guaranteed investment certificates and bankers acceptances. The Company's exposure to interest rate risk at December 31, 2013 is considered minimal.

(expressed in Canadian dollars, tabular amounts in thousands)

Foreign currency risk

The Company is exposed to financial risk related to the fluctuation of foreign currency exchange rates. Foreign currency risk is the risk that variations in exchange rates between the Canadian dollar and foreign currencies, primarily with the United States dollar, will affect the Company's operating and financial results.

The following table presents the Company's exposure to the US dollar:

	2013 $	2012 $
Cash and cash equivalents	4	52
Accounts receivable	1	13
Accounts payable and accrued liabilities	(422)	(332)
Contingent consideration	(4,563)	—
Net exposure	(4,980)	(267)

	Reporting date rate	
	2013 $	2012 $
$US – $CA	1.064	0.995

Based on the Company's foreign currency exposures noted above, varying the foreign exchange rates to reflect a ten percent strengthening of the Canadian dollar would have decreased the net loss by $497,000 (2012 – $27,000) assuming that all other variables remained constant. An assumed 10 percent weakening of the Canadian dollar would have had an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally to cash and cash equivalents. The Company's cash and cash equivalents were held at a major Canadian Bank. The Company regularly monitors the credit risk exposure and takes steps to mitigate the likehood of these exposures resulting in actual loss.

(expressed in Canadian dollars, tabular amounts in thousands)

26. Subsequent events

a) Private Placement Financing

On February 14, 2014, the Company completed a US$52,000,000 (C$57,477,000) private placement (the "Offering"). The Company intends to use the net proceeds from the Offering to advance the clinical and nonclinical development of its lead drug candidate, voclosporin, as a therapy for lupus nephritis, and for general corporate purposes.

Under the terms of the Offering, the Company issued 18,919,404 units (the "Units") at a subscription price per Unit of US$2.7485 (C$3.038), each Unit consisting of one common share and one-quarter (0.25) of a common share purchase warrant (a "Warrant"), exercisable for a period of five years from the date of issuance at an exercise price of US$3.2204 (C$3.56). In addition, in the event that the Company does not reduce the size of its Board of Directors to seven directors within 90 days following closing, an additional 0.1 Warrants will be issued for each Unit purchased by a subscriber for every additional 90 day period delay, up to a maximum of 0.35 Warrants per Unit. This represents a maximum of 6,621,791 additional Warrants. If the Company does not obtain approval to list its common shares on NASDAQ within 12 months following the closing, the Company has agreed to issue an additional 0.1 Warrants for each Unit purchased by a subscriber for every 90 day period delay, up to a maximum of 0.35 Warrants per Unit. This represents a maximum of 6,621,791 additional Warrants. All securities issued in connection with the Offering will be subject to a four month hold period from the date of issuance in accordance with applicable securities law, which expires on June 15, 2014 for the securities issued at closing.

The placement agents were paid a 7.5% cash commission on subscriptions excluding those from existing shareholders for a total commission of $3,863,000.

b) Stock Option Grant

On February 18, 2014, the Company granted 1,192,200 stock options to certain directors and officers of the Company at a price of $3.50 per common share. The options are exercisable for a term of ten years.

Exhibit 99.20

Isotechnika Pharma Inc.

Interim Condensed Consolidated Financial Statements
(Unaudited)

First quarter ended March 31, 2013

Isotechnika Pharma Inc.
Interim Condensed Consolidated Statements of Financial Position
(unaudited)

(in thousands of Canadian dollars)

	March 31, 2013 $	December 31 2012 $
Assets		
Current assets		
Cash and cash equivalents	34	184
Accounts receivable	187	183
Prepaid expenses and deposits	45	75
	266	442
Non-current assets		
Property and equipment	74	88
Intangible assets	2,953	3,016
Investment (note 5(a))	415	592
Total assets	3,708	4,138
Liabilities and Shareholders' Deficit		
Current liabilities		
Accounts payable and accrued liabilities	2,106	1,573
Drug supply payable (note 6)	1,698	1,698
Finance lease liability	28	36
Current portion of deferred revenue (note 5)	339	338
Current portion of deferred lease inducements	4	8
	4,175	3,653
Non-current liability		
Deferred revenue (note 5)	2,505	2,593
	6,680	6,246
Shareholders' deficit		
Share capital		
Common shares (note 7)	203,645	203,645
Warrants (note 7)	415	415
Contributed surplus	9,900	9,794
Deficit	(216,755)	(215,962)
Accumulated other comprehensive loss	(177)	—
Total shareholders' deficit	(2,972)	(2,108)
Total liabilities and shareholders' deficit	3,708	4,138

Going concern (note 2)
Contingencies (note 12)
Subsequent event (note 13)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Isotechnika Pharma Inc.
Interim Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)
For the three month periods ended March 31, 2013 and 2012

(in thousands of Canadian dollars, except per share data)

	March 31, 2013 $	March 31, 2012 $
Revenue		
Licensing revenue (note 5)	59	4,450
Research and development revenue (note 5)	28	28
Contract services	2	22
Other (note 5)	—	1,300
	89	5,800
Expenses		
Research and development	338	802
Corporate and administration	498	986
Amortization of property and equipment	14	148
Amortization of intangible assets	69	65
Contract services	1	19
Other expense (income), net (note 8)	(38)	4,234
	882	6,254
Net loss for the period	(793)	(454)
Other comprehensive income (loss)		
Net change in fair value of investment (note 5(a))	(177)	—
Comprehensive loss for the period	(970)	(454)
Loss per share (note 9) *(expressed in $ per share)*		
Basic and diluted net loss per common share	(0.004)	(0.003)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Isotechnika Pharma Inc.
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficit)
(Unaudited)
For the three month periods ended March 31, 2013 and 2012

(in thousands of Canadian dollars)

	Common Shares $	Warrants $	Contributed surplus $	Deficit $	Accumulated other comprehensive loss	Shareholders' Equity (deficit) $
Balance – January 1, 2012	203,131	171	9,519	(206,275)	—	6,546
Stock-based compensation	—	—	51	—	—	51
Net loss for the period	—	—	—	(454)	—	(454)
Balance – March 31, 2012	203,131	171	9,570	(206,729)	—	6,143
Balance – January 1, 2013	203,645	415	9,794	(215,962)	—	(2,108)
Stock-based compensation (note 7)	—	—	106	—	—	106
Net loss for the period	—	—	—	(793)	—	(793)
Other comprehensive loss for the period	—	—	—	—	(177)	(177)
Balance –March 31, 2013	203,645	415	9,900	(216,755)	(177)	(2,972)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Isotechnika Pharma Inc.
Interim Condensed Consolidated Statements of Cash Flow
(Unaudited)
For the three month periods ended March 31, 2013 and 2012

(in thousands of Canadian dollars)

	March 31, 2013 $	March 31, 2012 $
Cash flow provided by (used in)		
Operating activities		
Net loss for the period	(793)	(454)
Adjustments for:		
Amortization of deferred revenue	(87)	(4,478)
Amortization of property and equipment	14	148
Amortization of intangible assets	69	65
Amortization of deferred lease inducements	(4)	(5)
Loss on derivative financial asset	—	4,178
Change in derivative liability included in foreign exchange loss	—	(65)
Foreign exchange loss related to non-operating activities	—	34
Stock-based compensation	106	51
Gain on disposal of property and equipment	(67)	—
	(762)	(526)
Net change in other operating assets and liabilities (note 11)	559	(1,281)
Net cash used in operating activities	(203)	(1,807)
Investing activities		
Proceeds on disposal of equipment	67	—
Patent costs	(6)	(9)
Restricted cash	—	(849)
Net cash generated from (used in) investing activities	61	(858)
Financing activities		
Principal payments under capital lease	(8)	(11)
Net cash used in financing activities	(8)	(11)
Effect of exchange rate changes on cash and cash equivalents	—	(34)
Decrease in cash and cash equivalents	(150)	(2,710)
Cash and cash equivalents – Beginning of period	184	6,048
Cash and cash equivalents – End of period	34	3,338

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

(amounts in tabular columns expressed in thousands of Canadian dollars)

1. Corporate information

Isotechnika Pharma Inc. ("Isotechnika" or the "Company") is a biopharmaceutical company, headquartered in Edmonton, Alberta, Canada. The Company was incorporated pursuant to the *Business Corporations Act* (Alberta). The Company is located at 5120-75 Street, Edmonton, Alberta T6E 6W2. The Company's primary business is the development and commercialization of therapeutic drugs, and in particular its lead drug, voclosporin, which includes obtaining the necessary regulatory approvals and commercializing the drug. The Company has two inactive subsidiary companies, Isotechnika US Inc. and Isotechnika Limited.

2. Going concern

These interim condensed consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business. The use of these principles may not be appropriate at March 31, 2013 as there are material uncertainties that may cast a significant doubt that the Company will be able to continue as a going concern without raising additional funds.

At March 31, 2013, the Company had $34,000 in cash and cash equivalents, $187,000 in accounts receivable, accounts payable and accrued liabilities totalling $2,106,000, drug supply payable of $1,698,000 and finance lease liability of $28,000. For the three months ended March 31, 2013, the Company reported a loss of $793,000, a cash outflow from operating activities of $203,000, and as at March 31, 2013 had an accumulated deficit of $216,755,000.

In order to undertake further development and commercialization of voclosporin and continue operating, the Company needs to raise funds in the immediate future.

The Company is in the process of a merger, as described in note 4. The transaction is subject to certain closing conditions including, among others, the negotiation and completion of a merger agreement, acceptance and approval by the Toronto Stock Exchange, the approval of Isotechnika's shareholders and Isotechnika securing up to $3,000,000 in debt or equity financing satisfactory for it to fulfill its obligations as contemplated by the Term Sheet.

Management believes that the consolidation of the intellectual property through the merger, and reaching a settlement agreement with ILJIN Life Science Co., Ltd. ("ILJIN") increases the likelihood of being able to raise the necessary funding to continue the development of voclosporin for the lupus indication. The combined entity will also continue to explore strategic global licensing transactions for the transplant indication.

The Company has also been working to secure appropriate working capital to allow the Company to complete the proposed merger. See note 13-Subsequent Event.

The outcome of these matters is dependent on a number of factors outside of the Company's control. Given the nature of the biotechnology sector there is no assurance that any new financings or development partnerships will materialize on a timely basis or be obtained on favourable terms.

The success of the Company and recoverability of amounts expended on research and development to date, including capitalized intangible assets, is dependent on the ability of the Company and its partners to raise additional cash, complete development activities, receive regulatory approval and to be able to commercialize voclosporin in the key markets and indications, whereby the Company can achieve future profitable operations. Depending on the results of the research and development programs and availability of financial resources, the Company may accelerate, terminate, cut back on certain areas of research and development, commence new areas of research and development, or curtail certain or all of the Company's operations.

These interim condensed consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues and expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

(amounts in tabular columns expressed in thousands of Canadian dollars)

3. Basis of preparation

(a) Basis of measurement

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as applicable to interim financial reports including IAS 34, Interim Financial Reporting, and should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2012 which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB").

The accounting policies followed in these interim condensed consolidated financial statements are consistent with those of the previous financial year, except as described in (c) below.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 13, 2013.

(b) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(c) Change in accounting policies

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10, consolidated financial statements, replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements, and SIC—12, Consolidation-Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Company has assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 does not result in any change in the consolidation status of any of its subsidiaries or investees.

IFRS 13, fair value measurement, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as of January 1, 2013. The Company's financial instruments consist largely of items measured at amortized cost and for which fair value approximates carrying value due to the short-term nature of the instruments. The only exception to this at March 31, 2013 is the investment in shares of a private company, for which further information about fair value is disclosed in note 5(a).

IAS 1, amendment, presentation of items of other comprehensive income, the Company has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. Other comprehensive income consists of translation gains and losses related to the Company's foreign operations and may be subsequently reclassified to net earnings. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

4. Term sheet for merger and tripartite settlement agreement

The Company and privately-held Aurinia Pharmaceuticals Inc. ("Aurinia") on February 5, 2013 signed a binding term sheet ("Term Sheet") for the merger of the two companies, resulting in a clinical stage pharmaceutical company focused on the global nephrology market.

Aurinia is a spin-out from Vifor Pharma. The Company signed a global Licensing and Collaboration Agreement effective December 30, 2011 with Vifor (International) AG ("Vifor"), the specialty pharma company of Switzerland based Galenica Group. The agreement granted Vifor an exclusive license for voclosporin, for the treatment of lupus and all proteinuric

(amounts in tabular columns expressed in thousands of Canadian dollars)

nephrology indications (the "Vifor License"). The Vifor License is for the United States and other regions outside of Canada, South Africa, Israel, China, Taiwan and Hong Kong (the "Vifor Territory"). Aurinia's current leadership team is comprised primarily of former senior managers, directors and officers of Aspreva Pharmaceuticals ("Aspreva"), which Galenica acquired in 2008. While at Aspreva, this management team executed a significant lupus nephritis study, called the Aspreva Lupus Management Study ("ALMS"), which resulted in the emergence of mycophenolate mofetil as a new standard treatment for patients suffering from this devastating and potentially fatal disease. Aurinia now holds certain rights to this large ALMS database and holds the license for voclosporin in lupus nephritis. Aurinia's lupus rights and database will be combined in the newly merged company with the transplantation and autoimmune rights, and the database held by Isotechnika.

The Term Sheet sets forth the main criteria to be incorporated into a definitive merger agreement under which Isotechnika will acquire 100% of the outstanding securities of Aurinia. The merger is expected to be effected by an exchange of Isotechnika shares for securities of Aurinia, resulting in an estimated 65:35 post-merger ownership split between Isotechnika and Aurinia, respectively. It is expected that the merger will be accounted for as a business combination with Isotechnika being the acquirer.

In addition, Isotechnika and Aurinia have negotiated a definitive tripartite settlement with ILJIN pursuant to which, upon the successful completion of the proposed merger, the combined company will re-acquire full rights to voclosporin for autoimmune indications including lupus, and transplantation in the United States, Europe and other regions of the world, outside of Canada, Israel, South Africa, China, Taiwan and Hong Kong. In return, ILJIN will be entitled to receive certain pre-defined future milestone payments in the aggregate amount of $10,000,000, plus up to $1,600,000 upon the new company reaching certain financing milestones. ILJIN will also own 25% of the issued and outstanding shares of the merged company.

The transaction is subject to certain closing conditions including, among others, the negotiation and completion of a merger agreement, acceptance and approval by the Toronto Stock Exchange (the "TSX"), and the approval of Isotechnika's shareholders. The merged entity is expected to adopt Aurinia Pharmaceuticals Inc. as its new corporate name.

5. Revenue and deferred revenue

	Aurinia $	3SBio $	Lux $	Paladin $	Three months ended March 31, 2013 Total $	Year ended December 31, 2012 Total $
Deferred revenue – opening balance	530	1,281	732	388	2,931	7,106
Deferred licensing fee received	—	—	—	—	—	592
Licensing revenue recognized	(11)	(33)	(15)	—	(59)	(4,656)
Research and development revenue recognized		—	—	(28)	(28)	(111)
Deferred revenue-end of period	519	1,248	717	360	2,844	2,931
Current portion	(36)	(131)	(61)	(111)	(339)	(338)
Long-term portion	483	1,117	656	249	2,505	2,593

(amounts in tabular columns expressed in thousands of Canadian dollars)

Revenue is composed of:

	March 31, 2013 $	March 31, 2012 $
Licensing revenue		
Aurinia	11	—
3SBio	33	33
Lux	15	15
ILJIN	—	4,402
	59	4,450
Research and development revenue		
Paladin	28	28
Contract services	2	22
Other	—	1,300
	89	5,800

Licensing and research and development fee revenues represent the amortization of deferred revenue from fee payments received by the Company. The deferred revenue is recorded as revenue as the Company incurs the costs related to meeting its obligations under the terms of the applicable agreements.

(a) Licensing and Collaboration Agreement with Aurinia Pharmaceuticals Inc.

The Company signed a global Licensing and Collaboration Agreement ("LCA") effective December 30, 2011 with Vifor. The agreement granted Vifor an exclusive license for voclosporin, for the treatment of lupus and all proteinuric nephrology indications (the "Vifor License"). The Vifor License was for the United States and other regions outside of Canada, South Africa, Israel, China, Taiwan and Hong Kong (the "Vifor Territory"). Under the terms of the Agreement, the Company was to receive milestone payments, as well as royalties on commercial sales. In connection with this agreement, Vifor was to purchase voclosporin active pharmaceutical ingredient ("API") from the Company. Vifor was to carry the burden of the costs associated with these clinical trials. On December 13, 2012, the LCA was assigned to Aurinia Development Corp. by Vifor. Aurinia Development Corp. is a subsidiary of Aurinia Pharmaceuticals Inc. ("Aurinia").

ILJIN had provided a License Back for the field of lupus and proteinuric kidney diseases for the Territory defined in the ILJIN DDLA of certain rights to the Company in order for these rights to be licensed to Vifor specifically for the indications of lupus and proteinuric kidney disease, in return for certain milestones and royalties to be paid by Vifor.

On December 10, 2012 pursuant to this agreement, the Company received as a milestone payment, an investment in Aurinia. Aurinia issued the Company a share certificate representing 10% of the common shares of Aurinia. Aurinia had the option of granting the Company these shares or $592,000 in cash (US$600,000). The Company determined that the fair value of the shares in Aurinia approximated $592,000 and therefore recorded the value of the investment in Aurinia shares at $592,000. The Company has recorded this milestone payment as deferred revenue upon receipt. Under the LCA, the primary substantive obligations of the Company are to maintain the patent portfolio and pay for drug supply if costs exceed a certain amount. Deferred revenue is being amortized into licensing revenue as the Company incurs the costs related to meeting its obligations under the LCA.

The Company's investment in Aurinia is carried at fair value, with changes in fair value recognized in other comprehensive income ("OCI"). These gains and losses may subsequently be reclassified into net loss in the statement of operations and comprehensive loss. Since Aurinia's shares do not trade in a public market, the Company has used a form of comparable company valuation approach to determine fair value, categorized as level 3 in the fair value hierarchy. Due to the unique nature of Aurinia's primary assets, being it's license agreement with Isotechnika and it's intellectual property related to lupus nephrology research (as discussed in note 4), management does not believe there are any comparable companies that trade publicly for which an indicative value could be obtained. As a result, it has compared the value of Aurinia to the value of the Company based on the proposed merger of the entities and the relative valuation formula agreed to by the parties and to be approved by the shareholders. Without providing for any adjustments for lack of liquidity or non-controlling interests, this approach results in a fair value of the investment of $415,000 at March 31, 2013. The change in fair value from December 31,

(amounts in tabular columns expressed in thousands of Canadian dollars)

2012 of $177,000 has been recognized as a loss in OCI. If the value of the shares of Isotechnika were to increase or decrease by $0.01, this would result in an increase or decrease respectively in the value of the Aurinia shares of approximately $100,000. This investment is the only financial instrument measured at fair value in the statement of financial position at March 31, 2013, and is subject to recurring fair value measurements.

The Company has entered into a term sheet to merge with Aurinia and a definitive tripartite settlement agreement between the Company, ILJIN and Aurinia as more fully described in note 4.

(b) Development, Distribution and License Agreement with ILJIN Life Science Co., Ltd.

Effective January 28, 2011 (the "Effective Date") the Company completed a Development, Distribution and License Agreement (the "DDLA") with ILJIN for the further clinical and commercial development of voclosporin for use in transplant indications applicable to voclosporin. The Company granted to ILJIN an exclusive license to voclosporin for transplant and autoimmune indications for the United States and other regions outside of Europe, Canada, Israel, South Africa, China, Taiwan and Hong Kong. The Company retained the rights over voclosporin in Europe for future development and commercialization.

Pursuant to the DDLA, the Company was to receive a total license fee of US$5,000,000. In addition, ILJIN was to purchase 90,700,000 common shares of the Company for gross proceeds of US$19,875,000 in three tranches.

The Company was obligated under the terms of the agreement to complete a single Phase 3 clinical trial for the prevention of kidney transplant rejection. A Joint Steering Committee ("JSC") with equal membership from the Company and ILJIN was to have been formed to oversee the development and commercialization of voclosporin in the ILJIN territories.

The Company received $4,505,000 (US$4,500,000) of the license fee and the first private placement tranche of $2,377,000 (US$2,375,000) on January 28, 2011 which was the Effective Date of the Agreement. The Company issued 11,500,000 common shares at a price of $0.207 per share (US$0.207) to ILJIN pursuant to the subscription agreement for securities. On or before January 28, 2012 ILJIN was to pay US$500,000 to the Company as the Second Development Payment and purchase 39,600,000 common shares of the Company issued from treasury for an aggregate subscription price of US$8,500,000. On or before January 28, 2013, ILJIN was to purchase the final tranche of 39,600,000 common shares of the Company issued from treasury for an aggregate subscription price of US$9,000,000.

Prior to the January 28, 2012 date, ILJIN verbally indicated their intent to alter the economics of the DDLA. Consequently, payment under the DDLA was not received as required per the agreement of January 28, 2011. The Company on January 30, 2012 notified ILJIN that it was terminating the DDLA. At that time the Company believed that the termination of the original DDLA was valid. As a result, the remaining deferred revenue balance of $4,402,000 was recorded as licensing revenue on January 30, 2012.

The Company received notification in March, 2012 that ILJIN submitted a request for arbitration to the International Chamber of Commerce ("ICC") Court of Arbitration relating to Isotechnika's termination of the DDLA. The Arbitration hearing to determine the Company's right to terminate the agreement was held early in the fourth quarter of 2012.

In November, 2012 the Company received notification from the ICC that a Partial Award regarding its right to terminate the DDLA with ILJIN had been issued to the parties. In the result, the Partial Award provided that the DDLA had not been terminated and, therefore, the Company's contractual relationship with ILJIN still existed. As such the Partial Award rejected the Company's interpretation of the DDLA's termination provision. Since the DDLA was not considered to have been terminated, the Company assessed whether it had an onerous contract under the provisions guidance of IAS 37, and concluded that no provision is required.

In January of 2013, ILJIN formally notified Isotechnika and the arbitral tribunal that ILJIN had withdrawn all claims for damages in the parties' pending arbitration.

Subsequently, the Company, ILJIN and Aurinia entered into a definitive tripartite settlement agreement whereby the DDLA will be terminated as more fully described in note 4.

(amounts in tabular columns expressed in thousands of Canadian dollars)

(c) Other revenue

In January, 2012 the Company satisfied an outstanding condition pursuant to an agreement with Lux for the sale of API such that $1,323,000 (US$1,300,000) was due and payable in two instalments of $661,000 (US$650,000) each on July 29, 2012 and July 29, 2013, respectively. The Company recorded the sale of API in the amount of $1,300,000 as other income in the first quarter ended March 31, 2012. The Company, in a previous year, had recorded the cost of this API as a research and development expense.

The US$1,300,000 amount is owed by Lux to the Company but the timing and collectability of the amount is uncertain, particularly as a result of Lux not meeting the primary endpoint in the Phase 3 uveitis clinical trial. Therefore, the Company recorded a provision for doubtful collection of $1,310,000 in the year ended December 31, 2012.

6. Drug supply payable

On January 31, 2012 the Company entered into an agreement with Paladin Labs Inc. (“Paladin”) which set forth different payment and delivery terms of manufactured API for previously ordered batches of API pursuant to the terms of the Isotechnika Supply Agreement with Paladin. The obligation for the API was split into three separate payments with the first payment due the later of April 30, 2012 or within five business days of the Company receiving a certificate of analysis from the API manufacturer.

On April 5, 2012, the risks and rewards relating to the API were transferred to the Company, and the Company paid the first instalment of $849,000.

The second instalment of $849,000 was initially due on June 30, 2012 with the third and final instalment due on September 30, 2012, respectively. Interest is payable on the balance outstanding at 6% per annum. The total remaining balance owing of $1,698,000 is reflected as drug supply payable at March 31, 2013.

Paladin has agreed to accept revised payment terms on the drug supply payable amount of $1,698,000, subject to certain conditions, including that on or before July 31, 2013 the Company obtains financing in the sum of not less than $3,000,000 and completes the proposed merger with Aurinia. Paladin retains title to the manufactured API and agrees to transfer title and to ship the manufactured API to the Company as it is paid for.

The terms of repayment are as follows:

(i) Isotechnika will pay to Paladin the sum of $100,000 per month, commencing 15 days after the successful completion of the Company raising the $3,000,000 in financing.

(ii) The outstanding balances will be due on or before December 31, 2014;

(iii) Isotechnika will pay interest on the outstanding balances at a rate of 10%, compounded monthly for the first 12 months, commencing upon first payment, and then pay interest on the outstanding balances at a rate of 18%, compounded monthly after the first 12 months. The Company will have the right to prepay the balance owing on the outstanding balances, plus accrued interest to the date of prepayment, at any time and from time to time without penalty.

(amounts in tabular columns expressed in thousands of Canadian dollars)

7. Share capital

a) Common shares

Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

Issued	Number of shares (in thousands)	$
Balance at January 1, 2012	173,921	203,131
Issued pursuant to October, 2012 Private Placement	18,950	514
Balance at December 31, 2012 and March 31, 2013	192,871	203,645

The Company, in the fourth quarter of 2012, pursuant to a non-brokered private placement comprised of two tranches as noted in section b)Warrants below, raised proceeds of $758,000 by the issuance of 18,950,000 units at a price of $0.04 cents per unit. Each unit consisted of one common share and one non-transferable common share purchase warrant exercisable at $0.05 cents for a period of two years from the closing dates. No commissions or finder's fees were paid. The fair value attributed to the warrants was $244,000 with $514,000 attributed to the common shares issued.

b) Warrants

On October 17, 2012, pursuant to the first tranche of the private placement, the Company issued 15,175,000 warrants to purchase common shares at a price of $0.05 per common share. On October 30, 2012, pursuant to the second tranche of the private placement, the Company issued 3,775,000 warrants to purchase common shares at a price of $0.05 per common share. The warrants have a term of two years from the date of issuance. The fair value attributed to the warrants using the Black-Scholes option pricing model was $244,000.

On June 18, 2008, pursuant to a debt financing, the Company issued 401,388 warrants to purchase common shares at a price of $1.00 per common share. The warrants have a term of seven years. The fair value attributed to the warrants using the Black-Scholes option pricing model was $171,000.

c) Stock options and compensation expense

The maximum number of Common Shares issuable under the the Stock Option Plan is equal to 10% of the issued and outstanding Common Shares at the time the Common Shares are reserved for issuance. As at March 31, 2013 there were 192,871,000 Common Shares of the Company issued and outstanding, resulting in a maximum of 19,287,000 options available for issuance under the 2012 Stock Option Plan. An aggregate total of 15,694,000 options are presently outstanding, representing 8.1% of the issued and outstanding Common Shares of the Company.

The Stock Option Plan requires the exercise price of each option to be determined by the Board of Directors and not to be less than the closing market price of the Company's stock on the day immediately prior to the date of grant. Any options which expire may be re-granted. The Board approves the vesting criteria and periods at its discretion. The options issued under the plans are accounted for as equity-settled share-based payments.

(amounts in tabular columns expressed in thousands of Canadian dollars)

A summary of the status of the Company's stock option plans as of March 31, 2013 and 2012 and changes during the periods ended on those dates is presented below:

	March 31, 2013		March 31, 2012	
	#	Weighted average exercise price $	#	Weighted average exercise price $
Outstanding – Beginning of period	16,037	0.11	9,376	0.19
Granted	—	—	100	0.13
Expired and cancelled	(343)	0.15	(462)	0.93
Outstanding – End of period	15,694	0.11	9,014	0.16
Options exercisable – End of period	8,464	0.12	4,932	0.16

For the three months ended March 31, 2013, the Company did not grant any stock options. For the three months ended March 31, 2012, the Company granted 100,000 stock options to a Director of the Company at $0.13 per share.

Application of the fair value method resulted in a charge to stock-based compensation expense of $106,000 (2012 – $51,000) with corresponding credits to contributed surplus. For the three months ended March 31, 2013, stock compensation expense has been allocated to research and development expense in the amount of $42,000 (2012 – $19,000) and corporate administration expense in the amount of $64,000 (2012 – $32,000).

8. Other expense (income)

	March 31 2013 $	March 31 2012 $
Other expense (income), net, composed of:		
Finance income		
Interest income on short-term bank deposits	—	(5)
Finance costs		
Interest on drug supply payable	24	—
Debt finance fee	—	40
Interest on finance lease	1	2
	25	42
Other		
Foreign exchange loss	4	19
Gain on disposal of equipment	(67)	—
	(63)	19
Financial assets at fair value through profit or loss		
Loss on derivative financial asset	—	4,178
	(38)	4,234

(amounts in tabular columns expressed in thousands of Canadian dollars)

9. Loss per common share

Basic and diluted net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding for the period. In determining diluted net loss per common share, the weighted average number of common shares outstanding is adjusted for stock options and warrants eligible for exercise where the average market price of common shares for the three months ended March 31, 2013 exceeds the exercise price. Common shares that could potentially dilute basic net loss per common share in the future that could be issued from the exercise of stock options and warrants were not included in the computation of the diluted loss per common share for the three months ended March 31, 2013 and March 31, 2012 because to do so would be anti-dilutive.

The numerator and denominator used in the calculation of historical basic and diluted net loss amounts per common share are as follows:

	March 31, 2013 $	March 31, 2012 $
Net loss for the period	(793)	(454)
	# In thousands	# In thousands
Weighted average common shares outstanding	192,871	173,921
	$	$
Loss per common share *(expressed in $ per share)*		
Net loss for the period	(0.004)	(0.003)

The outstanding number and type of securities that would potentially dilute basic loss per common share in the future and which were not included in the computation of diluted loss per share, because to do so would have reduced the loss per common share (anti-dilutive) for the years presented, are as follows:

	2013 # In thousands	2012 # In thousands
Stock options	15,694	9,014
Warrants	19,351	401
Share purchase rights to ILJIN	79,200	79,200
	114,245	88,615

The share purchase rights pursuant to the DDLA with ILJIN are included in the potential dilution numbers as at March 31, 2013; however, because of the definitive settlement agreement entered into between ILJIN, Aurinia and the Company these rights will be cancelled subject to certain future events. (See note 4).

10. Segment disclosures

The Company's operations comprise a single reporting segment engaged in the research, development and commercialization of therapeutic drugs. As the operations comprise a single reporting segment, amounts disclosed in the financial statements represent those of the single reporting unit. In addition, all of the Company's long-lived assets are located in Canada.

(amounts in tabular columns expressed in thousands of Canadian dollars)

The following geographic area data reflects revenue based on customer location.

Geographic information

	March 31, 2013 $	March 31, 2012 $
Revenue		
Canada	41	50
United States	15	1,315
China	33	33
Korea	—	4,402
	89	5,800

11. Supplementary cash flow information

Net change in other operating assets and liabilities:

	March 31, 2013 $	March 31, 2012 $
Accounts receivable	(4)	(686)
Receivable from Lux	—	(650)
Prepaid expenses and deposits	30	(2)
Accounts payable and accrued liabilities	533	57
	559	(1,281)

12. Contingencies

i) The Company may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes that the ultimate resolution of such contingencies will not have a material adverse effect on the consolidated financial position of the Company.

ii) The Company entered into indemnification agreements with its officers and directors. The maximum potential amount of future payments required under these indemnification agreements is unlimited. However, the Company does maintain liability insurance to limit the exposure of the Company.

iii) The Company has entered into license and research and development agreements with third parties that include indemnification and obligation provisions that are customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of third party claims or damages arising from these transactions. These provisions may survive termination of the underlying agreement. The nature of the obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any payments under such agreements and no amount has been accrued in the accompanying interim condensed consolidated financial statements.

iv) The Company and ILJIN incurred legal and other costs related to the arbitration process. The allocation of costs has not yet been determined by the arbitration panel. The Company believes its maximum exposure to costs incurred by ILJIN would not exceed $1,200,000, however, management’s assessment is that a cost award in favour of ILJIN is unlikely. Accordingly no provision has been made. Further, upon completion of the transactions contemplated as described in note 4, all claims for costs by ILJIN against the Company would be dismissed.

(amounts in tabular columns expressed in thousands of Canadian dollars)

13. Subsequent event

Financing activities

Subsequent to March 31, 2013, the Company entered into two agreements with Canaccord Genuity Corp (the "Agent"), pursuant to which the Agent would assist the Company in selling, on a commercially reasonable efforts basis, securities of the Company in two private placements.

The first private placement will consist of up to 44,445,000 units of the Company at a price of $0.045 per unit, or approximately $2,000,000 in gross proceeds. Each unit in the first private placement (the "Unit Offering") will consist of one common share of the Company (a "Share") and one warrant (each, a "Warrant"), with each whole Warrant being exercisable for one Share at a price of $0.05 for a period of up to 36 months from the date of issuance. Given the number of securities to be issued pursuant to the Unit Offering, the Warrants issuable in the Unit Offering will not be exercisable until shareholder approval for their issuance has been obtained. If the shareholder approval is not obtained by September 15, 2013, the Warrants issuable in the Unit Offering will be cancelled.

The second private placement (the "Subscription Receipt Offering") will consist of up to 22,222,222 subscription receipts of the Company at a price of $0.045 per subscription receipt, or approximately $1,000,000 in gross proceeds with each whole Warrant being exercisable for one Share at a price of $0.05 for a period of up to 36 months from the date of issuance . Each subscription receipt will entitle the holder thereof, upon the satisfaction of certain conditions and for no additional consideration and without any further action, to one Share and one-half of a whole Warrant. The conditions for the conversion of the subscription receipts include receipt of shareholder approval and regulatory approval. If the conditions for the Subscription Receipt Offering are not met by September 15, 2013, the subscription receipts will be cancelled and the subscription proceeds will be returned to the subscribers. Proceeds from the interim private placements will be utilized for working capital.

In order to help fund its operations in the immediate-term, the Company completed a private placement in April, 2013 with Dr. Richard Glickman, who is a major Aurinia shareholder and ILJIN consisting of the issuance of zero-coupon promissory notes in the aggregate principal amount of $400,000. The notes are secured by the Company's refundable Alberta Scientific Research and Experimental Development Expenditures. The $400,000 is intended to be repaid in connection with the private placements. Dr. Glickman and ILJIN intend to subscribe for Units in the aggregate amount of $400,000.

Exhibit 99.21

Isotechnika Pharma Inc.

Interim Condensed Consolidated Financial Statements
(Unaudited)

Second quarter ended June 30, 2013

Isotechnika Pharma Inc.
Interim Condensed Consolidated Statements of Financial Position
(unaudited)

(in thousands of Canadian dollars)

	June 30, 2013 $	December 31 2012 $
Assets		
Current assets		
Cash and cash equivalents	478	184
Accounts receivable	188	183
Prepaid expenses and deposits	49	75
	715	442
Non-current assets		
Property and equipment	61	88
Intangible assets	2,932	3,016
Investment (note 5(a))	368	592
Total assets	4,076	4,138
Liabilities and Shareholders' Deficit		
Current liabilities		
Accounts payable and accrued liabilities	2,642	1,573
Drug supply payable (note 6)	1,698	1,698
Finance lease liability	24	36
Current portion of deferred revenue	340	338
Current portion of deferred lease inducements	—	8
	4,704	3,653
Non-current liability		
Deferred revenue	2,417	2,593
	7,121	6,246
Shareholders' deficit		
Share capital		
Common shares (note 7(a))	204,531	203,645
Warrants (note 7(b))	415	415
Contributed surplus	9,981	9,794
Deficit	(217,748)	(215,962)
Accumulated other comprehensive loss	(224)	—
Total shareholders' deficit	(3,045)	(2,108)
Total liabilities and shareholders' deficit	4,076	4,138

Going concern (note 2)
Contingencies (note 12)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Isotechnika Pharma Inc.
Interim Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)
For the three and six month periods ended June 30, 2013 and 2012

(in thousands of Canadian dollars, except per share data)

	Three months ended		Six months ended	
	June 30, 2013 $	June 30, 2012 $	June 30, 2013 $	June 30, 2012 $
Revenue (note 5)				
Licensing revenue	60	48	119	4,498
Research and development revenue	27	27	55	55
Contract services	—	15	2	37
Other	—	—	—	1,300
	87	90	176	5,890
Expenses				
Research and development	452	817	790	1,619
Corporate and administration	503	991	1,001	1,977
Amortization of property and equipment	13	147	27	295
Amortization of intangible assets	69	67	138	132
Contract services	—	11	1	30
Other expense (income) (note 8)	43	400	5	4,634
	1,080	2,433	1,962	8,687
Net loss for the period	(993)	(2,343)	(1,786)	(2,797)
Other comprehensive income (loss)				
Net change in fair value on Investment (note5(a))	(47)	—	(224)	—
Comprehensive loss for the period	(1,040)	(2,343)	(2,010)	(2,797)
Loss per share (note 9) *(expressed in $ per share)*				
Basic and diluted net loss per common share	(0.005)	(0.013)	(0.009)	(0.016)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Isotechnika Pharma Inc.
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficit)
(Unaudited)
For the three and six month periods ended June 30, 2013 and 2012

(in thousands of Canadian dollars)

	Common Shares $	Warrants $	Contributed surplus $	Deficit $	Accumulated other comprehensive loss $	Shareholders' Equity (deficit) $
Balance – January 1, 2012	203,131	171	9,519	(206,275)	—	6,546
Stock-based compensation	—	—	51	—	—	51
Net loss for the period	—	—	—	(454)	—	(454)
Balance – March 31, 2012	203,131	171	9,570	(206,729)	—	6,143
Stock based compensation	—	—	37	—	—	37
Net loss for the period	—	—	—	(2,343)	—	(2,343)
Balance – June 30, 2012	203,131	171	9,607	(209,072)	—	3,837
Balance – January 1, 2013	203,645	415	9,794	(215,962)	—	(2,108)
Stock-based compensation (note 7)	—	—	106	—	—	106
Net loss for the period	—	—	—	(793)	—	(793)
Other comprehensive loss for the period	—	—	—	—	(177)	(177)
Balance – March 31, 2013	203,645	415	9,900	(216,755)	(177)	(2,972)
Stock-based compensation (note 7)	—	—	81	—	—	81
Issuance of units	886	—	—	—	—	886
Net loss for the period	—	—	—	(993)	—	(993)
Other comprehensive loss for the period	—	—	—	—	(47)	(47)
Balance – June 30, 2013	204,531	415	9,981	(217,748)	(224)	(3,045)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Isotechnika Pharma Inc.
Interim Condensed Consolidated Statements of Cash Flow
(Unaudited)
For the three and six month periods ended June 30, 2013 and 2012

(in thousands of Canadian dollars)

	Three months ended		Six months ended	
	June 30, 2013 $	June 30, 2012 $	June 30, 2013 $	June 30, 2012 $
Cash flow provided by (used in)				
Operating activities				
Net loss for the period	(993)	(2,343)	(1,786)	(2,797)
Adjustments for:				
Amortization of deferred revenue	(87)	(75)	(174)	(4,553)
Amortization of property and equipment	13	147	27	295
Amortization of intangible assets	69	67	138	132
Amortization of deferred lease inducements	(4)	(4)	(8)	(9)
Loss on derivative financial asset	—	—	—	4,178
Change in derivative liability included in foreign exchange loss	—	(31)	—	(96)
Foreign exchange loss (gain) related to non-operating activities	—	(1)	—	33
Stock-based compensation	81	37	187	88
Gain on disposal of equipment	—	—	(67)	—
	(921)	(2,203)	(1,683)	(2,729)
Net change in other operating assets and liabilities (note 11)	531	(592)	1,090	(1,873)
Net cash used in operating activities	(390)	(2,795)	(593)	(4,602)
Investing activities				
Proceeds of disposal of equipment	—	—	67	—
Patent costs	(48)	(9)	(54)	(18)
Restricted cash	—	849	—	—
Net cash generated from (used in) investing activities	(48)	840	13	(18)
Financing activities				
Proceeds from issuance of units, net	486	—	486	—
Proceeds from issuance of promissory notes	400	—	400	—
Principal payments under capital lease	(4)	(11)	(12)	(22)
Net cash generated from (used in) financing activities	882	(11)	874	(22)
Effect of exchange rate changes on cash and cash equivalents	—	1	—	(33)
Increase (decrease) in cash and cash equivalents	444	(1,965)	294	(4,675)
Cash and cash equivalents – beginning of period	34	3,338	184	6,048
Cash and cash equivalents – end of period	478	1,373	478	1,373

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

(amounts in tabular columns expressed in thousands of Canadian dollars)

1. Corporate information

Isotechnika Pharma Inc. ("Isotechnika" or the "Company") is a biopharmaceutical company, headquartered in Edmonton, Alberta, Canada. The Company was incorporated pursuant to the *Business Corporations Act* (Alberta). The Company is located at 5120-75 Street, Edmonton, Alberta T6E 6W2. The Company's primary business is the development and commercialization of therapeutic drugs, and in particular its lead drug, voclosporin, which includes obtaining the necessary regulatory approvals and commercializing the drug. The Company currently has one inactive subsidiary company, Isotechnika Limited.

2. Going concern

These interim condensed consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business. The use of these principles may not be appropriate at June 30, 2013 as there are material uncertainties that may cast significant doubt that the Company will be able to continue as a going concern without raising additional funds.

The Company is in the process of a merger, as described in note 4. The transaction is subject to certain closing conditions including, among others, the negotiation and completion of a merger agreement, acceptance and approval by the Toronto Stock Exchange, and the approval of Isotechnika's shareholders. Management believes that the consolidation of the intellectual property through the merger, and reaching a settlement agreement with ILJIN Life Science Co., Ltd. ("ILJIN") increases the likelihood of being able to raise the necessary funding to continue the development of voclosporin for the lupus indication. The combined entity will also continue to explore strategic global licensing transactions for the transplant indication.

The Company, on June 26, 2013 closed a private placement (First Unit Offering) for gross proceeds of $1,019,500 which included the conversion of $400,000 of promissory notes which were issued in April, 2013 as described in note 7. The proceeds will be used for working capital purposes and to complete the merger process.

While the Company believes that the First Unit Offering provides the Company with sufficient funding to continue its business in the ordinary course for a limited period of time following the closing of the Arrangement, management is of the view that additional funding will be required to fund the Company's operations on a go-forward basis. Accordingly, the Company is proposing to conduct a Second Unit Offering as an additional step of the financing process as Described below. The timing for the closing of the Second Unit Offering has not been specified, but is intended to close following the completion of the Arrangement.

The Second Unit Offering will be comprised of up to 133,333,332 Second Units. Each Second Unit will be sold for $0.045, meaning that the Company will receive gross proceeds of up to $6,000,000. The Company will use the proceeds from the Second Unit Offering for its general corporate purposes, including funding outstanding obligations, and ongoing research and development of voclosporin for the lupus nephritis indication.

The Company is seeking shareholder approval for the issuance of the Second Units issued to subscribers and the securities underlying the Second Units at the Annual and Special Shareholders meeting to be held on August 15, 2013.

The success of the Company and recoverability of amounts expended on research and development to date, including capitalized intangible assets, is dependent on the ability of the Company and its partners to raise additional cash, complete development activities, receive regulatory approval and to be able to commercialize voclosporin in key markets and indications, whereby the Company can achieve future profitable operations. Depending on the results of the research and development programs and availability of financial resources, the Company may accelerate, terminate, cut back on certain areas of research and development, commence new areas of research and development, or curtail certain of the Company's operations.

The outcome of these matters is dependent on a number of factors outside of the Company's control. Given the nature of the biotechnology sector there is no assurance that any new financings or development partnerships will materialize on a timely basis or be obtained on favourable terms.

These interim condensed consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues and expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

(amounts in tabular columns expressed in thousands of Canadian dollars)

3. Basis of preparation

(a) Basis of measurement

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as applicable to interim financial reports including IAS 34, Interim Financial Reporting, and should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2012 which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB").

The accounting policies followed in these interim condensed consolidated financial statements are consistent with those of the previous financial year, except as described in (c) below.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on August 12, 2013.

(b) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(c) Change in accounting policies

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10, consolidated financial statements, replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements, and SIC—12, Consolidation-Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Company has assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 does not result in any change in the consolidation status of any of its subsidiaries or investees.

IFRS 13, fair value measurement, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as of January 1, 2013. The Company's financial instruments consist largely of items measured at amortized cost and for which fair value approximates carrying value due to the short-term nature of the instruments. The only exception to this is the investment in shares of a private company, for which further information about fair value is disclosed in note 5(a).

IAS 1, amendment, presentation of items of other comprehensive income, the Company has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. Other comprehensive income consists of translation gains and losses related to the Company's foreign operations and may be subsequently reclassified to net earnings. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

4. Term sheet for merger and tripartite settlement agreement

The Company and privately-held Aurinia Pharmaceuticals Inc. ("Aurinia") on February 5, 2013 signed a binding term sheet ("Term Sheet") for the merger of the two companies, resulting in a clinical stage pharmaceutical company focused on the global nephrology market.

(amounts in tabular columns expressed in thousands of Canadian dollars)

Aurinia is a spin-out from Vifor Pharma. The Company signed a global Licensing and Collaboration Agreement effective December 30, 2011 with Vifor (International) AG ("Vifor"), the specialty pharma company of Switzerland based Galenica Group. The agreement granted Vifor an exclusive license for voclosporin, for the treatment of lupus and all proteinuric nephrology indications (the "Vifor License"). The Vifor License is for the United States and other regions outside of Canada, South Africa, Israel, China, Taiwan and Hong Kong (the "Vifor Territory"). Aurinia's current leadership team is comprised primarily of former senior managers, directors and officers of Aspreva Pharmaceuticals ("Aspreva"), which Galenica acquired in 2008. While at Aspreva, this management team executed a significant lupus nephritis study, called the Aspreva Lupus Management Study ("ALMS"), which resulted in the emergence of mycophenolate mofetil as a new standard treatment for patients suffering from this devastating and potentially fatal disease. Aurinia now holds certain rights to this large ALMS database and holds the license for voclosporin in lupus nephritis. Aurinia's lupus rights and database will be combined in the newly merged company with the transplantation and autoimmune rights, and the database held by Isotechnika.

The Term Sheet sets forth the main criteria to be incorporated into a definitive merger agreement under which Isotechnika will acquire 100% of the outstanding securities of Aurinia. The merger is expected to be effected by an exchange of Isotechnika shares for securities of Aurinia, resulting in an estimated 65:35 post-merger ownership split between Isotechnika and Aurinia, respectively. It is expected that the merger will be accounted for as a business combination with Isotechnika being the acquirer.

In addition, Isotechnika and Aurinia have negotiated a definitive tripartite settlement with ILJIN pursuant to which, upon the successful completion of the proposed merger, the combined company will re-acquire full rights to voclosporin for autoimmune indications including lupus, and transplantation in the United States, Europe and other regions of the world, outside of Canada, Israel, South Africa, China, Taiwan and Hong Kong. In return, ILJIN will be entitled to receive certain pre-defined future milestone payments in the aggregate amount of $10,000,000, plus up to $1,600,000 upon the new company reaching certain financing milestones. ILJIN will also own approximately 25% of the issued and outstanding shares of the merged company.

The transaction is subject to certain closing conditions including, among others, the negotiation and completion of a merger agreement, acceptance and approval by the Toronto Stock Exchange (the "TSX"), and the approval of Isotechnika's shareholders at the Annual and Special Shareholders meeting to be held on August 15, 2013. The merged entity is expected to adopt Aurinia Pharmaceuticals Inc. as its new corporate name.

5. Revenue and deferred revenue

Revenue is composed of:	Three months ended		Six months ended	
	June 30, 2013 $	June 30, 2012 $	June 30, 2013 $	June 30, 2012 $
Licensing revenue				
Aurinia	12	—	23	—
3SBio	33	33	66	66
Lux	15	15	30	30
ILJIN	—	—	—	4,402
	60	48	119	4,498
Research and development revenue				
Paladin	27	27	55	55
Contract services	—	15	2	37
Other	—	—	—	1,300
	87	90	176	5,890

Licensing and research and development fee revenues represent the amortization of deferred revenue from fee payments received by the Company. The deferred revenue is recorded as revenue as the Company incurs the costs related to meeting its obligations under the terms of the applicable agreements.

(amounts in tabular columns expressed in thousands of Canadian dollars)

(a) Licensing and Collaboration Agreement with Aurinia Pharmaceuticals Inc.

The Company signed a global Licensing and Collaboration Agreement ("LCA") effective December 30, 2011 with Vifor. The agreement granted Vifor an exclusive license for voclosporin, for the treatment of lupus and all proteinuric nephrology indications (the "Vifor License"). The Vifor License was for the United States and other regions outside of Canada, South Africa, Israel, China, Taiwan and Hong Kong (the "Vifor Territory"). Under the terms of the Agreement, the Company was to receive milestone payments, as well as royalties on commercial sales. In connection with this agreement, Vifor was to purchase voclosporin active pharmaceutical ingredient ("API") from the Company. Vifor was to carry the burden of the costs associated with these clinical trials. On December 13, 2012, the LCA was assigned to Aurinia Development Corp. by Vifor. Aurinia Development Corp. is a subsidiary of Aurinia Pharmaceuticals Inc. ("Aurinia").

ILJIN had provided a License Back for the field of lupus and proteinuric kidney diseases for the Territory defined in the ILJIN DDLA of certain rights to the Company in order for these rights to be licensed to Vifor specifically for the indications of lupus and proteinuric kidney disease, in return for certain milestones and royalties to be paid by Vifor.

On December 10, 2012 pursuant to this agreement, the Company received as a milestone payment, an investment in Aurinia. Aurinia issued the Company a share certificate representing 10% of the common shares of Aurinia. Aurinia had the option of granting the Company these shares or $592,000 in cash (US$600,000). The Company determined that the fair value of the shares in Aurinia approximated $592,000 and therefore recorded the value of the investment in Aurinia shares at $592,000. The Company has recorded this milestone payment as deferred revenue upon receipt. Under the LCA, the primary substantive obligations of the Company are to maintain the patent portfolio and pay for drug supply if costs exceed a certain amount. Deferred revenue is being amortized into licensing revenue as the Company incurs the costs related to meeting its obligations under the LCA.

The Company's investment in Aurinia is carried at fair value, with changes in fair value recognized in other comprehensive income ("OCI"). These gains and losses may subsequently be reclassified into net loss in the statement of operations and comprehensive loss. Since Aurinia's shares do not trade in a public market, the Company has used a form of comparable company valuation approach to determine fair value, categorized as level 3 in the fair value hierarchy. Due to the unique nature of Aurinia's primary assets, being it's license agreement with Isotechnika and it's intellectual property related to lupus nephrology research (as discussed in note 4), management does not believe there are any comparable companies that trade publicly for which an indicative value could be obtained. As a result, it has compared the value of Aurinia to the value of the Company based on the proposed merger of the entities and the relative valuation formula agreed to by the parties and to be approved by the shareholders. Without providing for any adjustments for lack of liquidity or non-controlling interests, this approach results in a fair value of the investment of $368,000 at June 30, 2013. The change in fair value from December 31, 2012 of $224,000 has been recognized as a loss in OCI. If the value of the shares of Isotechnika were to increase or decrease by $0.01, this would result in an increase or decrease respectively in the value of the Aurinia shares of approximately $100,000. This investment is the only financial instrument measured at fair value in the statement of financial position at June 30, 2013, and is subject to recurring fair value measurements.

The Company has entered into a term sheet to merge with Aurinia and a definitive tripartite settlement agreement between the Company, ILJIN and Aurinia as more fully described in note 4.

(b) Development, Distribution and License Agreement with ILJIN Life Science Co., Ltd.

Effective January 28, 2011 (the "Effective Date") the Company completed a Development, Distribution and License Agreement (the "DDLA") with ILJIN for the further clinical and commercial development of voclosporin for use in transplant indications applicable to voclosporin. The Company granted to ILJIN an exclusive license to voclosporin for transplant and autoimmune indications for the United States and other regions outside of Europe, Canada, Israel, South Africa, China, Taiwan and Hong Kong. The Company retained the rights over voclosporin in Europe for future development and commercialization.

Pursuant to the DDLA, the Company was to receive a total license fee of US$5,000,000. In addition, ILJIN was to purchase 90,700,000 common shares of the Company for gross proceeds of US$19,875,000 in three tranches.

The Company was obligated under the terms of the agreement to complete a single Phase 3 clinical trial for the prevention of kidney transplant rejection. A Joint Steering Committee ("JSC") with equal membership from the Company and ILJIN was to have been formed to oversee the development and commercialization of voclosporin in the ILJIN territories.

(amounts in tabular columns expressed in thousands of Canadian dollars)

The Company received $4,505,000 (US$4,500,000) of the license fee and the first private placement tranche of $2,377,000 (US$2,375,000) on January 28, 2011 which was the Effective Date of the Agreement. The Company issued 11,500,000 common shares at a price of $0.207 per share (US$0.207) to ILJIN pursuant to the subscription agreement for securities. On or before January 28, 2012 ILJIN was to pay US$500,000 to the Company as the Second Development Payment and purchase 39,600,000 common shares of the Company issued from treasury for an aggregate subscription price of US$8,500,000. On or before January 28, 2013, ILJIN was to purchase the final tranche of 39,600,000 common shares of the Company issued from treasury for an aggregate subscription price of US$9,000,000.

Prior to the January 28, 2012 date, ILJIN verbally indicated their intent to alter the economics of the DDLA. Consequently, payment under the DDLA was not received as required per the agreement of January 28, 2011. The Company on January 30, 2012 notified ILJIN that it was terminating the DDLA. At that time the Company believed that the termination of the original DDLA was valid. As a result, the remaining deferred revenue balance of $4,402,000 was recorded as licensing revenue on January 30, 2012.

The Company received notification in March, 2012 that ILJIN submitted a request for arbitration to the International Chamber of Commerce ("ICC") Court of Arbitration relating to Isotechnika's termination of the DDLA. The Arbitration hearing to determine the Company's right to terminate the agreement was held early in the fourth quarter of 2012.

In November, 2012 the Company received notification from the ICC that a Partial Award regarding its right to terminate the DDLA with ILJIN had been issued to the parties. In the result, the Partial Award provided that the DDLA had not been terminated and, therefore, the Company's contractual relationship with ILJIN still existed. As such the Partial Award rejected the Company's interpretation of the DDLA's termination provision. Since the DDLA was not considered to have been terminated, the Company assessed whether it had an onerous contract under the provisions guidance of IAS 37, and concluded that no provision is required.

In January of 2013, ILJIN formally notified Isotechnika and the arbitral tribunal that ILJIN had withdrawn all claims for damages in the parties' pending arbitration.

Subsequently, the Company, ILJIN and Aurinia entered into a definitive tripartite settlement agreement whereby the DDLA will be terminated as more fully described in note 4.

(c) Other revenue

In January, 2012 the Company satisfied an outstanding condition pursuant to an agreement with Lux for the sale of API such that $1,323,000 (US$1,300,000) was due and payable in two instalments of $661,000 (US$650,000) each on July 29, 2012 and July 29, 2013, respectively. The Company recorded the sale of API in the amount of $1,300,000 (US$1,300,000) as other income in the first quarter ended March 31, 2012. The Company, in a previous year, had recorded the cost of this API as a research and development expense.

The US$1,300,000 amount is owed by Lux to the Company but the timing and collectability of the amount is uncertain, particularly as a result of Lux not meeting the primary endpoint in the Phase 3 uveitis clinical trial. Therefore, the Company recorded a provision for doubtful collection of $1,310,000 in the year ended December 31, 2012.

6. Drug supply payable

On January 31, 2012 the Company entered into an agreement with Paladin Labs Inc. ("Paladin") which set forth different payment and delivery terms of manufactured API for previously ordered batches of API pursuant to the terms of the Isotechnika Supply Agreement with Paladin. The obligation for the API was split into three separate payments with the first payment due the later of April 30, 2012 or within five business days of the Company receiving a certificate of analysis from the API manufacturer.

On April 5, 2012, the risks and rewards relating to the API were transferred to the Company, and the Company paid the first instalment of $849,000.

The second instalment of $849,000 was initially due on June 30, 2012 with the third and final instalment due on September 30, 2012, respectively. Interest is payable on the balance outstanding at 6% per annum. The total remaining balance owing of $1,698,000 is reflected as drug supply payable at June 30, 2013.

(amounts in tabular columns expressed in thousands of Canadian dollars)

Paladin has agreed to accept revised payment terms on the drug supply payable amount of $1,698,000, subject to certain conditions, including that on or before September 30, 2013 the Company obtains financing in the sum of not less than $3,000,000 and completes the proposed merger with Aurinia. Paladin retains title to the manufactured API and agrees to transfer title and to ship the manufactured API to the Company as it is paid for.

The terms of repayment are as follows:

(i) Isotechnika will pay to Paladin the sum of $100,000 per month, commencing 15 days after the successful completion of the Company raising the $3,000,000 in financing.

(ii) The outstanding balances will be due on or before December 31, 2014;

(iii) Isotechnika will pay interest on the outstanding balances at a rate of 10%, compounded monthly for the first 12 months, commencing upon first payment, and then pay interest on the outstanding balances at a rate of 18%, compounded monthly after the first 12 months. The Company will have the right to prepay the balance owing on the outstanding balances, plus accrued interest to the date of prepayment, at any time and from time to time without penalty.

7. Share capital

a) Common shares

Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

Issued	Number of shares (in thousands)	$
Balance at January 1, 2012	173,921	203,131
Issued pursuant to October, 2012 Private Placement	18,950	514
Balance at December 31, 2012 and March 31, 2013	192,871	203,645
Issued pursuant to June 26, 2013 Private Placement	22,656	886
Balance at June 30, 2013	215,527	204,531

On April 16, 2013, the Company entered into an agreement with Canaccord Genuity Corp (the “Agent”), pursuant to which the Agent would assist the Company in selling, on a commercially reasonable efforts basis, securities of the Company through a private placement.

The private placement will consist of up to 44,445,000 units of the Company at a price of $0.045 per unit, or approximately $2,000,000 in gross proceeds if fully subscribed. Each unit in the private placement (the “Unit Offering”) will consist of one common share of the Company (a “Share”) and one warrant (each, a “Warrant”), with each whole Warrant being exercisable for one Share at a price of $0.05 for a period of up to 5 years from the date of issuance. Given the number of securities to be issued pursuant to the Unit Offering, the Warrants issuable in the Unit Offering will not be exercisable until shareholder approval for their issuance has been obtained at the August 15, 2013 shareholder meeting. If shareholder approval is not obtained by September 15, 2013, the Warrants issuable in the Unit Offering will be cancelled.

On June 26, 2013, the Company closed the first tranche of this private placement, raising gross proceeds of $1,019,500 by the issuance of 22,656,000 units at a price of $0.045 per unit. Each unit consisted of one common share and one non-transferable common share purchase warrant exercisable at $0.05 cents for a period of five years from the closing date. The issue of the warrants is subject to shareholder approval. Accordingly, no fair value was attributed to the warrants as at June 30, 2013. The Company paid a commission of 7% of $619,500 in cash and issued 963,666 broker warrants. The broker warrants are exercisable at a price of $0.045 and will expire five years from the closing date. In addition the Company incurred legal and other advisory fees of $90,000 to complete the private placement.

(amounts in tabular columns expressed in thousands of Canadian dollars)

In order to help fund its operations in the immediate-term, the Company received loans in April, 2013 from Dr. Richard Glickman, who is a major Aurinia shareholder and ILJIN consisting of the issuance of zero-coupon promissory notes in the principal amount of $200,000 each for a total of $400,000. Dr. Glickman and ILJIN each subscribed for Units in the June 26, 2013 private placement in the amount of $200,000 each and the promissory notes were cancelled.

The Company, in October of 2012, pursuant to a non-brokered private placement comprised of two tranches, raised proceeds of $758,000 by the issuance of 18,950,000 units at a price of $0.04 cents per unit. Each unit consisted of one common share and one non-transferable common share purchase warrant exercisable at $0.05 cents for a period of two years from the closing dates. No commissions or finder's fees were paid. The fair value attributed to the warrants was $244,000 with $514,000 attributed to the common shares issued.

b) Warrants

On June 26, 2013, pursuant to the private placement noted above, the Company issued 22,656,000 warrants to purchase common shares at a price of $0.05 per common share subject to shareholder approval. Accordingly, no fair value was attributed to the warrants as at June 30, 2013. The warrants have a term of five years from the date of issuance.

On October 17, 2012, pursuant to close of the first tranche of a private placement, the Company issued 15,175,000 warrants to purchase common shares at a price of $0.05 per common share. On October 30, 2012, pursuant to the close of the second tranche of the private placement, the Company issued 3,775,000 warrants to purchase common shares at a price of $0.05 per common share. The warrants have a term of two years from the date of issuance. The fair value attributed to the warrants using the Black-Scholes option pricing model was $244,000.

On June 18, 2008, pursuant to a debt financing, the Company issued 401,388 warrants to purchase common shares at a price of $1.00 per common share. The warrants have a term of seven years. The fair value attributed to the warrants using the Black-Scholes option pricing model was $171,000.

c) Stock options and compensation expense

The maximum number of Common Shares issuable under the the Stock Option Plan is equal to 10% of the issued and outstanding Common Shares at the time the Common Shares are reserved for issuance. As at June 30, 2013 there were 215,527,000 Common Shares of the Company issued and outstanding, resulting in a maximum of 21,552,700 options available for issuance under the Stock Option Plan. An aggregate total of 14,983,000 options are presently outstanding, representing 7.0% of the issued and outstanding Common Shares of the Company.

The Stock Option Plan requires the exercise price of each option to be determined by the Board of Directors and not to be less than the closing market price of the Company's stock on the day immediately prior to the date of grant. Any options which expire may be re-granted. The Board approves the vesting criteria and periods at its discretion. The options issued under the plans are accounted for as equity-settled share-based payments.

(amounts in tabular columns expressed in thousands of Canadian dollars)

A summary of the status of the Company's stock option plans as of June 30, 2013 and 2012 on those dates and changes during the six month periods ended June 30, 2013 and June 30, 2012 are presented below:

	2013		2012	
	#	Weighted average exercise price $	#	Weighted average exercise price $
Outstanding –Beginning of period	16,037	0.11	9,376	0.19
Granted	—	—	100	0.13
Expired	(342)	0.32	(100)	3.70
Forfeited and cancelled	(712)	0.14	(450)	0.15
Outstanding – End of period	14,983	0.10	8,926	0.16
Options exercisable – End of period	10,923	0.10	5,369	0.16

The Company used the Black-Scholes option pricing model to estimate the fair value of the options granted.

The following weighted average assumptions were used to estimate the fair value of the options granted during the six months ended June 30, 2012:

	June 30, 2013	June 30, 2012
Annualized volatility	—	90.5%
Risk-free interest rate	—	1.30%
Expected life of options in years	—	4.25 years
Estimated forfeiture rate	—	11.65%
Dividend rate	—	0.0%
Exercise price	—	$ 0.13
Market price on date of grant	—	$ 0.13
Fair value per common share option	—	$ 0.09

For the three and six month periods ended June 30, 2013, the Company did not grant any stock options. The Company granted 100,000 stock options to a Director of the Company at $0.13 per share in the first quarter ended March 31, 2012.

The Company considers historical volatility of its common shares in estimating its future stock price volatility. The risk-free interest rate for the expected life of the options was based on the yield available on government benchmark bonds with an approximate equivalent remaining term at the time of the grant. The expected time until exercise is based upon the contractual term, taking into account expected employee/director exercise and expected post-vesting employment termination behaviour.

Application of the fair value method resulted in charges to stock-based compensation expense of $81,000 and $187,000 for the three and six months ended June 30, 2013 respectively, (2012 – $37,000 and $88,000) with corresponding credits to contributed surplus. For the three and six month periods ended June 30, 2013, stock compensation expense has been allocated to research and development expense in the amounts of $35,000 and $77,000, respectively, (2012 – $16,000 and $35,000) and corporate and administration expense in the amounts of $46,000 and $110,000, respectively, (2012 – $21,000 and $53,000).

(amounts in tabular columns expressed in thousands of Canadian dollars)

8. Other expense (income)

	Three months ended		Six months ended	
	June 30, 2013 $	June 30, 2012 $	June 30, 2013 $	June 30, 2012 $
Other expense (income) composed of:				
Financial assets at fair value through profit or loss				
Loss (gain) on derivative financial asset	—	—	—	4,178
Finance income				
Interest income on short-term bank deposits	—	(1)	—	(6)
Finance costs				
Interest on drug supply payable	25	—	49	—
Interest on finance lease	—	1	1	3
Debt finance fee	—	—	—	40
	25	1	50	43
Other				
Restructured receivable (note 5(c))	—	458	—	458
Foreign exchange loss (gain)	18	(58)	22	(39)
Gain on disposal of equipment	—	—	(67)	—
	18	400	(45)	419
	43	400	5	4,634

9. Loss per common share

Basic and diluted net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding for the period. In determining diluted net loss per common share, the weighted average number of common shares outstanding is adjusted for stock options and warrants eligible for exercise where the average market price of common shares for the period exceeds the exercise price. Common shares that could potentially dilute basic net loss per common share in the future that could be issued from the exercise of stock options and warrants were not included in the computation of the diluted loss per common share for the interim periods presented, because to do so would be anti-dilutive.

The numerator and denominator used in the calculation of historical basic and diluted net loss amounts per common share are as follows:

	Three months ended		Six months ended	
	June 30, 2013 $	June 30, 2012 $	June 30, 2013 $	June 30, 2012 $
Loss for the period	(993)	(2,343)	(1,786)	(2,797)
	#	#	#	#
Weighted average number of common shares for loss per share	193,867	173,921	193,371	173,921
	$	$	$	$
Basic and diluted loss per share	(0.005)	(0.013)	(0.009)	(0.016)

(amounts in tabular columns expressed in thousands of Canadian dollars)

The outstanding number and type of securities that would potentially dilute basic loss per common share in the future and which were not included in the computation of diluted loss per share, because to do so would have reduced the loss per common share (anti-dilutive) for the periods presented, are as follows:

	June 30, 2013 # In thousands	June 30, 2012 # In thousands
Stock options	14,983	8,926
Warrants	42,971	401
Share purchase rights to ILJIN	79,200	79,200
	137,154	88,615

The share purchase rights pursuant to the DDLA with ILJIN are included in the potential dilution numbers as at June 30, 2013; however, because of the definitive settlement agreement entered into between ILJIN, Aurinia and the Company these rights will be cancelled subject to certain future events. (See note 4).

10. Segment disclosures

The Company's operations comprise a single reporting segment engaged in the research, development and commercialization of therapeutic drugs. As the operations comprise a single reporting segment, amounts disclosed in the financial statements represent those of the single reporting unit. In addition, all of the Company's long-lived assets are located in Canada.

The following geographic area data reflects revenue based on customer location.

The Company's operations comprise a single reporting segment engaged in the research, development and commercialization of therapeutic drugs. As the operations comprise a single reporting segment, amounts disclosed in the financial statements represent those of the single reporting unit. In addition, all of the Company's long-lived assets are located in Canada.

The following geographic area data reflects revenue based on customer location.

Geographic information

	Three months ended		Six months ended	
	June 30, 2013 $	June 30, 2012 $	June 30, 2013 $	June 30, 2012 $
Revenue				
Canada	39	42	80	92
United States	15	15	30	1,330
China	33	33	66	66
Korea	—	—	—	4,402
	87	90	176	5,890

(amounts in tabular columns expressed in thousands of Canadian dollars)

11. Supplementary cash flow information

Net change in other operating assets and liabilities:

	Three months ended		Six months ended	
	June 30, 2013 $	June 30, 2012 $	June 30, 2013 $	June 30, 2012 $
Accounts receivable	(1)	601	(5)	(85)
Receivable from partner	—	(215)	—	(865)
Drug inventory	—	(2,718)	—	(2,718)
Prepaid expenses and deposits	(4)	(128)	26	(130)
Accounts payable and accrued liabilities	536	170	1,069	227
Drug supply payable	—	1,698	—	1,698
	531	(592)	1,090	(1,873)

12. Contingencies

i) The Company may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes that the ultimate resolution of such contingencies will not have a material adverse effect on the consolidated financial position of the Company.

ii) The Company entered into indemnification agreements with its officers and directors. The maximum potential amount of future payments required under these indemnification agreements is unlimited. However, the Company does maintain liability insurance to limit the exposure of the Company.

iii) The Company has entered into license and research and development agreements with third parties that include indemnification and obligation provisions that are customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of third party claims or damages arising from these transactions. These provisions may survive termination of the underlying agreement. The nature of the obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any payments under such agreements and no amount has been accrued in the accompanying interim condensed consolidated financial statements.

iv) The Company and ILJIN incurred legal and other costs related to the arbitration process. The allocation of costs has not yet been determined by the arbitration panel. The Company believes its maximum exposure to costs incurred by ILJIN would not exceed $1,200,000, however, management's assessment is that a cost award in favour of ILJIN is unlikely. Accordingly no provision has been made. Further, upon completion of the transactions contemplated as described in note 4, all claims for costs by ILJIN against the Company would be dismissed.

Exhibit 99.22

Aurinia Pharmaceuticals Inc.
(formerly Isotechnika Pharma Inc.)

Interim Condensed Consolidated Financial Statements
(Unaudited)

Third quarter ended September 30, 2013

Aurinia Pharmaceuticals Inc.
Interim Condensed Consolidated Statements of Financial Position
(unaudited)

(in thousands of Canadian dollars)

	September 30, 2013 $	December 31 2012 $
Assets		
Current assets		
Cash and cash equivalents	4,644	184
Accounts receivable	81	183
Prepaid expenses and deposits	181	75
	4,906	442
Non-current assets		
Property and equipment	49	88
Intangible assets (note 5)	19,110	3,016
Investment (note 8a)	—	592
Total assets	24,065	4,138
Liabilities and Shareholders' Equity (Deficit)		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	3,520	1,573
Drug supply loan (note 7)	1,736	1,698
Financing milestones payable to ILJIN (note 4)	1,600	—
Finance lease liability	8	36
Current portion of deferred revenue	303	338
Current portion of deferred lease inducements	—	8
	7,167	3,653
Non-current liabilities		
Deferred revenue	1,871	2,593
Clinical and sales milestones payable (note 4)	2,410	—
	11,448	6,246
Shareholders' equity (deficit)		
Share capital		
Common shares (note 9a)	220,473	203,645
Warrants (note 9b)	2,325	415
Contributed surplus	10,011	9,794
Deficit	(220,192)	(215,962)
Total shareholders' equity (deficit)	12,617	(2,108)
Total liabilities and shareholders' equity (deficit)	24,065	4,138

Going concern (note 2)
Subsequent event (note 14)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Aurinia Pharmaceuticals Inc.
Interim Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)
For the three and nine month periods ended September 30, 2013 and 2012

(in thousands of Canadian dollars, except per share data)

	Three months ended		Nine months ended	
	September 30, 2013 $	September 30, 2012 $	September 30, 2013 $	September 30, 2012 $
Revenue (note 8)				
Licensing revenue	59	48	179	4,546
Research and development revenue	28	28	83	83
Contract services	—	10	2	47
Other	—	—	—	1,300
	87	86	264	5,976
Expenses				
Research and development	544	554	1,334	2,173
Corporate and administration	511	974	1,432	2,951
Amortization of property and equipment	12	147	39	442
Amortization of intangible assets	70	66	207	198
Acquisition and restructuring costs (note 4)	1,460	—	1,540	—
Contract services	—	9	—	39
Other expense (income) (note 10)	(66)	38	(57)	4,672
	2,531	1,788	4,495	10,475
Net loss for the period	(2,444)	(1,702)	(4,231)	(4,499)
Other comprehensive income				
Item that may be reclassified subsequently to net income				
Net change in fair value on Investment (note 8a)	224	—	—	—
Comprehensive loss for the period	(2,220)	(1,702)	(4,231)	(4,499)
Loss per share (note 11) *(expressed in $ per share)*				
Basic and diluted net loss per common share	(0.01)	(0.01)	(0.02)	(0.03)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Aurinia Pharmaceuticals Inc.
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficit)
(Unaudited)
For the three and nine month periods ended September 30, 2013 and 2012

(in thousands of Canadian dollars)

	Common Shares $	Warrants $	Contributed surplus $	Deficit $	Accumulated other comprehensive loss $	Shareholders' Equity (deficit) $
Balance – January 1, 2012	203,131	171	9,519	(206,275)	—	6,546
Stock-based compensation	—	—	51	—	—	51
Net loss for the period	—	—	—	(454)	—	(454)
Balance – March 31, 2012	203,131	171	9,570	(206,729)	—	6,143
Stock based compensation	—	—	37	—	—	37
Net loss for the period	—	—	—	(2,343)	—	(2,343)
Balance – June 30, 2012	203,131	171	9,607	(209,072)	—	3,837
Stock-based compensation	—	—	38	—	—	38
Net loss for the period	—	—	—	(1,702)	—	(1,702)
Balance – September 30, 2012	203,131	171	9,645	(210,774)	—	2,173
Balance – January 1, 2013	203,645	415	9,794	(215,962)	—	(2,108)
Stock-based compensation	—	—	106	—	—	106
Net loss for the period	—	—	—	(793)	—	(793)
Other comprehensive loss for the period	—	—	—	—	(177)	(177)
Balance – March 31, 2013	203,645	415	9,900	(216,755)	(177)	(2,972)
Stock-based compensation	—	—	81	—	—	81
Issuance of first offering units	886	—	—	—	—	886
Net loss for the period	—	—	—	(993)	—	(993)
Other comprehensive loss for the period	—	—	—	—	(47)	(47)
Balance – June 30, 2013	204,531	415	9,981	(217,748)	(224)	(3,045)
Stock-based compensation (note 9)	—	—	30	—	—	30
First offering warrants (note 9)	(476)	476	—	—	—	—
Issuance of second offering units, net (note 9)	4,340	1,415	—	—	—	5,755
Issuance of common shares to ILJIN (note 9)	3,812	—	—	—	—	3,812
Issuance of Common shares and warrants on acquisition of Aurinia Pharma Corp. (note 9)	8,266	19	—	—	—	8,285
Net loss for the period	—	—	—	(2,444)	—	(2,444)
Other comprehensive loss for the period	—	—	—	—	224	224
Balance – September 30, 2013	220,473	2,325	10,011	(220,192)	—	12,617

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Aurinia Pharmaceuticals Inc.
Interim Condensed Consolidated Statements of Cash Flow
(Unaudited)
For the three and nine month periods ended September 30, 2013 and 2012

(in thousands of Canadian dollars)

	Three months ended		Nine months ended	
	September 30, 2013 $	September 30, 2012 $	September 30, 2013 $	September 30, 2012 $
Cash flow provided by (used in)				
Operating activities				
Net loss for the period	(2,444)	(1,702)	(4,231)	(4,499)
Adjustments for:				
Amortization of deferred revenue	(87)	(76)	(262)	(4,629)
Amortization of property and equipment	12	147	39	442
Gain on disposal of capital assets	(2)	(8)	(69)	(8)
Amortization of intangible assets	70	66	207	198
Amortization of deferred lease inducements	—	(4)	(8)	(13)
Loss on derivative financial asset	—	—	—	4,178
Change in derivative liability included in foreign exchange loss	—	—	—	(96)
Foreign exchange loss related to non-operating activities	—	—	—	33
Stock-based compensation	30	38	217	126
	(2,421)	(1,539)	(4,107)	(4,268)
Net change in other operating assets and liabilities (note 13)	879	464	1,971	(1,409)
Net cash used in operating activities	(1,542)	(1,075)	(2,136)	(5,677)
Investing activities				
Cash acquired from Aurinia Pharma Corp.	4	—	4	—
Purchase of property and equipment	—	(2)	—	(2)
Proceeds of disposal of equipment	2	8	69	8
Patent costs	(37)	(9)	(90)	(27)
Net cash used in investing activities	(31)	(3)	(17)	(21)
Financing activities				
Proceeds from issuance of units, net	5,755	—	6,241	—
Proceeds from issuance of promissory notes	—	—	400	—
Principal payments under capital lease	(16)	(11)	(28)	(33)
Net cash generated from (used in) financing activities	5,739	(11)	6,613	(33)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(33)
Increase (decrease) in cash and cash equivalents	4,166	(1,089)	4,460	(5,764)
Cash and cash equivalents – beginning of period	478	1,373	184	6,048
Cash and cash equivalents – end of period	4,644	284	4,644	284

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

(amounts in tabular columns expressed in thousands of Canadian dollars)

1. Corporate information

Aurinia Pharmaceuticals Inc. (formerly Isotechnika Pharma Inc.) or the "Company" is a biopharmaceutical company with its registered office, which includes administration and lab facilities, located at 5120 – 75 Street, Edmonton, Alberta T6E 6W2. The Company also has an office at #1203-4464 Markham Street, Victoria, British Columbia which incorporates clinical, regulatory and business development functions of the Company. See Subsequent event note 14 for additional information.

Aurinia Pharmaceuticals Inc. is incorporated pursuant to the *Business Corporations Act* (Alberta). The Company's Common Shares are currently listed and traded on the TSX Venture Exchange ("**TSXV**") under the symbol "AUP". The Company's primary business is the development of a therapeutic drug to treat autoimmune diseases, in particular Lupus Nephritis, and for the prevention of graft rejection in solid organ transplant patients.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Aurinia Pharma Corp. (formerly Aurinia Pharmaceuticals Inc.) and Isotechnika Limited (inactive). Aurinia Pharma Corp. has two inactive subsidiaries, Aurinia Holdings Corp. (Barbados) and Aurinia Development Corp. (Barbados).

2. Going concern

These interim condensed consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business. The use of these principles may not be appropriate at September 30, 2013 as there are material uncertainties that may cast significant doubt that the Company will be able to continue as a going concern without raising additional funds.

The Company completed a plan of arrangement on September 20, 2013, as described in note 4. Management believes that the consolidation of the intellectual property through the acquisition of Aurinia Pharma Corp. and reaching a settlement agreement with ILJIN Life Science Co., Ltd. ("ILJIN") increases the likelihood of being able to raise the necessary funding to continue the development of voclosporin for the lupus indication. The combined entity will also continue to explore strategic global licensing transactions for the transplant indication.

The Company on September 20, 2013 closed a Second Unit Offering private placement for gross proceeds of $6,000,000. The Company will use the proceeds from the Second Unit Offering for general corporate purposes, including funding outstanding obligations, and funding initial staging work for the planned Phase 2b clinical lupus nephritis trial. Previously, on June 26, 2013, the Company had closed a First Unit Offering private placement for gross proceeds of $1,019,500.

The success of the Company and recoverability of amounts expended on research and development to date, including capitalized intangible assets, is dependent on the ability of the Company and its partners to raise additional cash, complete development activities, receive regulatory approval and to be able to commercialize voclosporin in key markets and indications, whereby the Company can achieve future profitable operations. Given the nature of the biotechnology sector, there can be no assurance that the steps management is taking will be successful.

These interim condensed consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues and expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

3. Basis of preparation

(a) Basis of measurement

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as applicable to interim financial reports including IAS 34, Interim Financial Reporting, and should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2012 which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB").

(amounts in tabular columns expressed in thousands of Canadian dollars)

The accounting policies followed in these interim condensed consolidated financial statements are consistent with those of the previous financial year, except as described in (c) below.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 20, 2013.

(b) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(c) Change in accounting policies

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10, consolidated financial statements, replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements, and SIC—12, Consolidation-Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Company has assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 does not result in any change in the consolidation status of any of its subsidiaries or investees.

IFRS 13, fair value measurement, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as of January 1, 2013. The Company's financial instruments consist largely of items measured at amortized cost and for which fair value approximates carrying value due to the short-term nature of the instruments. The only exception to this is the investment in shares of a private company, for which further information about fair value is disclosed in note 8(a).

IAS 1, amendment, presentation of items of other comprehensive income, the Company has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. Other comprehensive income consists of fair value changes in an investment held for sale and may be subsequently reclassified to net earnings. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

(d) Critical accounting estimates

Goodwill and business combinations

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. Management makes judgments and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognized as goodwill and if negative, it is recognized in the Statement of Operations and Comprehensive Loss.

The amount of goodwill initially recognized as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of assets and liabilities is based, to a considerable extent, on management's judgment. Allocation of the purchase price affects the results of the Company as finite life intangible assets are amortized, whereas indefinite life intangible assets, including goodwill, are not amortized and could result in differing amortization charges based on the allocation to indefinite life and finite life intangible assets.

(amounts in tabular columns expressed in thousands of Canadian dollars)

4. Plan of Arrangement and Acquisition of Aurinia Pharma Corp.

Background to Arrangement

On February 5, 2013 the Company announced that it had signed a binding term sheet (the "**Term Sheet**") with Aurinia Pharma Corp. for the merger of the two companies, creating a clinical development stage pharmaceutical company focused on the global nephrology market. The Term Sheet set forth the main criteria to be incorporated into a definitive merger agreement under which the Company would acquire 100% of the outstanding securities of Aurinia Pharma Corp. The merger was expected to be effected by the exchange of the Company shares for securities of Aurinia Pharma Corp. resulting in an estimated 65:35 post merger ownership split, on a warrant diluted basis, between the Company and Aurinia Pharma Corp. respectively. It was expected that the merger would be accounted for as a business combination, with the Company being the acquirer.

On April 3, 2013, the Company and Aurinia Pharma Corp. negotiated a tripartite settlement agreement (the "Settlement Agreement") with ILJIN pursuant to which, upon the successful completion of the proposed merger, the combined company will re-acquire full rights to voclosporin for autoimmune indications including lupus, and transplantation in the United States, Europe and other regions of the world, outside of Canada, Israel, South Africa, China, Taiwan and Hong Kong. In return, ILJIN would be entitled to receive certain predefined future milestone payments and would also own approximately 25% of the issued and outstanding shares of the merged company on a warrant diluted basis, which is calculated to give effect to the dilution by the exercise of warrants but excluding the exercise of stock options. On June 11, 2013, a draft arrangement agreement was prepared implementing the arrangement (the "Arrangement Agreement"), the terms of which were subsequently negotiated by the parties and their respective legal counsels. The Arrangement was intended to implement the terms of the Settlement Agreement.

ILJIN received the ownership interest in the Company in exchange for:

(i) returning to the Company and terminating:

  (a) all of its rights, licenses and obligations under the DDLA (see Note 8b); and

  (b) all other licenses and sublicenses between ILJIN and any of the Company, Aurinia or Vifor (International) AG ("**Vifor**"); and

(ii) suspending all of its current or contemplated legal or financial claims against the Company, Aurinia or Vifor.

Plan of Arrangement

Upon closing of the plan of arrangement on September 20, 2013 the Company issued Common Shares to ILJIN. In addition ILJIN is entitled to receive certain predefined future success based clinical and marketing milestone payments in the aggregate amount of up to $10,000,000, plus up to $1,600,000 upon the merged company reaching certain financing milestones.

The Company also acquired all of the issued and outstanding Common Shares of Aurinia Pharma Corp. at a ratio of 19.82974808 Common Shares for each Aurinia Pharma Corp. share held by an Aurinia Pharma Corp. shareholder.

The estimated fair value of the contract settlement with ILJIN at September 20, 2013 was $8,492,000 and has been determined to represent reacquired license rights, and is therefore reflected on the balance sheet as an increase in intangible assets. Consideration paid or payable to ILJIN is as follows: the Company's 10% interest in Aurinia Pharma Corp. of $670,000, (14,893,549 common shares upon conversion), $3,812,000 in common shares (by issuance of 84,714,606 common shares at a deemed price of $0.045 per share), $1,600,000 in financial milestones payable (expected to become payable within one year) and $2,410,000 in clinical and sales milestones payable based on the estimated fair value of the pre-defined future milestone payments. The fair value of the clinical and sales milestones was determined using a discounted cash flow model with a 15% discount rate and probability factors for each potential milestone payment ranging from 36% to 60%.

The Company determined that the transaction with Aurinia Pharma Corp. represented a business combination with the Company identified as the acquirer. The Company began consolidation of the operating results, cash flows and net assets of Aurinia Pharma Corp. on September 20, 2013.

(amounts in tabular columns expressed in thousands of Canadian dollars)

The table below presents the purchase cost and preliminary allocation of the purchase price to the assets and liabilities acquired, as well as the settlement of pre-existing balances between the parties to the Arrangement Agreement prior to acquisition.

	Carrying Value $	Settle Pre-existing items $	Fair Value Adjustments $	Fair Value of Acquisition $
Cash	4	—	—	4
Prepaid expenses and deposits	123	—	—	123
Inventory	80	—	—	80
	207	—	—	207
Intangibles	2,448	(577)	5,848	7,719
	2,655	(577)	5,848	7,926
Accounts payable	185	(49)	—	136
Note payable	528	(528)	—	—
	713	(577)	—	136
Net assets acquired	1,942	—	5,848	7,790

Consideration provided by the Company for the acquisition of Aurinia Pharma Corp. was 184,106,392 common shares of the Company with a deemed fair value of $8,285,000, less $495,000 of deferred revenue that was effectively settled as a result of the business combination.

The preliminary fair value of the reacquired rights, intellectual know-how, including the Aspreva Lupus Management Study (ALMS) database, and goodwill was determined to be $7,719,000 at September 20, 2013. At September 30, 2013, management is in the process of determining the fair value of the assets and liabilities acquired and therefore the allocation between these asset categories, as shown above, is subject to change. Management is also considering the possibility of a bargain purchase gain; however this is subject to a final determination of the fair value of assets acquired. Management intends to complete this evaluation and make the final purchase price allocation adjustments in the fourth quarter of 2013.

Acquisition and restructuring costs

Acquisition and restructuring related costs incurred by the Company have been expensed and are composed of the following:

	Three months ended		Nine months ended	
	September 30, 2013 $	September 30, 2012 $	September 30, 2013 $	September 30, 2012 $
Acquisition costs, including legal and filing fees	149	—	229	—
Restructuring costs composed of accrued severance	1,311	—	1,311	—
	1,460	—	1,540	—

As a result of the restructuring and rebranding of the Company following the Plan of Arrangement, the Company eliminated certain positions and has recorded a severance provision in the period ended September 30, 2013 (see note 6).

(amounts in tabular columns expressed in thousands of Canadian dollars)

5. Intangible assets

	Intellectual Property $	Purchased intellectual property and reacquired rights $	Total $
Year ended December 31, 2012			
Opening net book value	2,003	1,246	3,249
Additions	34	—	34
Amortization for the year	(154)	(113)	(267)
Closing net book value	1,883	1,133	3,016
Nine months ended September 30, 2013			
Opening net book value	1,883	1,133	3,016
Additions-Patents	90	—	90
Fair value of re-acquired rights from ILJIN (note 4)		8,492	8,492
Fair value of intangible assets acquired from Aurinia Pharma Corp. (note 4)	—	7,719	7,719
Amortization for the period	(122)	(85)	(207)
Closing net book value	1,851	17,259	19,110

6. Accounts payable and accrued liabilities

	September 30, 2013	December 31, 2012
Trade payables	1,106	1,158
Accrued severance costs	1,294	—
Accrued wages, vacation pay and director fees	606	152
Payroll taxes	151	17
Other accrued liabilities	363	246
	3,520	1,573

Accrued severance costs of $1,294,000 are payable as follows: $415,000 payable in October, 2013, $494,000 payable on a monthly basis over twelve months or upon the Company completing a future equity financing and $385,000 payable upon the completion of a future equity financing.

7. Drug supply loan

On January 31, 2012 the Company entered into an agreement with Paladin Labs Inc. (“Paladin”) which set forth different payment and delivery terms of manufactured API for previously ordered batches of API pursuant to the terms of the Isotechnika Supply Agreement with Paladin. The obligation for the API was split into three separate payments with the first payment due the later of April 30, 2012 or within five business days of the Company receiving a certificate of analysis from the API manufacturer. On April 5, 2012, the risks and rewards relating to the API were transferred to the Company, and the Company paid the first instalment of $849,000. The unpaid balance is reflected as drug supply loan at September 30, 2013.

Pursuant to a letter agreement as amended on August 8, 2013, Paladin agreed to accept repayment terms on the unpaid portion of the drug supply payable, subject to certain conditions, including that on or before September 30, 2013 the Company obtain financing in the sum of not less than $3,000,000 and complete the merger with Aurinia Pharma Corp. which the Company has met. As a result the Company on September 20, 2013 has reclassified the drug supply payable as a drug supply loan. The Company commenced making the $100,000 monthly payments in October, 2013. A second condition will require the Company to raise an additional $15,000,000 by December 31, 2013. Paladin retains title to the manufactured API and agrees to transfer title and to ship the manufactured API to the Company as it is paid for.

(amounts in tabular columns expressed in thousands of Canadian dollars)

The terms of repayment are as follows:

(i) The Company will pay Paladin $100,000 per month, commencing 15 days after the successful completion of the Company raising a minimum of $3,000,000 in financing which occurred on September 20, 2013;

(ii) The outstanding balances will be due on or before December 31, 2014;

(iii) The Company will pay interest on the outstanding balances at a rate of 10%, compounded monthly for the first 12 months, commencing upon first payment, and then pay interest on the outstanding balances at a rate of 18%, compounded monthly after the first 12 months. The Company will have the right to prepay the balance owing on the outstanding balances, plus accrued interest to the date of prepayment, at any time and from time to time without penalty.

8. Revenue and deferred revenue

Revenue is composed of:	Three months ended		Nine months ended	
	September 30, 2013 $	September 30, 2012 $	September 30, 2013 $	September 30, 2012 $
Licensing revenue				
3SBio	33	33	99	99
Lux	15	15	45	45
Aurinia	11	—	35	—
ILJIN	—	—	—	4,402
	59	48	179	4,546
Research and development revenue				
Paladin	28	28	83	83
Contract services	—	10	2	47
Other	—	—	—	1,300
	87	86	264	5,976

Licensing and research and development fee revenues represent the amortization of deferred revenue from fee payments received by the Company. The deferred revenue is recorded as revenue as the Company incurs the costs related to meeting its obligations under the terms of the applicable agreements.

(a) Licensing and Collaboration Agreement with Aurinia Pharmaceuticals Inc.

The Company signed a global Licensing and Collaboration Agreement ("LCA") effective December 30, 2011 with Vifor. The agreement granted Vifor an exclusive license for voclosporin, for the treatment of lupus and all proteinuric nephrology indications (the "Vifor License"). The Vifor License was for the United States and other regions outside of Canada, South Africa, Israel, China, Taiwan and Hong Kong (the "Vifor Territory"). Under the terms of the Agreement, the Company was to receive milestone payments, as well as royalties on commercial sales. In connection with this agreement, Vifor was to purchase voclosporin active pharmaceutical ingredient ("API") from the Company. Vifor was to carry the burden of the costs associated with these clinical trials. On December 13, 2012, the LCA was assigned to Aurinia Development Corp. by Vifor. Aurinia Development Corp. is a subsidiary of Aurinia Pharma Corp.

ILJIN had provided a License Back for the field of lupus and proteinuric kidney diseases for the Territory defined in the ILJIN DDLA of certain rights to the Company in order for these rights to be licensed to Vifor specifically for the indications of lupus and proteinuric kidney disease, in return for certain milestones and royalties to be paid by Vifor.

On December 10, 2012 pursuant to this agreement, the Company received as a milestone payment, an investment in Aurinia Pharma Corp. Aurinia Pharma Corp. issued the Company a share certificate representing 10% of the common shares of Aurinia Pharma Corp. Aurinia Pharma Corp. had the option of granting the Company these shares or $592,000 in cash (US$600,000). The Company determined that the fair value of the shares in Aurinia Pharma Corp. approximated $592,000 and therefore

(amounts in tabular columns expressed in thousands of Canadian dollars)

recorded the value of the investment in Aurinia Pharma Corp. shares at $592,000. The Company had recorded this milestone payment as deferred revenue upon receipt. Under the LCA, the primary substantive obligations of the Company were to maintain the patent portfolio and pay for drug supply if costs exceeded a certain amount. Until September 20, 2013 deferred revenue was being amortized into licensing revenue as the Company incurred the costs related to meeting its obligations under the LCA.

The Company's investment in Aurinia Pharma Corp. was carried at fair value, with changes in fair value recognized in other comprehensive income ("OCI"). Since Aurinia Pharma Corp.'s shares did not trade in a public market, the Company used a form of comparable company valuation approach to determine fair value, categorized as level 3 in the fair value hierarchy. Due to the unique nature of Aurinia Pharma Corp's primary assets, being its license agreement with the Company and its intellectual property related to lupus nephrology research (as discussed in note 4), management does not believe there are any comparable companies that trade publicly for which an indicative value could be obtained. As a result, it compared the value of Aurinia Pharma Corp. to the value of the Company based on the merger of the entities and the relative valuation formula agreed to by the parties and approved by the shareholders. Without providing for any adjustments for lack of liquidity or non-controlling interests, this approach resulted in a fair value of the investment of $670,210 at September 20, 2013. Pursuant to the plan of arrangement as described in note 4 the Company transferred its ownership interest in Aurinia Pharma Corp. to ILJIN. The Company recorded a gain of $78,000 on the statement of operations upon disposal of this investment and reversed the $224,000 OCI loss outstanding at the time of the transaction.

(b) Development, Distribution and License Agreement with ILJIN Life Science Co., Ltd.

Effective January 28, 2011 (the "Effective Date") the Company completed a Development, Distribution and License Agreement (the "DDLA") with ILJIN for the further clinical and commercial development of voclosporin for use in transplant indications applicable to voclosporin. The Company granted to ILJIN an exclusive license to voclosporin for transplant and autoimmune indications for the United States and other regions outside of Europe, Canada, Israel, South Africa, China, Taiwan and Hong Kong. The Company retained the rights over voclosporin in Europe for future development and commercialization.

Pursuant to the DDLA, the Company was to receive a total license fee of US$5,000,000. In addition, ILJIN was to purchase 90,700,000 common shares of the Company for gross proceeds of US$19,875,000 in three tranches.

The Company was obligated under the terms of the agreement to complete a single Phase 3 clinical trial for the prevention of kidney transplant rejection. A Joint Steering Committee ("JSC") with equal membership from the Company and ILJIN was to have been formed to oversee the development and commercialization of voclosporin in the ILJIN territories.

The Company received $4,505,000 (US$4,500,000) of the license fee and the first private placement tranche of $2,377,000 (US$2,375,000) on January 28, 2011 which was the Effective Date of the Agreement. The Company issued 11,500,000 common shares at a price of $0.207 per share (US$0.207) to ILJIN pursuant to the subscription agreement for securities. On or before January 28, 2012 ILJIN was to pay US$500,000 to the Company as the Second Development Payment and purchase 39,600,000 common shares of the Company issued from treasury for an aggregate subscription price of US$8,500,000. On or before January 28, 2013, ILJIN was to purchase the final tranche of 39,600,000 common shares of the Company issued from treasury for an aggregate subscription price of US$9,000,000.

Prior to the January 28, 2012 date, ILJIN verbally indicated their intent to alter the economics of the DDLA. Consequently, payment under the DDLA was not received as required per the agreement of January 28, 2011. The Company on January 30, 2012 notified ILJIN that it was terminating the DDLA. At that time the Company believed that the termination of the original DDLA was valid. As a result, the remaining deferred revenue balance of $4,402,000 was recorded as licensing revenue on January 30, 2012.

The Company received notification in March, 2012 that ILJIN submitted a request for arbitration to the International Chamber of Commerce ("ICC") Court of Arbitration relating to the Company's termination of the DDLA. The Arbitration hearing to determine the Company's right to terminate the agreement was held early in the fourth quarter of 2012.

In November, 2012 the Company received notification from the ICC that a Partial Award regarding its right to terminate the DDLA with ILJIN had been issued to the parties. In the result, the Partial Award provided that the DDLA had not been terminated and, therefore, the Company's contractual relationship with ILJIN still existed. As such the Partial Award rejected the Company's interpretation of the DDLA's termination provision. Since the DDLA was not considered to have been terminated, the Company assessed whether it had an onerous contract under the provisions guidance of IAS 37, and concluded that no provision was required.

(amounts in tabular columns expressed in thousands of Canadian dollars)

In January of 2013, ILJIN formally notified the Company and the arbitral tribunal that ILJIN had withdrawn all claims for damages in the parties' pending arbitration.

On September 20, 2013, the Company, ILJIN and Aurinia Pharma Corp. completed a plan of arrangement whereby the DDLA was terminated as more fully described in note 4.

(c) Other revenue

In January, 2012 the Company satisfied an outstanding condition pursuant to an agreement with Lux for the sale of API such that $1,323,000 (US$1,300,000) was due and payable in two instalments of $661,000 (US$650,000) each on July 29, 2012 and July 29, 2013, respectively. The Company recorded the sale of API in the amount of $1,300,000 (US$1,300,000) as other income in the first quarter ended March 31, 2012. The Company, in a previous year, had recorded the cost of this API as a research and development expense.

While the US$1,300,000 amount is owed by Lux to the Company, the timing and collectability of the amount is uncertain, particularly as a result of Lux not meeting the primary endpoint in the Phase 3 uveitis clinical trial. Therefore, the Company recorded a provision for doubtful collection of $1,310,000 for the year ended December 31, 2012.

9. Share capital

a) Common shares

Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

	Common Shares	
Issued	**#**	**$**
	(in thousands)	
Balance at January 1, 2012	173,921	203,131
Issued pursuant to October, 2012 Private Placement	18,950	514
Balance at December 31, 2012 and March 31, 2013	192,871	203,645
Issued pursuant to June 26, 2013 Private Placement	22,656	886
Balance at June 30, 2013	215,527	204,531
Fair value allocation of gross proceeds to June 26, 2013 warrants	—	(476)
Issued to ILJIN pursuant to plan of arrangement (note 4)	84,715	3,812
Issued on acquisition of Aurinia Pharma Corp. (note 4)	184,106	8,266
Issued pursuant to September 20, 2013 Private Placement	134,333	4,340
Balance at September 30, 2013	618,681	220,473

On September 20, 2013, the Company closed a Second Unit Offering private placement, raising gross proceeds of $6,000,000 by the issuance of 133,333,333 units at a price of $0.045 per unit. Each unit consisted of one common share and one half of a whole non-transferable Second Offering warrant. Each whole Second Unit warrant is exercisable at $0.05 cents for a period of three years from the closing date. The fair value attributed to the warrants using the Black-Scholes option pricing model was $1,285,000.

The Company paid a cash commission of $230,000, issued 1,000,000 Second Offering units at a deemed value of $0.045 per share and 5,103,332 broker warrants to the agents. The broker warrants are exercisable at a price of $0.045 and will expire three years from the closing date. The Company recorded share based compensation of $45,000 and $130,000 to the broker units and broker warrants respectively as share issue costs.

(amounts in tabular columns expressed in thousands of Canadian dollars)

On June 26, 2013, the Company closed a First Unit Offering private placement, raising gross proceeds of $1,019,500 by the issuance of 22,656,000 units at a price of $0.045 per unit. Each unit consisted of one common share and one non-transferable common share purchase warrant exercisable at $0.05 cents for a period of five years from the closing date. The issue of the warrants was subject to shareholder approval which was received at the August 15, 2013 Special and Annual Shareholder meeting. No fair value was attributed to the warrants until shareholder approval was received. Upon shareholder approval, the Company recorded an adjustment to attribute $443,000 as the fair value of these warrants. The Company paid a 7% cash commission on $619,500 of the private placement and issued 963,666 broker warrants. The broker warrants are exercisable at a price of $0.045 and will expire five years from the closing date. Related to this the Company recorded share based compensation of $33,000 as a share issue cost and a fair value adjustment to warrants. In addition the Company incurred legal and other advisory fees of $90,000 to complete the private placement.

In order to help fund its operations in the immediate-term, the Company received loans in April, 2013 from Dr. Richard Glickman, who was a major Aurinia Pharma Corp. shareholder, and ILJIN consisting of the issuance of zero-coupon promissory notes in the principal amount of $200,000 each for a total of $400,000. Dr. Glickman and ILJIN each subscribed for Units in the June 26, 2013 private placement in the amount of $200,000 each and the promissory notes were cancelled.

The Company previously in October of 2012, pursuant to a non-brokered private placement comprised of two tranches, raised proceeds of $758,000 by the issuance of 18,950,000 units at a price of $0.04 cents per unit. Each unit consisted of one common share and one non-transferable common share purchase warrant exercisable at $0.05 cents for a period of two years from the closing dates. No commissions or finder's fees were paid. The fair value attributed to the warrants was $244,000 with $514,000 attributed to the common shares issued.

b) Warrants

	Warrants	
Issued	**#**	**$**
	(in thousands)	
Balance at January 1, 2012	401	171
Issued pursuant to October, 2012 Private Placement	18,950	244
Balance at December 31, 2012 and June 30, 2013	19,351	415
Fair value allocation to June 26, 2013 warrants	23,619	476
Issued on acquisition of Aurinia Pharma Corp. (note 4)	700	19
Issued pursuant to September 20, 2013 Private Placement	72,270	1,415
Balance at September 30, 2013	115,940	2,325

The warrants issued on acquisition of Aurinia Pharma Corp. are exercisable at $0.04 per share until December 31, 2018.

On October 17, 2012, pursuant to close of the first tranche of a private placement, the Company issued 15,175,000 warrants to purchase common shares at a price of $0.05 per common share. On October 30, 2012, pursuant to the close of the second tranche of the private placement, the Company issued 3,775,000 warrants to purchase common shares at a price of $0.05 per common share. The warrants have a term of two years from the date of issuance. The fair value attributed to the warrants using the Black-Scholes option pricing model was $244,000.

On June 18, 2008, pursuant to a debt financing, the Company issued 401,388 warrants to purchase common shares at a price of $1.00 per common share. The warrants have a term of seven years. The fair value attributed to the warrants using the Black-Scholes option pricing model was $171,000.

(amounts in tabular columns expressed in thousands of Canadian dollars)

The Company used the Black-Scholes warrant pricing model to estimate the fair value of the warrants. The following weighted average assumptions were used to estimate the fair value of the warrants granted during the three months ended September 30, 2013:

	September 30, 2013
Annualized volatility	92.9%
Risk-free interest rate	1.5%
Expected life of warrants in years	3.5 years
Dividend rate	0.0%
Exercise price	0.05
Market price on date of grant	0.045
Fair value per common share warrant	0.03

Expiry date:	**Number (in 000's)**	**Weighted average exercise price $**
October 17 and 31, 2014	18,950	0.05
June 18 , 2015	401	1.00
September 20, 2016	72,270	0.05
June 26, 2018	23,619	0.05
December 31, 2018	700	0.04
	115,940	0.05

c) Stock options and compensation expense

The maximum number of Common Shares issuable under the Stock Option Plan is equal to 10% of the issued and outstanding Common Shares at the time the Common Shares are reserved for issuance. As at September 30, 2013 there were 618,681,000 Common Shares of the Company issued and outstanding, resulting in a maximum of 61,868,000 options available for issuance under the Stock Option Plan. An aggregate total of 14,763,000 options are presently outstanding, representing 2.4% of the issued and outstanding Common Shares of the Company.

The Stock Option Plan requires the exercise price of each option to be determined by the Board of Directors and not to be less than the closing market price of the Company's stock on the day immediately prior to the date of grant. Any options which expire may be re-granted. The Board approves the vesting criteria and periods at its discretion. The options issued under the plans are accounted for as equity-settled share-based payments.

(amounts in tabular columns expressed in thousands of Canadian dollars)

A summary of the status of the Company's stock option plans as of September 30, 2013 and 2012 on those dates and changes during the nine month periods ended September 30, 2013 and September 30, 2012 are presented below:

	2013		2012	
	#	Weighted average exercise price $	#	Weighted average exercise price $
Outstanding –Beginning of period	16,037	0.11	9,376	0.19
Granted	—	—	325	0.07
Expired	(342)	0.32	(100)	3.70
Forfeited and cancelled	(932)	0.13	(1,240)	0.15
Outstanding – End of period	14,763	0.10	8,361	0.16
Options exercisable – End of period	10,770	0.10	4,844	0.16

The Company used the Black-Scholes option pricing model to estimate the fair value of the options granted.

The following weighted average assumptions were used to estimate the fair value of the options granted during the nine months ended September 30, 2013 and September 30, 2102:

	September 30, 2013	September 30, 2012
Annualized volatility	—	97.0%
Risk-free interest rate	—	1.44%
Expected life of options in years	—	4.77 years
Estimated forfeiture rate	—	7.77%
Dividend rate	—	0.0%
Exercise price	—	$ 0.07
Share price on date of grant	—	$ 0.07
Fair value per common share option	—	$ 0.05

For the three and nine month periods ended September 30, 2013, the Company did not grant any stock options. The Company granted 325,000 stock options to directors at a weighted average exercise price of $0.07 in the nine months ended September 30, 2012.

The Company considers historical volatility of its common shares in estimating its future stock price volatility. The risk-free interest rate for the expected life of the options was based on the yield available on government benchmark bonds with an approximate equivalent remaining term at the time of the grant. The expected time until exercise is based upon the contractual term, taking into account expected employee/director exercise and expected post-vesting employment termination behaviour.

Application of the fair value method resulted in charges to stock-based compensation expense of $30,000 and $217,000 for the three and nine months ended September 30, 2013 respectively, (2012 – $38,000 and $126,000) with corresponding credits to contributed surplus. For the three and nine month periods ended September 30, 2013, stock compensation expense has been allocated to research and development expense in the amounts of $13,000 and $90,000, respectively, (2012 – $18,000 and $53,000) and corporate and administration expense in the amounts of $17,000 and $127,000, respectively, (2012 – $20,000 and $73,000).

(amounts in tabular columns expressed in thousands of Canadian dollars)

10. Other expense (income)

	Three months ended		Nine months ended	
	September 30, 2013 $	September 30, 2012 $	September 30, 2013 $	September 30, 2012 $
Other expense (income) composed of:				
Financial assets at fair value through profit or loss				
Loss on derivative financial asset	—	—	—	4,178
Finance income				
Interest income on short-term bank deposits	—	(1)	—	(7)
Finance costs				
Interest on drug supply payable	25	26	74	26
Interest on finance lease	—	1	1	4
Debt finance fee	—	—	—	40
	25	27	75	70
Other				
Realized gain on disposal of investment in Aurinia Pharma Corp. (note 8a)	(78)	—	(78)	—
Restructured receivable (note 8c)	—	—	—	458
Foreign exchange loss (gain)	(11)	20	15	(19)
Gain on disposal of equipment	(2)	(8)	(69)	(8)
	(91)	12	(132)	431
	(66)	38	(57)	4,672

11. Loss per common share

Basic and diluted net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding for the period. In determining diluted net loss per common share, the weighted average number of common shares outstanding is adjusted for stock options and warrants eligible for exercise where the average market price of common shares for the period exceeds the exercise price. Common shares that could potentially dilute basic net loss per common share in the future that could be issued from the exercise of stock options and warrants were not included in the computation of the diluted loss per common share for the interim periods presented, because to do so would be anti-dilutive.

The numerator and denominator used in the calculation of historical basic and diluted net loss amounts per common share are as follows:

	Three months ended		Nine months ended	
	September 30, 2013 $	September 30, 2012 $	September 30, 2013 $	September 30, 2012 $
Loss for the period	(2,444)	(1,702)	(4,231)	(4,499)
	#	#	#	#
Weighted average number of common shares for loss per share	259,829	173,921	215,606	173,921
	$	$	$	$
Basic and diluted loss per share	(0.01)	(0.01)	(0.02)	(0.03)

(amounts in tabular columns expressed in thousands of Canadian dollars)

The outstanding number and type of securities that would potentially dilute basic loss per common share in the future and which were not included in the computation of diluted loss per share, because to do so would have reduced the loss per common share (anti-dilutive) for the periods presented, are as follows:

	September 30, 2013 # In thousands	September 30, 2012 # In thousands
Stock options	14,763	8,361
Warrants	120,170	401
Share purchase rights to ILJIN	—	79,200
	134,933	87,962

The share purchase rights pursuant to the DDLA with ILJIN were included in the potential dilution numbers as at September 30, 2012. These rights were cancelled upon the completion of the plan of arrangement on September 20, 2013.

12. Segment disclosures

The Company's operations comprise a single reporting segment engaged in the research, development and commercialization of therapeutic drugs. As the operations comprise a single reporting segment, amounts disclosed in the financial statements represent those of the single reporting unit. In addition, all of the Company's long-lived assets are located in Canada.

The following geographic area data reflects revenue based on customer location.

Geographic information

	Three months ended		Nine months ended	
	September 30, 2013 $	September 30, 2012 $	September 30, 2013 $	September 30, 2012 $
Revenue				
Canada	39	34	119	126
United States	15	15	46	1,345
China	33	37	99	103
Korea	—	—	—	4,402
	87	86	264	5,976

(amounts in tabular columns expressed in thousands of Canadian dollars)

13. Supplementary cash flow information

Net change in other operating assets and liabilities:

	Three months ended		Nine months ended	
	September 30, 2013 $	September 30, 2012 $	September 30, 2013 $	September 30, 2012 $
Accounts receivable	107	161	102	76
Receivable from partner	—	29	—	(836)
Drug inventory	—	(23)	—	(2,741)
Prepaid expenses and deposits	(10)	82	17	(48)
Accounts payable and accrued liabilities	744	215	1,814	442
Drug supply payable	38	—	38	1,698
	879	(464)	1,971	(1,409)

14. Subsequent event

Name change and share consolidation

Effective October 23, 2013 the Company changed its name to Aurinia Pharmaceuticals Inc. from Isotechnika Pharma Inc. and consolidated its common shares on a 50:1 basis on the TSX Venture Exchange under the new trading symbol “AUP”.

As a result of the share consolidation, at October 23, 2013 the Company had 12,373,589 issued and outstanding common shares.

The Common share, warrant and stock option numbers in these third quarter financial statements are reflected on a pre-consolidation basis as the consolidation of the common shares occurred subsequent to September 30, 2013.

Exhibit 99.23

Aurinia Pharmaceuticals Inc.

Interim Condensed Consolidated Financial Statements
(Unaudited)

(Expressed in thousands of United States (U.S.) dollars)

First quarter ended March 31, 2014

Aurinia Pharmaceuticals Inc.
Consolidated Statements of Financial Position

(Expressed in thousands of U.S. dollars)

	March 31, 2014 $	December 31 2013 $ (restated-note 3a)	January 1 2013 $ (restated-note 3a)
Assets			
Current assets			
Cash and cash equivalents (note 5)	43,289	1,821	185
Accounts receivable	100	106	184
Prepaid expenses	138	169	75
	43,527	2,096	444
Non-current assets			
Property and equipment	25	37	88
Intangible assets	19,579	20,882	3,031
Prepaid deposit	145	152	—
Investment	—	—	595
Total assets	63,276	23,167	4,158
Liabilities and Shareholders' Equity (deficit)			
Current liabilities			
Accounts payable and accrued liabilities	1,436	2,904	1,623
Current portion of deferred revenue	217	228	340
Warrant liability (note 8)	2,834	—	—
Drug supply loan	—	1,318	1,707
Contingent consideration (note 7)	—	1,600	—
	4,487	6,050	3,670
Non-current liabilities			
Deferred revenue	1,010	1,114	2,606
Contingent consideration (note 7)	3,158	2,690	—
	8,655	9,854	6,276
Shareholders' equity (deficit)			
Share capital			
Common shares (note 8)	257,084	220,908	204,684
Warrants (note 8)	11,886	2,256	417
Contributed surplus	11,372	10,074	9,844
Accumulated other comprehensive loss	(805)	(200)	—
Deficit	(224,916)	(219,725)	(217,063)
Total shareholders' equity	54,621	13,313	(2,118)
Total liabilities and shareholders' equity	63,276	23,167	4,158

The accompanying notes are an integral part of these consolidated financial statements.

Aurinia Pharmaceuticals Inc.
Interim Condensed Consolidated Statements of Operations and Comprehensive loss
(Unaudited)
For the three month periods ended March 31, 2014 and 2013

(Expressed in thousands of U.S. dollars, except per share data)

	2014 $	2013 $ (restated-note 3a)
Revenue		
Licensing revenue	30	58
Research and development revenue	25	28
Contract services	12	2
	67	88
Expenses		
Research and development	1,040	335
Corporate and administration	2,373	494
Other expense (income) (note 9)	899	(38)
Restructuring costs (note 10)	569	—
Amortization of intangible assets	359	68
Amortization of property and equipment	10	14
Contract services	8	1
	5,258	874
Net loss for the period	(5,191)	(786)
Other comprehensive loss (income)		
Item that will not be reclassified subsequently to income (loss)		
Translation adjustment	(605)	45
Item that may be reclassified subsequently to income (loss)		
Net change in fair value of investment	—	(175)
	(605)	(130)
Comprehensive loss for the period	(5,796)	(916)
Net loss per share (note 11) *(expressed in $ per share)*		
Basic and diluted net loss per common share	(0.24)	(0.20)

The accompanying notes are an integral part of these consolidated financial statements.

Aurinia Pharmaceuticals Inc.
Consolidated Statements of Changes in Shareholders' Equity (Deficit)
For the three month periods ended March 31, 2014 and 2013

(Expressed in thousands of U.S. dollars)

	Common Shares $	Warrants $	Contributed surplus $	Deficit $	Accumulated Other Comprehensive Loss $	Shareholders' Equity (deficit) $
Balance – January 1, 2013	204,684	417	9,844	(217,063)	—	(2,118)
Stock-based compensation	—	—	105	—	—	105
Net loss for the period	—	—	—	(786)	—	(786)
Comprehensive loss for the period					(130)	(130)
Balance – March 31, 2013	204,684	417	9,949	(217,849)	(130)	(2,929)
Balance – January 1, 2014	220,908	2,256	10,074	(219,725)	(200)	13,313
Comprehensive loss for the period (note 3a)	—	—	—	—	(605)	(605)
Issue of units (note 8 a)	38,748	10,418	—	—	—	49,166
Share issue costs (note 8 a)	(2,751)	(739)	—	—	—	(3,490)
Exercise of warrants	179	(49)	—	—	—	130
Stock-based compensation	—	—	1,298	—	—	1,298
Net loss for the period	—	—	—	(5,191)	—	(5,191)
Balance – March 31, 2014	257,084	11,886	11,372	(224,916)	(805)	54,621

The accompanying notes are an integral part of these consolidated financial statements.

Aurinia Pharmaceuticals Inc.
Interim Condensed Consolidated Statements of Cash Flow
(Unaudited)
For the three month periods ended March 31, 2014 and 2013

(Expressed in thousands of U.S. dollars)

	2014 $	2013 $ (restated-note 3a)
Cash flow provided by (used in)		
Operating activities		
Net loss for the period	(5,191)	(786)
Adjustments for:		
Amortization of deferred revenue	(55)	(86)
Amortization of property and equipment	10	14
Amortization of intangible assets	359	68
Amortization of deferred lease inducements	—	(4)
Revaluation of contingent consideration	533	—
Share issue costs allocated to warrant liability	203	—
Stock-based compensation	1,298	105
Gain on disposal of property and equipment	(1)	(66)
	(2,844)	(755)
Net change in other operating assets and liabilities (note 13)	(2,510)	554
Net cash used in operating activities	(5,354)	(201)
Investing activities		
Proceeds on disposal of property and equipment	1	66
Patent costs	(1)	(6)
Net cash used in investing activities	—	60
Financing activities		
Payment of financing milestone to ILJIN	(1,600)	—
Proceeds from issuance of units	52,000	—
Share issue costs related to issuance of units	(3,693)	
Proceeds from exercise of warrants	130	—
Principal payments under capital lease	—	(8)
Net cash generated from financing activities	46,837	(8)
Effect of exchange rate adjustment on cash and cash equivalents	(15)	(3)
Increase (decrease) in cash and cash equivalents	41,468	(152)
Cash and cash equivalents – Beginning of period	1,821	185
Cash and cash equivalents – End of period	43,289	33

The accompanying notes are an integral part of these consolidated financial statements.

1. Corporate information

Aurinia Pharmaceuticals Inc. or the "Company" is a biopharmaceutical company with its registered and administration office located at 5120 – 75 Street, Edmonton, Alberta T6E 6W2. The Company now has its head office located at #1203-4464 Markham Street, Victoria, British Columbia which incorporates clinical, regulatory and business development functions of the Company.

Aurinia Pharmaceuticals Inc. is incorporated pursuant to the *Business Corporations Act* (Alberta). The Company's Common Shares are currently listed and traded on the TSX Venture Exchange ("**TSXV**") under the symbol "AUP". The Company's primary business is the development of a therapeutic drug to treat autoimmune diseases, in particular lupus nephritis, and for the prevention of graft rejection in solid organ transplant patients.

On October 23, 2013 the Company consolidated its outstanding common shares on a 50:1 basis. Accordingly all share and per share references in these financial statements are presented on a post-conversion basis.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Aurinia Pharma Corp. (formerly Aurinia Pharmaceuticals Inc.), Aurinia Pharmaceuticals, Inc. (Delaware incorporated) and Aurinia Pharma Limited (UK incorporated). Aurinia Pharma Corp. has one inactive subsidiary, Aurinia Holdings Corp. (Barbados) which is in the process of being dissolved.

The consolidated financial statements were authorized for issue by the Board of Directors on May 14, 2014.

2. Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as applicable to interim financial reports including IAS 34, Interim Financial Reporting, and should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2013 which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB").

3. Significant accounting policies

(a) Functional currency and change in presentation currency

Effective January 31, 2014, the Company changed its functional currency from the Canadian dollar ("CDN$") to the United States dollar ("US$"). The change in functional currency, which has been accounted for prospectively, is to better reflect the Company's business activities which are primarily denominated in US$ and to improve investors' ability to compare the Company's financial results with other publicly traded entities in the biotech industry. In addition, the Company changed its presentation currency to US$ and followed the guidance in IAS 21 *The Effects of Changes in Foreign Exchange Rates.* Accordingly, the Company has applied the change retrospectively as if the new presentation currency had always been the Company's presentation currency. In accordance with IAS 21, the financial statements for all years and periods presented have been translated to the US$ presentation currency. For the 2013 comparative balances, assets and liabilities have been translated into US dollars at the rate of exchange prevailing at the reporting date. The statements of comprehensive income (loss) were translated at the average exchange rates for the reporting period, or at the exchange rates prevailing at the date of significant transactions. Exchange differences arising on translation were taken to cumulative translation adjustment in shareholders' equity. The Company has presented a third statement of financial position as at January 1, 2013 without the related notes except for the disclosure requirements outlined in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.* In addition, the Company adopted a policy of not reassessing classification of warrants after initial issuance and therefore there is no effect to previously issued warrants exercisable in CDN$.

(b) Recent changes in accounting standards

IAS36, Impairment of Assets: IAS36 has been amended to include limited scope amendments to the impairment disclosures. The amendments are effective for the annual period beginning on or after January 1, 2014 and had no significant impact on the Company's disclosures.

Accounting standards and amendments issued but not yet adopted

IFRS 9, *Financial Instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. The effective date of IFRS 9 has been deferred and is currently unknown.

4. Critical accounting estimates and judgments

Revenue recognition

Management's assessments related to the recognition of revenues for arrangements containing multiple elements are based on estimates and assumptions. Judgment is necessary to identify separate units of accounting and to allocate related consideration to each separate unit of accounting. Where deferral of upfront payments or license fees is deemed appropriate, subsequent revenue recognition is often determined based upon certain assumptions and estimates, the Company's continuing involvement in the arrangement, the benefits expected to be derived by the customer and expected patent lives. To the extent that any of the key assumptions or estimates change future operating results could be affected.

Contingent consideration

Contingent consideration is a financial liability recorded at fair value (see note 7). The amount of contingent consideration to be paid is based on the occurrence of future events, such as the achievement of certain development, regulatory and sales milestones. Accordingly, the estimate of fair value contains uncertainties as it involves judgment about the likelihood and timing of achieving these milestones as well as future foreign exchange rates and the discount rate used. Changes in fair value of the contingent consideration obligation result from changes to the assumptions used to estimate the probability of success for each milestone, the anticipated timing of achieving the milestones, and the discount period and rate to be applied. A change in any of these assumptions could produce a different fair value, which could have a material impact to the results from operations.

The key assumptions used by management include the probability of success for each milestone (35% - 70%) and a discount rate change to 10% as at March 31, 2014 from 15% used in 2013 which reflects the Company's reduced credit risk. If the probability for success were to increase by a factor of 10% for each milestone this would increase the obligation by approximately $316,000 at March 31, 2014. If the probability for success were to decrease by a factor of 10% for each milestone this would decrease the obligation by approximately $316,000 at March 31, 2014. If the discount rate were to increase to 12%, this would decrease the obligation by approximately $245,000. If the discount rate were to decrease to 8%, this would increase the obligation by approximately $274,000.

Fair value of stock options

Determining the fair value of stock options on grant date, including performance based options, requires judgment related to the choice of a pricing model, the estimation of stock price volatility and expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's reported operating results, liabilities or other components of shareholders' equity. The key assumption used by management is the stock price volatility. If the stock price volatility were to increase by a factor of 10% on grant date this would increase stock compensation expense at March 31, 2014 by approximately $72,000. If the stock price volatility were to decrease by a factor of 10% on grant date this would decrease stock compensation expense at March 31, 2014 by approximately $70,000.

(amounts in tabular columns expressed in thousands of U.S. dollars)

Fair value of warrants

Determining the fair value of warrants requires judgment related to the choice of a pricing model, the estimation of stock price volatility, expected term of the underlying instruments and the probability factors of success in achieving the objectives for contingently issuable warrants. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results, liabilities or other components of shareholders' equity. If the stock price volatility were to increase by a factor of 10% this would have increased the value of the warrants (equity component) at March 31, 2014 by approximately $680,000 and the value of the warrant liability by approximately $185,000. If the stock price volatility were to decrease by a factor of 10% this would decrease the value of the warrants (equity component) at March 31, 2014 by approximately $674,000 and the value of the warrant liability by approximately $183,000.

Management used weighted average probability factors of 3% for Board Warrants and 16% for NASDAQ Warrants in determining the fair value of the warrant liability related to the contingently issuable warrants as described in Note 9.

If the weighted average probability factors were to increase by a factor of 10% this would have increased the value of the warrant liability at March 31, 2014 by approximately $284,000. If the weighted average probability factors were to decrease by a factor of 10% this would have decreased the value of the warrant liability at March 31, 2014 by approximately $257,000.

5. Cash and cash equivalents

	March 31, 2014 $	December 31, 2013 $
Cash at bank	3,289	1,351
Short-term term deposits	40,000	470
	43,289	1,821

The interest rates on the two U.S. denominated short-term bank deposits ($20,000,000 each) outstanding at March 31, 2014 were $0.15% and $0.25% respectively with maturities of 32 days and 62 days.

6. Revenue

Revenue is composed of:

	2014 $	2013 $
Licensing revenue		
3SBio	30	32
Lux	—	15
Aurinia	—	11
	30	58
Research and development revenue		
Paladin	25	28
Contract services	12	2
	67	88

Licensing revenue and research and development revenues represent the amortization of deferred revenue from fee payments received by the Company. The deferred revenue is amortized as revenue as the Company incurs the costs related to meeting its obligations under the terms of the applicable agreements.

7. Contingent consideration

The Company has recorded the fair value of contingent consideration payable to ILJIN Life Science Co., Ltd. ("ILJIN") resulting from the Arrangement Agreement completed on September 20, 2013 between the Company, Aurinia Pharma Corp. and ILJIN.

There were two categories of contingent consideration. The first was a financing milestone of $1,600,000 payable upon the Company completing a financing of up to $10,000,000. The Company closed a $52,000,000 private placement on February 14, 2014 and accordingly this financing milestone was paid to ILJIN by the Company in February of 2014.

The second category of contingent consideration relates to payments of up to $10,000,000 to be paid in five equal tranches according to the achievement of pre-defined clinical and marketing milestones. If all milestones are met, the timing of these payments is expected to occur as follows:

2016	$2,000,000
2017	2,000,000
2019	4,000,000
2020	2,000,000

The fair value of this portion of contingent consideration at March 31, 2014 was estimated to be $3,158,000 (December 31, 2013:$2,690,000) and was determined by applying the income approach. The fair value estimates at March 31, 2014 were based on a discount rate of 10% and an assumed probability-adjusted payment range between 35% and 70%. This is a level 3 recurring fair value measurement. As a result of reducing the discount rate to 10% at March 31, 2014 from 15% at December 31, 2013, with the probabilities for payments being the same, the Company recorded a revaluation expense adjustment on contingent consideration of $533,000 in other expense (income) (note 9).

8. Share Capital

(a) Common shares

Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

	Common Shares	
Issued	**# (in thousands)**	**$**
Balance at January 1, 2013	3,857	204,684
Issued pursuant to June 26, 2013 Private Placement	453	407
Issued to ILJIN pursuant to plan of arrangement	1,694	3,671
Issued on acquisition of Aurinia Pharma Corp.	3,682	7,960
Issued pursuant to September 20, 2013 Private Placement	2,687	4,179
Issued pursuant to exercise of stock options	2	7
Balance at December 31, 2013	12,375	220,908
Balance at January 1, 2014	12,375	220,908
Issued pursuant to February 14, 2014 Private Placement	18,919	38,748
Share issue costs related to Private placement	—	(2,751)
Issued pursuant to exercise of warrants	60	179
Balance at March 31, 2014	31,354	257,084

On February 14, 2014, the Company completed a $52,000,000 private placement (the "Offering"). The Company intends to use the net proceeds from the Offering to advance the clinical and nonclinical development of its lead drug candidate, voclosporin, as a therapy for lupus nephritis, and for general corporate purposes.

Under the terms of the Offering, the Company issued 18,919,404 units (the "Units") at a subscription price per Unit of $2.7485, each Unit consisting of one common share and one-quarter (0.25) of a common share purchase warrant (a "Warrant"), exercisable for a period of five years from the date of issuance at an exercise price of $3.2204. In addition, the Company signed a Registration Rights Agreement with subscribers to register its common shares with the Securities and Exchange Commission ("SEC").

Share issue costs included a 7.5% cash commission of $3,495,000 paid to the placement agents and filing, legal and escrow fees of $198,000 directly related to the Offering of which $203,000 were allocated to the contingent warrants and expensed in the period.

In addition, in the event that the Company would not be able to reduce the size of its Board of Directors to seven directors within 90 days following closing of the Offering, an additional 0.1 Warrants would be issued for each Unit purchased by a subscriber for every additional 90 day period delay, up to a maximum of 0.35 Warrants per Unit. This represents a maximum of 6,621,791 additional Warrants ("Board Warrants").

If the Company does not obtain approval to list its common shares on NASDAQ within 12 months following the closing of the Offering, the Company has agreed to issue an additional 0.1 Warrants for each Unit purchased by a subscriber for every 90 day period delay, up to a maximum of 0.35 Warrants per Unit. This represents a maximum of 6,621,791 additional Warrants ("NASDAQ Warrants"). All securities issued in connection with the Offering are subject to a four month hold period from the date of issuance in accordance with applicable securities law, which expires on June 15, 2014.

The Board Warrants and NASDAQ Warrants are contingently issuable and since the number of warrants to be issued is variable, they meet the definition of financial liabilities under IFRS, which are measured at fair value at each reporting period. As such, the warrant liabilities are recurring fair value measures categorized in level 3 of the fair value hierarchy. The value of each warrant was calculated using the Black-Scholes method (with significant assumptions as disclosed above) and results in an individual warrant value of $2.20. The number of warrants expected to be issued, which is dependent on the probability of the expected outcomes and timing of those outcomes, is an unobservable input which was estimated at February 14, 2014. The probabilities were not revised as at March 31, 2014 since management's expectations regarding the outcomes had not changed since the closing of the Offering, and as a result there is no gain or loss recorded in the three months ended March 31, 2014.

Although the Company is committed to achieving the reduction of its Board to seven directors and obtaining a NASDAQ listing there was a degree of uncertainty of these outcomes as at March 31, 2014 and as a result the Company recorded a warrant liability of $2,834,000 related to the contingently issuable warrants noted above. Management used weighted average probability factors of 3% for Board Warrants and 16% for NASDAQ Warrants in determining the contingent settlement liability.

On May 7, 2014 the Company held its Annual General and Special Shareholder Meeting at which the shareholders approved the composition of the Board at seven directors, therefore extinguishing the Board Warrant liability relating to this condition. As a result the Company will record a gain on extinguishment of warrant liability of $438,000 in other expense (income) in the second quarter ended June 30, 2014.

(b) Warrants

Issued	Warrants # (in thousands)	$
Balance at January 1, 2013	387	417
Issued pursuant to June 26, 2013 Private Placement	472	458
Issued on acquisition of Aurinia Pharma Corp.	14	18
Issued pursuant to September 20, 2013 Private Placement	1,445	1,363
Balance at December 31, 2013	2,318	2,256
Balance at January 1, 2014	2,318	2,256
Issued pursuant to February 14, 2014 Private Placement	4,730	10,418
Share issue costs allocated to warrants	—	(739)
Warrants exercised	(60)	(49)
Balance at March 31, 2014	6,988	11,886

The Company uses the Black-Scholes pricing model to estimate the fair value of the warrants. The following weighted average assumptions were used to estimate the fair value of the warrants granted for the three months ended March 31, 2014 and March 31, 2013:

The weighted average assumptions used in the Black-Scholes calculation were:

	2014	2013
Annualized volatility	85%	—
Risk-free interest rate	1.52%	—
Expected life of warrants in years	5 years	—
Dividend rate	0.0%	—
Exercise price	$ 3.22	—
Market price on date of grant	$ 3.27	—
Fair value per common share warrant	2.20	—

Expiry date:	Number (in 000's)	Weighted average exercise price $
Exercisable in CDN$		
October 17 and 31, 2014 ($2.50 CDN$)	366	2.24
June 18, 2015 ($50 CDN$)	8	44.88
September 20, 2016 ($2.50 CDN$)	1,418	2.24
June 26, 2018 (2.50 CDN$)	452	2.24
December 31, 2018	14	1.80
Exercisable in US$		
February 14, 2019	4,730	3.22
	6,988	2.95

(c) Stock options and compensation expense

The maximum number of Common Shares issuable under the Stock Option Plan is equal to 10% of the issued and outstanding Common Shares at the time the Common Shares are reserved for issuance. As at March 31, 2014 there were 31,354,000 Common Shares of the Company issued and outstanding, resulting in a maximum 3,135,700 of options available for issuance under the 2012 Stock Option Plan. An aggregate total of 1,468,000 options are presently outstanding, representing 4.7% of the issued and outstanding Common Shares of the Company.

(amounts in tabular columns expressed in thousands of U.S. dollars)

The Stock Option Plan requires the exercise price of each option to be determined by the Board of Directors and not to be less than the closing market price of the Company's stock on the day immediately prior to the date of grant. Any options which expire may be re-granted. The Board approves the vesting criteria and periods at its discretion. The options issued under the plans are accounted for as equity-settled share-based payments.

A summary of the status of the Company's stock option plans as of March 31, 2014 and 2013 and changes during the periods ended on those dates is presented below:

	March 31, 2014		March 31, 2013	
	#	Weighted average exercise price $	#	Weighted average exercise price $
Outstanding – Beginning of period	276	4.52	321	5.50
Granted	1,192	3.19	—	—
Expired and cancelled	—	—	(7)	7.50
Outstanding – End of period	1,468	3.44	314	5.50
Options exercisable – End of period	667	3.58	169	6.00

On February 18, 2014, the Company granted 1,192,200 stock options to certain directors and officers of the Company at a price of $3.19 (CDN$3.50) per common share. Upon grant, 423,266 options vested immediately and 50,000 options will vest upon First Patient First Visit for the Phase 2b lupus trial. The remainder will vest periodically over a period between one and three years. The options are exercisable for a term of ten years. For the three months ended March 31, 2013, the Company did not grant any stock options.

The Company recognized stock-based compensation expense of $1,298,000 (2013 – $105,000) with corresponding credits to contributed surplus. For the three months ended March 31, 2014, stock compensation expense has been allocated to research and development expense in the amount of $nil (2013 – $42,000), corporate administration expense in the amount of $1,045,000 (2013 – $63,000) and restructuring costs in the amount of $253,000 (2013-$Nil).

The Company used the Black-Scholes option pricing model to estimate the fair value of the options granted to employees, officers and directors.

The following weighted average assumptions were used to estimate the fair value of the options granted during the three month periods ended March 31, 2014 and 2013:

	2014	2013
Annualized volatility	85%	—
Risk-free interest rate	1.74	—
Expected life of options in years	7.1	—
Estimated forfeiture rate	11.9%	—
Dividend rate	0.0%	—
Exercise price	3.19	—
Market price on date of grant	3.19	—
Fair value per common share option	2.39	—

(amounts in tabular columns expressed in thousands of U.S. dollars)

The Company considers historical volatility of its common shares in estimating its future stock price volatility. The risk-free interest rate for the expected life of the options was based on the yield available on government benchmark bonds with an approximate equivalent remaining term at the time of the grant. The expected life is based upon the contractual term, taking into account expected employee exercise and expected post-vesting employment termination behaviour.

9. Other expense (income)

Other expense (income), net composed of	2014 $	2013 $
Finance income		
Interest income on short-term bank deposits	(10)	—
Finance costs		
Interest on drug supply loan	30	24
Interest on finance lease	—	1
	30	25
Other		
Revaluation adjustment on contingent consideration (note 7)	533	—
Share issue costs allocated to warrant liability	203	—
Foreign exchange loss	144	3
Gain on disposal of equipment	(1)	(66)
	879	(63)
	899	(38)

10. Restructuring costs

	2014 $	2013 $
Restructuring costs composed of		
Stock compensation expense	253	—
Severance and other NICAMs related expenses for the period	216	—
Other	100	—
	569	—

The Company recorded as restructuring costs, stock compensation expense of $253,000 related to stock options granted in February 2014 to the former Chief Executive Officer and Chief Scientific Officer pursuant to his termination agreement.

On February 14, 2014 the Company signed a NICAMs Purchase and Sale Agreement with Ciclofilin Pharmaceuticals Corp. (“Ciclofilin”), a company controlled by the former Chief Executive Officer and Chief Scientific Officer, whereby it divested its early stage research and development Non-Immunosuppressive Cyclosporine Analogue Molecules (“NICAMs”) assets, consisting of intellectual property, including patent applications and know-how to Ciclofilin. There was no upfront consideration received by the Company and future consideration will consist of milestones relating to the clinical and marketing success of NICAMs and a royalty. Due to NICAMs early stage of development, the Company has estimated the fair value of the consideration to be $nil at this time.

The Company recorded $216,000 of restructuring costs related to the NICAMs. These restructuring costs consisted of severances of $115,000 paid to the three employees working on the NICAMs and $101,000 of other NICAMs related expenses, including wage and patent costs incurred from January 1, 2014 to the divestiture date.

11. Net loss per common share

Basic and diluted net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding for the period. In determining diluted net loss per common share, the weighted average number of common shares outstanding is adjusted for stock options and warrants eligible for exercise where the average market price of common shares for the three months ended March 31, 2014 exceeds the exercise price. Common shares that could potentially dilute basic net loss per common share in the future that could be issued from the exercise of outstanding stock options and warrants were not included in the computation of the diluted loss per common share for the three months ended March 31, 2014 and March 31, 2013 because to do so would be anti-dilutive. In addition, Board Warrants and NASDAQ Warrants, as described in note 8 (a), are not included in diluted loss per common share since the conditions for issuance have not been met.

The numerator and denominator used in the calculation of historical basic and diluted net loss amounts per common share are as follows:

	2014 $	2013 $
Net loss for the period	(5,191)	(786)
	# In thousands	# In thousands
Weighted average common shares outstanding	21,848	3,857
	$	$
Loss per common share *(expressed in $ per share)*	(0.24)	(0.20)

The outstanding number and type of securities that would potentially dilute basic loss per common share in the future and which were not included in the computation of diluted loss per share, because to do so would have reduced the loss per common share (anti-dilutive) for the years presented, are as follows:

	2014 # In thousands	2013 # In thousands
Stock options	1,468	314
Warrants	6,988	387
	8,456	701

12. Segment disclosures

The Company's operations comprise a single reporting segment engaged in the research, development and commercialization of therapeutic drugs. As the operations comprise a single reporting segment, amounts disclosed in the financial statements represent those of the single reporting unit. In addition, all of the Company's long-lived assets are located in Canada.

(amounts in tabular columns expressed in thousands of U.S. dollars)

The following geographic area data reflects revenue based on customer location.

Geographic information

	2014 $	2013 $
Revenue		
Canada	37	40
China	30	33
United States	—	15
	67	88

13. Supplementary cash flow information

Net change in other operating assets and liabilities:

	2014 $	2013 $
Accounts receivable	1	(4)
Prepaid expenses, deposits and other	24	30
Accounts payable and accrued liabilities	(1,338)	528
Drug supply loan	(1,197)	(—)
	(2,510)	554

14. Foreign exchange risk

The Company is exposed to financial risk related to the fluctuation of foreign currency exchange rates. Foreign currency risk is the risk that variations in exchange rates between the Company's functional currency and foreign currencies will affect the Company's operating and financial results.

As a result of the change in the functional currency to U.S. dollars as of January 31, 2014, the Company has foreign exchange exposure to the CDN dollar.

The following table presents the Company's exposure to the CDN dollar:

	March 31, 2014 $
Cash and cash equivalents	300
Accounts receivable	58
Accounts payable and accrued liabilities	(1,275)
Net exposure	(917)

	Reporting date rate March 31, 2014 $
$CA - $US	0.904

Based on the Company's foreign currency exposures noted above, varying the foreign exchange rates to reflect a ten percent strengthening of the U.S. dollar would have decreased the net loss by $91,000 assuming that all other variables remained constant. An assumed 10 percent weakening of the U.S. dollar would have had an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2012

The following Management's Discussion and Analysis of Financial Condition or MD&A and Results of Operations provides information on the activities of Isotechnika Pharma Inc. ("Isotechnika" or the "Company") on a consolidated basis and should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the year ended December 31, 2012. All amounts are expressed in Canadian dollars unless otherwise stated. This document is current in all material respects as of April 3, 2013.

The Company prepares its consolidated financial statements in accordance with the CICA Handbook.

Accordingly, the financial information contained in this MD&A and in the Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards or IFRS as issued by the International Accounting Standards Board or IASB. The audited consolidated financial statements and MD&A have been reviewed by our Audit Committee and approved by the Board of Directors.

Forward-looking Statements

This document contains forward-looking statements. The forward looking statements may include, without limitation, plans to complete equity financings to fund the Company's operations, complete the proposed merger, and statements concerning strategic alternatives, including partnering activities. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others, the Company's belief as to the potential of its products and in particular voclosporin, its ability to protect its intellectual property rights, securing and maintaining corporate alliances and partnerships, the need to raise additional capital and the effect of capital market conditions and other factors on capital availability, the potential of its products, the success and timely completion of clinical studies and trials, and the Company's and its partners' ability to successfully obtain regulatory approvals and commercialize voclosporin on a timely basis.

For additional information on risks and uncertainties please see the "Risks and Uncertainties" section of this MD&A. The reader is cautioned to consider these and other risks and uncertainties carefully and not to put undue reliance on forward-looking statements. Forward-looking statements reflect current expectations regarding future events and speak only as of the date of this MD&A and represent the Company's expectations as of that date. Investors should also consult the Company's ongoing quarterly filings, annual reports and the Annual Information Form and other filings found on SEDAR at www.sedar.com.

COMPANY OVERVIEW

Isotechnika is a biopharmaceutical company, headquartered in Edmonton, Alberta, Canada. The head office of the Company is located at 5120 – 75th Street, Edmonton, Alberta T6E 6W2. Isotechnika is incorporated pursuant to the *Business Corporations Act* (Alberta). The Company's shares are listed and traded on the Toronto Stock Exchange (TSX) under the symbol ISA. The Company's primary business is the development of therapeutic drugs.

RECENT CORPORATE DEVELOPMENTS

The Company and privately-held Aurinia Pharmaceuticals Inc. ("Aurinia") on February 5, 2013 signed a Binding Term Sheet ("Term Sheet") for the merger of the two companies, creating a clinical stage pharmaceutical company focused on the global nephrology market.

Aurinia is a spin-out from Vifor Pharma ("Vifor"). The Company signed a global Licensing and Collaboration Agreement effective December 30, 2011 with Vifor (International) AG ("Vifor"), the specialty pharma company of Switzerland based Galenica Group. The agreement granted Vifor an exclusive license for voclosporin, for the treatment of lupus and all proteinuric nephrology indications (the "Vifor License"). The Vifor License is for the United States and other regions outside of Canada, South Africa, Israel, China, Taiwan and Hong Kong (the "Vifor Territory"). Aurinia's current leadership team is comprised primarily of former senior managers, directors and officers of Aspreva Pharmaceuticals ("Aspreva"), which Galenica acquired for $915 million in 2008. While at Aspreva, this management team executed one of the largest and most important lupus nephritis studies ever conducted, called the Aspreva Lupus Management Study ("ALMS"), which resulted in the emergence of mycophenolate mofetil as a new standard treatment for patients suffering from this devastating and potentially fatal disease. Aurinia now holds certain rights to this large ALMS database and holds the license for voclosporin in lupus nephritis. Aurinia's lupus rights and database will be combined in the newly merged company with the transplantation and autoimmune rights, and the database held by Isotechnika.

The Term Sheet sets forth the main criteria to be incorporated into a definitive merger agreement under which Isotechnika will acquire 100% of the outstanding securities of Aurinia. The merger is expected to be effected by an exchange of Isotechnika shares for securities of Aurinia, resulting in a 65:35 post-merger ownership split between Isotechnika and Aurinia, respectively. In addition, Isotechnika and Aurinia have negotiated a tripartite settlement with ILJIN Life Science Co. Ltd. ("ILJIN") pursuant to which, upon the successful completion of the proposed merger, the combined company will re-acquire full rights to voclosporin for autoimmune indications including lupus, and transplantation in the United States, and other regions of the world, outside of Europe, Canada, Israel, South Africa, China, Taiwan and Hong Kong. In return, ILJIN will be entitled to receive certain pre-defined future milestone payments in the aggregate amount of $10 million, plus up to $1.6 million upon the new company reaching certain financing milestones. ILJIN will also own 25% of the issued and outstanding shares of the merged company.

The transaction is subject to certain closing conditions including, among others, the negotiation and completion of a merger agreement, acceptance and approval by the Toronto Stock Exchange (the "TSX"), the approval of Isotechnika's shareholders and Isotechnika securing a minimum of $3 million in debt or equity financing satisfactory for it to fulfill its obligations as contemplated by the Term Sheet. The merged entity is expected adopt Aurinia Pharmaceuticals Inc. as its new corporate name.

Aurinia has used and benefited from the ALMS dataset to develop and adequately power a new study in which voclosporin will be layered on top of standard of care in a multi-target approach to treating lupus nephritis. It is the Company's belief that this combination has the potential to rapidly and significantly improve patient outcomes. The consolidation of the intellectual property of these two companies ensures that this significant market opportunity is well protected and provides a powerful platform to create true stakeholder value.

2012 CORPORATE DEVELOPMENTS

PRIVATE PLACEMENT FINANCING

The Company, in the fourth quarter of 2012, pursuant to a non-brokered private placement comprised of two tranches raised proceeds of $758,000 by the issuance of 18,950,000 units at a price of $0.04 cents per unit. Each unit consisted of one common share and one non-transferable common share purchase warrant exercisable at $0.05 cents for a period of two years from the closing dates. No commissions or finder's fees were paid. The fair value attributed to the warrants was $244,000 with $514,000 attributed to the common shares issued.

ILJIN LIFE SCIENCE CO., LTD.

Effective January 28, 2011 (the "Effective Date") the Company completed a Development, Distribution and License Agreement (the "DDLA") with ILJIN for the further clinical and commercial development of voclosporin for use in transplant indications applicable to voclosporin. The Company granted to ILJIN an exclusive license to voclosporin for transplant and autoimmune indications for the United States and other regions outside of Europe, Canada, Israel, South Africa, China, Taiwan and Hong Kong. The Company retained the rights over voclosporin in Europe for future development and commercialization.

Pursuant to the DDLA, the Company was to receive a total license fee of US$5 million. In addition, ILJIN was to purchase 90,700,000 common shares of the Company for gross proceeds of US$19,875,000 in three tranches.

The Company was obligated under the terms of the agreement to complete a single Phase 3 clinical trial for the prevention of kidney transplant rejection. A Joint Steering Committee ("JSC") with equal membership from the Company and ILJIN was to have been formed to oversee the development and commercialization of voclosporin in the ILJIN territories.

The Company received $4.51 million (US$4.5 million) of the license fee and the first private placement tranche of $2.38 million (US$2.38 million) on January 28, 2011 which was the Effective Date of the Agreement. The Company issued 11,500,000 common shares at a price of $0.207 per share (US$0.207) to ILJIN pursuant to the subscription agreement for securities. On or before January 28, 2012 ILJIN was to pay US$500,000 to the Company as the Second Development Payment and purchase 39,600,000 common shares of the Company issued from treasury for an aggregate subscription price of US$8.5 million. On or before January 28, 2013, ILJIN was to purchase the final tranche of 39,600,000 common shares of the Company issued from treasury for an aggregate subscription price of US$9 million.

Prior to the January 28, 2012 date, ILJIN verbally indicated their intent to alter the economics of the DDLA. Consequently, payment under the DDLA was not received as required per the agreement of January 28, 2011. The Company on January 30, 2012 notified ILJIN that it was terminating the DDLA. At that time the Company believed that the termination of the original DDLA was valid. As a result of the Company terminating the DDLA with ILJIN the remaining deferred revenue balance of $4.4 million was recorded as licensing revenue on January 30, 2012.

The Company received notification in March, 2012 that ILJIN submitted a request for arbitration to the International Chamber of Commerce ("ICC") Court of Arbitration relating to Isotechnika's termination of the DDLA. The Arbitration hearing to determine the Company's right to terminate the agreement was held early in the fourth quarter of 2012.

In November, 2012 the Company received notification from the ICC that a Partial Award regarding its right to terminate the DDLA with ILJIN had been issued to the parties. In the result, the Partial Award provided that the DDLA had not been terminated and, therefore, the Company's contractual relationship with ILJIN still subsisted. As such the Partial Award rejected the Company's interpretation of the DDLA's termination provision.

In January of 2013, ILJIN formally notified Isotechnika and the arbitral tribunal that ILJIN had withdrawn all claims for damages in the parties' pending arbitration arising from the Development, Distribution and License Agreement.

Subsequent to the year end, the Company, ILJIN and Aurinia entered in to a definitive tripartite settlement agreement whereby the DDLA will be terminated as more fully discussed in the "Recent Corporate Developments' section above.

LUX BIOSCIENCES, INC.

On May 24, 2006 Isotechnika Inc. signed a Distribution and License Agreement ("DLA") with Lux Biosciences Inc. granting Lux worldwide rights to develop and commercialize voclosporin for the treatment and prophylaxis of all ophthalmic diseases. Under the terms of the agreement, Lux made an upfront payment, is paying for the costs of clinical trials, and is supposed to make further payments upon achieving specific milestones. Assuming all development milestones were to be achieved, the potential amount of this deal would be US$32.7 million plus future royalties. Isotechnika Inc. received an upfront payment of $3.32 million (US$3.0 million) upon signing the agreement. Lux would also pay royalties based on a percentage of net sales if the drug receives regulatory approval. Lux is responsible for the clinical development, registration, and marketing of voclosporin for all ophthalmic indications. Regulatory approvals in the U.S. and Europe, of the first indication, would have triggered milestone payments of US$7.20 million and US$3.60 million, respectively, to the Company. Lux has been investigating voclosporin (branded Luveniq™) for the treatment of uveitis and dry eye syndrome.

In February, 2010, Lux filed a New Drug Application ("NDA") with the FDA and a Marketing Authorization Application ("MAA") with the European Medicines Agency ("EMA") for voclosporin for the treatment of non-infectious uveitis.

In August, 2010, Lux received a Complete Response Letter ("CRL") from the FDA regarding their NDA for voclosporin. A CRL is issued by the FDA when the review of a file is completed and questions remain that prevents the approval of the NDA in its current form. The FDA requested additional information and recommended that an additional clinical trial be conducted in order to consider future approval of voclosporin for this indication.

In February, 2011, Lux commenced the required additional pivotal Phase 3 trial. The study was a 6-month randomized trial of voclosporin versus placebo in 150 patients in North America and Europe with active non-infectious intermediate, posterior, or pan-uveitis.

In March, 2010, the EMA validated the MAA and the dossier was distributed to members of the Committee for Medicinal Products for Human Use ("CHMP") for formal review. On June 27, 2011 the Company announced that Lux appealed the EMA's decision not to approve voclosporin as a treatment for noninfectious uveitis involving the intermediate or posterior segments of the eye.

In late December, 2012 the Company received notice from Lux that its Phase 3 clinical trial using voclosporin for the treatment of non-infectious uveitis did not meet its primary endpoint of change from baseline in vitreous haze at 12 weeks or at the time of treatment failure, if earlier. As a result, the Company is uncertain as to whether Lux will proceed with the development of voclosporin for ophthalmic diseases under this license. The Company also does not expect Lux to move forward with its submission of regulatory approval applications for non-infectious uveitis in the United States and Europe. Without submission of these regulatory approval applications by Lux and regulatory marketing approvals the Company will not receive the milestone payments noted above.

THE COMPANY'S DRUG DEVELOPMENT PROGRAMS

(A) VOCLOSPORIN

Voclosporin, Isotechnika's lead drug, belongs to a class of drugs called *Calcineurin Inhibitors* ("CNIs"), the cornerstone of therapy for the prevention of organ transplant rejection. This drug class includes two currently available drugs, cyclosporine and tacrolimus. Worldwide sales of CNIs in 2010 were approximately US$3 billion. Importantly, voclosporin is the only novel CNI in development which means limited future competition in the CNI class. Voclosporin is also the only CNI with chemical composition patent protection. Chemical composition patents for both cyclosporine and tacrolimus have expired. Furthermore, leading experts in the transplantation field have been increasingly outspoken about the important role of CNIs to prevent transplant rejection. Approximately 95% of all transplant patients are discharged from hospital with lifelong CNI therapy.

Voclosporin has successfully completed comprehensive phase 2a and 2b renal transplant clinical programs in which it demonstrated safety and efficacy. Since tacrolimus is the more commonly used CNI, transplant physicians are looking for a drug that is equivalent in efficacy to tacrolimus, yet offering a better side effect profile, ease of dosing and the ability to reach targeted blood concentrations for therapeutic drug monitoring ("TDM"). In a phase 2b trial versus tacrolimus, voclosporin showed (i) similar efficacy, (ii) a wider therapeutic window, and (iii) lower incidence of new onset diabetes after transplant ("NODAT"), in the proposed target therapeutic range.

One of the most important key benefits of voclosporin over tacrolimus is the markedly reduced incidence of NODAT. This new-onset, drug-induced diabetes is difficult to manage, significantly adds to overall healthcare costs, and greatly compromises the life-saving benefit of a transplant by causing increased organ rejection, morbidity and death. NODAT is an important concern with tacrolimus. The literature indicates that, on average, patients with NODAT lose their transplanted organ 3 years earlier, have a 23% increase in death after 5 years post transplant, and costs the medical system an additional $12,000 per year when compared to patients without NODAT. The data suggests that voclosporin can provide a superior profile versus tacrolimus on this key issue, as well as cause less diarrhea and sustained tremors (neurotoxicity). Furthermore, the clear relationship between blood concentrations of voclosporin and clinical outcomes is another distinct advantage as it should enhance ease of dosing and monitoring for both physicians and patients. This latter advantage relates to the pharmacokinetic-pharmacodynamic (PK-PD) properties of voclosporin. Greater PK-PD predictability is a key advantage of voclosporin over the other two CNI's.

The phase 3 program for transplant would consist of two clinical trials, each enrolling approximately 600 new kidney transplant patients. One trial will be conducted primarily in the United States and Canada, while the second trial will enroll patients primarily in Europe. The trials aim to demonstrate non-inferiority in a composite endpoint, primarily driven by biopsy proven acute rejection ("BPAR"), compared to tacrolimus. A key secondary endpoint will be the incidence of NODAT, as well as the overall safety and tolerability of voclosporin relative to tacrolimus.

The Company, in October 2011, received positive Scientific Advice ("SA") from the European Medicines Agency ("EMA") on the proposed phase 3 clinical trial protocol for voclosporin. Receipt of positive Scientific Advice ensures a clear regulatory path forward in the European Union. In March, 2012 the Company received an agreement letter from the United States Food & Drug Administration ("FDA") on a Special Protocol Assessment ("SPA") for the planned Phase 3 trial.

In the fourth quarter of 2012 the Company received permission (Investigational New Drug. "IND") from the U.S. Food and Drug Administration ("FDA") to commence the first of two planned phase 3 kidney transplant trials for its lead product candidate, voclosporin. These regulatory events mark significant steps for the Company on the path to initiate final testing of voclosporin to prevent kidney transplant rejection.

Alongside the regulatory and clinical preparations, another key process step requires having active pharmaceutical ingredient ("API") ready to be formulated into soft gelatin capsules and then administered to patients. A new batch of voclosporin API was ordered from the manufacturer in 2011. The manufacturing process was completed in April, 2012 upon the Company receiving a Certificate of Analysis indicating that the API met specifications. The Company in the third quarter of 2012 completed the process of encapsulating the API and packaging the capsules for clinical supply.

Financing Initiatives

The costs of the clinical trials are estimated to be in the range of $27.5 million to $30 million for each of the two renal transplant trials. The Company has been pursuing opportunities to fund the trials through strategic partnerships and/or equity financing. One of the difficulties encountered in raising these funds by issuing equity from Treasury is the Company's current low market capitalization. Raising the approximately $30 million for one trial is dilutive to current shareholders and raising the funds for the two required pivotal phase 3 trials is highly dilutive and difficult to achieve. Licensing voclosporin for the transplant indication is therefore a preferred pathway. However, as ILJIN currently has the rights to commercialize voclosporin in the US and most of the rest of world (ROW), including Asia-Pacific (excluding China, Hong Kong and Taiwan), the global transplant rights are unavailable to a new potential licensee. This is one of the reasons for the Tripartite Agreement Settlement between Isotechnika-ILJIN-Aurinia. A return of the rights and license for the ILJIN territories for voclosporin would enhance the Company's ability to seek a global licensing partner to further the development and commercialization of voclosporin transplantation.

Another reason for the Tripartite Agreement is so that the rights associated with the intellectual property (IP) would be consolidated back into a single corporate entity, post-merger with Aurinia. By having the consolidated rights held by a single entity, the need for sophisticated sales tracking methodology and cross-field sales would be obviated. The indication split between transplantation and lupus nephritis would be contained within one company. By obtaining the rights and license back for the ILJIN territories and by limiting cross-indication splitting, the Company believes it is optimizing its chances of successfully attracting a global development and commercialization partner for transplantation.

Post-merger with Aurinia, it is believed that the Company would be in a good position to raise needed funding for a lupus nephritis trial, as: 1) a lupus nephritis trial is less expensive than a renal transplant trial (and therefore less dilutive); 2) consolidating the voclosporin rights into one company increases the chances of successfully raising the needed capital; and 3) cross-indication sales tracking is less problematic. It is for these reasons and the preceding considerations that it is believed the best course of action at present is to complete the Tripartite Agreement between Isotechnika-ILJIN-Aurinia, and to complete the merger/acquisition of Aurinia by Isotechnika. The Company, therefore, believes it is prudent to raise sufficient capital for a lupus nephritis trial, while being opportunistic where possible with the transplantation indication. For reasons already stated, the Company may pursue a development and commercialization partner that has a more broad interest in nephrology, as opposed to purely one indication or the other.

Lupus Nephritis (LN) indication

The Lupus Foundation of America (LFA) estimates that ~1.5 million people in the US and up to 5.0 million people worldwide suffer from Systemic Lupus Erythematosus (SLE). Of these patients, 40-50% experience renal manifestations of the disease resulting in inflammation of the kidney. These patients are considered to have LN. Using Vifor/Aspreva diagnosis calculations generated from multiple longitudinal data sources, we estimate that the number of diagnosed patients with SLE in the Unites States is ~500,000. Of these, ~200,000 are suffering from LN.

Based on the work performed by the Aspreva/ Vifor lupus team, publications of the ALMS data has appeared in several respected journals. These publications include those published in the *New England Journal of Medicine* and the *Journal of the American Society of Nephrology*, which established CellCept© (mycophenolate mofetil (MMF)) as the standard of care for the treatment of LN. This evolving use of CellCept© as a treatment option has allowed the lupus market to evolve into an attractive and mature market opportunity. In 2011 over 125,000 patients were being treated with CellCept© in the United States alone for their lupus symptoms. This represents a very mature market which the Company plans to exploit.

Despite that fact that CellCept© is the current standard of care for the treatment of LN, it remains far from perfect with only ~5-20% (depending on how measured) of patients on therapy actually achieving disease remission after 6 months of therapy. Data suggest that an LN patient who does not achieve rapid disease remission in response to therapy is more likely to experience renal failure or require dialysis at 10 years (Chen et al). Therefore, it is critically important to achieve disease remission as quickly and as effectively as possible. Additionally, a recent syndicated report published by BioTrends™ has shown that if a LN patient is receiving CellCept© they still experience, on average, 1.7 clinical exacerbations of disease per year. This would suggest that the majority of patients in the US suffering with LN are inadequately treated. The Company believes that the addition of *voclosporin* to the standard of care will significantly improve patient outcomes.

(B) NICAMs

The Company has discovered a portfolio of non-immunosuppressive cyclophilin antagonist molecules (“NICAMs”) Cyclophilin binding has garnered considerable attention as a novel therapy in the treatment of a wide range of diseases including Hepatitis C, stroke, and chronic neurological disorders such as Parkinson’s, Lou Gehrig’s, and Alzheimer’s. Cyclosporine A is a well-known cyclophilin binder, however its additional strong binding to calcineurin results in powerful immunosuppression and limits its therapeutic potential to transplantation and various autoimmune disorders. NICAMs do not bind to calcineurin, yet retain the ability to inhibit various cyclophilins. This program is in an early stage of development and will require additional funding to continue to advance its development.

In February, 2010, the Company signed an agreement with National Research Council’s Industrial Research Assistance Program (“NRC-IRAP”) whereby the NRC provided a non-repayable contribution of $237,000 for the period to August 31, 2011 to assist the Company to conduct specific research activities related to the Company’s NICAMs program.

In April, 2012 the Company announced the signing of a three year Non-Clinical Evaluation Agreement with the National Institute of Allergy and Infectious Diseases (“NIAID”), part of the U.S. National Institutes of Health (“NIH”). Pursuant to the agreement, NIAID-funded contractors will evaluate the Company’s portfolio of NICAMs as anti-viral agents. Isotechnika’s NICAM portfolio will be tested through NIAID’s preclinical services program for use in biodefense and against emerging infectious disease threats including Hepatitis C, Herpes viruses, Corona viruses (including SARS), Poxviruses (cowpox), Yellow Fever, West Nile, Dengue and Papillomavirus.

The Company, in July 2012, received approval for additional funding from the NRC-IRAP for a project which extends Isotechnika’s research into the use of NICAMs for reducing ischemia-reperfusion injury, the major disease mechanism that occurs in heart attacks, strokes, and other traumatic events involving impaired blood flow to vital organs. A second project received grant approval from the NRC-IRAP program in November 2012 for the identification and evaluation of NICAMs as inhibitors of replication in infectious disease. The Company is to receive the NRC contribution over a period of approximately four months.

In November, 2012 the Company also received positive results from the first round of screening of its portfolio of NICAMs through the contract testing laboratories of NIAID. Several NICAM compounds have been found to be

highly active in primary *in vitro* assays against a number of important viruses including Hepatitis C virus, Human Papillomavirus, Human Cytomegalovirus and Varicella-Zoster virus (causative agent of shingles). Some of the compounds are currently undergoing secondary level *in vitro* testing, through NIAID's contract testing laboratories, towards selection of lead drug candidates for preclinical development.

In December 2012, the Company received positive anti-hepatitis C virus ("HCV") results from the second round of *in vitro* testing of its NICAMs. Contractors funded by NIAID carried out the testing

Several NICAM compounds were tested for cross genotype activity using quantitative polymerase chain reaction in HCV replicons, as well as combinatorial effects with alpha interferon using a luciferase reporter assay. Results demonstrate that the NICAMs are highly active (low nanomolar potency) against HCV genotypes, 1 and 2, which represent approximately 85% of the HCV infections globally. Direct-acting HCV anti-viral drugs currently on the market are approved only for genotype 1 infections. Testing also revealed that the NICAM compounds acted synergistically with alpha interferon, the current standard of care treatment, in reducing viral activity. The presence of synergistic activity means that significantly lower drug doses may be possible, thereby limiting the adverse events associated with interferon treatment. These findings support the view that NICAMs will broaden the therapeutic treatment window by complementing other classes of HCV drugs in development.

OTHER PARTNERS' VOCLOSPORIN DRUG DEVELOPMENT PROGRAMS

(A) 3SBIO INC.

On August 23, 2010, the Company and 3SBio Inc. ("3SBio"), a China-based biotechnology company focused on researching, developing, manufacturing and marketing biopharmaceutical products, completed a Development, Distribution and License Agreement ("DDL") for voclosporin. Under the terms of the agreement, the Company granted 3SBio exclusive rights to all transplant and autoimmune indications of voclosporin in China, including Hong Kong and Taiwan, excluding ophthalmic indications and medical devices which were previously licensed to Lux Biosciences, Inc. ("Lux") and Atrium Medical Corporation ("Atrium"), respectively. 3SBio will be responsible, including costs, for the clinical development, registration and commercialization of voclosporin in China. The Company will also receive ongoing royalties based on sales of voclosporin by 3SBio. The Company will provide, under separate agreement, commercial supply to 3SBio on a cost-plus basis.

The transaction with 3SBio consisted of a non-refundable licensing fee of $1.58 million (US$1.5 million) and a convertible debenture of $4.73 million (US$4.5 million). The Company issued a three-year convertible debenture in the amount of $4.73 million with an interest rate of 7% payable semi-annually to 3SBio. 3SBio had the right to convert the debenture at any time into common equity of Isotechnika at a conversion price of C$0.155 per share. 3SBio converted the debenture into common shares in 2010.

On June 28, 2012 the Company announced that 3SBio received approval from the State Food and Drug Administration ("SFDA") to conduct a multi-center phase 3 trial of voclosporin in China. According to the approved protocol, this will be a phase 3, randomized, multi-center, concentration-controlled and comparison study in kidney transplant patients. Patient enrollment has been delayed by 3SBio pending commencement of Isotechnika's Phase 3 kidney transplant trial.

(B) PALADIN LABS INC.

On June 18, 2009 the Company completed a Plan of Arrangement transaction with Paladin Labs Inc. ("Paladin"). This Plan of Arrangement, as previously disclosed, has been amended various times. The last amendment dated January 31, 2012 included the return of the Development and Licensing agreements with Lux and Atrium to the Company. Paladin's economic interest in these licensing agreements has been reduced from 12% to 10%. Additionally, the Company has been granted a license to Canada, Israel and South Africa ("Paladin Territories") to the extent necessary to allow the Company to fulfill its obligations under its agreements with Lux and Atrium.

As a result of the various amendments, including the last amendments made on January 31, 2012 the following highlight the current economic terms of the agreements with Paladin:

- The ownership and rights in and to all voclosporin patents and patent applications (with the exception of the Canada, Israel and South Africa patents and patent applications) belong to the Company.
- The Development and Licensing agreements with Lux and Atrium have reverted from Paladin to the Company. Paladin will receive 10% of all royalties, milestones and other consideration paid to the Company in relation to these agreements.
- Paladin has the rights to market, sell, and distribute voclosporin in the Paladin territories and is required to make payments to the Company equal to: (i) 20% of net sales, if any, in the Paladin Territories, less manufacturing costs until June 18, 2016; and (ii) 20% of net royalties received from third party sales, if any, in the Paladin territories until June 18, 2016.
- Paladin will receive 2% of any milestone payments, development payments, royalties, and net profit splits paid to the Company, related to voclosporin transplant and autoimmune indications, excluding ophthalmic diseases which are licensed under the Lux agreement.
- Paladin retains all of its current third party manufacture and supply contracts until December 31, 2014. However, Third Party Licensees and their respective sub-licensees, of the Company will not be required to purchase voclosporin API from Paladin. The Company will make all commercially reasonable efforts to enter into Supply Contracts with all third party licensees and their sub-licensees to supply voclosporin API and voclosporin finished product for both clinical and commercial supply.

In the fourth quarter of 2010, Paladin submitted a New Drug Submission to the Canadian regulatory authority to request approval for the use of voclosporin in the treatment of psoriasis in Canada. Paladin decided to withdraw its New Drug Submission at Health Canada in the first quarter of 2012 given the estimated costs to further advance the regulatory submission for voclosporin for the treatment of psoriasis in the Canadian marketplace.

RESULTS OF OPERATIONS

For the year ended December 31, 2012, the Company reported a consolidated net loss of $9.69 million or $0.05 per common share, as compared to a consolidated net loss of $2.46 million or $0.01 per common share for the year ended December 31, 2011.

The consolidated net loss in 2012 increased by $7.23 million compared to the previous year with the following items primarily responsible for the change in the net loss:

- The 2012 loss included a non-cash loss of $4.2 million on the ILJIN derivative financial instrument compared to a gain of $4.2 million on this instrument for the year ended December 31, 2011. The 2012 figure also included a provision for doubtful collection on the receivable of $1.3 million from its partner, Lux Biosciences Inc., as a result of Lux not meeting its primary endpoint in its Phase 3 uveitis clinical trial as previously announced by the Company in December of 2012.
- The Company also recorded a reserve of $2.7 million in 2012 for the drug supply manufactured during the year due to uncertainty in determining its net realizable value. The cost of the reserve has been recorded in research and development expense as future use would likely be related to clinical trials for voclosporin.
- ILJIN licensing revenue amortized from deferred revenue increased to $4.40 million for the year ended December 31, 2012 compared to $103,000 for the year ended December 31, 2011 as result of the Company notification of termination of the DDLA with ILJIN on January 30, 2012.
- The Company recorded the sale of API to Lux, as more fully described in the revenue and deferred revenue section below, in the amount of $1.3 million, as other income for the year ended December 31, 2012.

Revenue and deferred revenue

Revenue is composed of:

	2012 $	2011 $
Licensing revenue		
Aurinia	62	—
3SBio	132	132
Lux	60	74
ILJIN	4,402	103
	4,656	309
Research and development revenue		
Paladin	111	131
Contract services	59	61
Other	1,300	446
	6,126	947

Licensing and research and development fee revenues represent the amortization of deferred revenue from fee payments received by the Company (see note 13 to the consolidated financial statements). The deferred revenue is recorded as revenue as the Company incurs the costs related to meeting its obligations under the terms of the applicable agreements.

(a) Licensing and Collaboration Agreement with Aurinia Pharmaceuticals Inc.

The Company signed a global Licensing and Collaboration Agreement ("LCA") effective December 30, 2011 with Vifor, the specialty pharma company of Switzerland based Galenica Group. The agreement granted Vifor an exclusive license for voclosporin, for the treatment of lupus and all proteinuric nephrology indications. The Vifor License was for the United States and other regions outside of Canada, South Africa, Israel, China, Taiwan and Hong Kong (the "Vifor Territory"). Under the terms of the Agreement, the Company was to receive milestone payments, as well as royalties on commercial sales. In connection with this agreement, Vifor was to purchase voclosporin active pharmaceutical ingredient ("API") from the Company. Vifor was to carry the burden of the costs associated with these clinical trials. On December 13, 2012, the LCA was assigned to Aurinia Development Corp. by Vifor. Aurinia Development Corp. is a subsidiary of Aurinia Pharmaceuticals Inc ("Aurinia").

On December 10, 2012 pursuant to this agreement, the Company received as a milestone payment, an investment in Aurinia. Aurinia issued the Company a share certificate representing 10% of the common shares of Aurinia. Aurinia had the option of granting the Company these shares or $592,000 in cash (US$600,000). The Company determined that the fair value of the shares in Aurinia approximated $592,000 and therefore recorded the value of the investment in Aurinia shares at $592,000. The Company has recorded this milestone payment as deferred revenue upon receipt. Under the LCA, the primary substantive obligations of the Company were to maintain the patent portfolio and pay for drug supply if costs exceed a certain amount. Deferred revenue has been amortized into licensing revenue as the Company incurs the costs related to meeting its obligations under the LCA as at December 31, 2012.

ILJIN had provided a License Back for the field of lupus and proteinuric kidney diseases for the Territory defined in the ILJIN DDLA of certain rights to the Company in order for these rights to be licensed to Vifor specifically for the indications of lupus and proteinuric kidney disease, in return for certain milestones and royalties to be paid by Vifor.

Subsequent to year end, the Company entered into a term sheet to merge with Aurinia and a tripartite settlement agreement between the Company, ILJIN and Aurinia as more fully described in the "Recent Corporate Developments" section of this document.

(b) Development, Distribution and License Agreement with 3SBio, Inc.

On August 23, 2010, the Company and 3SBio, Inc. ("3SBio") completed a Development, Distribution and License Agreement for voclosporin for the territories of China, Hong Kong and Taiwan. The transaction with 3SBio included a non-refundable licensing fee of $1.58 million (US$1.5 million) which was originally recorded as deferred revenue.

Under the agreement, the primary substantive obligations of the Company are to grant the license and transfer intellectual knowledge to 3SBio. Management believes it had fulfilled these obligations by December 31, 2010. However, under the agreement, the Company is also required to maintain the patent portfolio in China, Taiwan and Hong Kong, and to provide further support and cooperation to 3SBio over the life of the agreement, which coincides with the life of the patents. Any additional assistance which may be provided to 3SBio will be performed on a full cost recovery basis. For accounting purposes, when services are to be performed by an indeterminate number of acts over a specific period of time, revenue is recognized on a straight-line basis over this future period. As a result, the balance in deferred revenue at January 1, 2011 is being amortized into licensing revenue on a straight-line basis to 2022 as the Company incurs patent maintenance costs.

(c) Development, Distribution and License Agreement with Lux Biosciences, Inc.

Upon signing a Distribution and License Agreement with Lux Biosciences, Inc. ("Lux") in 2006, Isotechnika Inc. received an upfront payment of $3.32 million (US$3.0 million) which was recorded as deferred revenue. The balance of deferred revenue at January 1, 2011 is being recorded as revenue on a straight line basis as the Company incurs costs to 2024 relating to meeting its remaining obligation, which consists of maintaining the patent portfolio. In late December, 2012 the Company received notice from Lux that its Phase 3 clinical trial using voclosporin for the treatment of non-infectious uveitis did not meet its primary endpoint. As a result, it is uncertain as to whether Lux will proceed with the development of voclosporin for ophthalmic diseases under this license.

(d) Development, Distribution and License Agreement with ILJIN Life Science Co., Ltd.

Effective January 28, 2011 (the "Effective Date") the Company completed a Development, Distribution and License Agreement (the "DDLA") with ILJIN Life Science Co., Ltd. ("ILJIN") for the further clinical and commercial development of voclosporin for use in transplant indications applicable to voclosporin. The Company granted to ILJIN an exclusive license to voclosporin for transplant and autoimmune indications for the United States and other regions outside of Europe, Canada, Israel, South Africa, China, Taiwan and Hong Kong. The Company retained the rights over voclosporin in Europe for future development and commercialization.

Pursuant to the DDLA, the Company was to receive a total license fee of US$5.0 million. In addition, ILJIN was to purchase 90,700,000 common shares of the Company for gross proceeds of US$19.87 million in three tranches.

The Company was obligated under the terms of the agreement to complete a single Phase 3 clinical trial for the prevention of kidney transplant rejection. A Joint Steering Committee ("JSC") with equal membership from the Company and ILJIN was to have been formed to oversee the development and commercialization of voclosporin in the ILJIN territories.

The Company received $4.50 million (US$4.5 million) of the license fee and the first private placement tranche of $2.38 million (US$2.37 million) on January 28, 2011 which was the Effective Date of the Agreement. The Company issued 11,500,000 common shares at a price of $0.207 per share (US$0.207) to ILJIN pursuant to the subscription agreement for securities. On or before January 28, 2012 ILJIN was to pay US$500,000 to the Company as the Second Development Payment and purchase 39,600,000 common shares of the Company issued from treasury for an aggregate subscription price of US$8.5 million. On or before January 28, 2013, ILJIN was to purchase the final tranche of 39,600,000 common shares of the Company issued from treasury for an aggregate subscription price of US$9.0 million.

Prior to the January 28, 2012 date, ILJIN verbally indicated their intent to alter the economics of the DDLA. Consequently, payment under the DDLA was not received as required per the agreement of January 28, 2011. The Company on January 30, 2012 notified ILJIN that it was terminating the DDLA. At that time the Company believed that the termination of the original DDLA was valid. As a result, the remaining deferred revenue balance of $4.40 million was recorded as licensing revenue on January 30, 2012.

For update on ILJIN, see “2012 Corporate Developments”.

(e) Plan of Arrangement with Paladin Labs Inc.

Research and development revenues represent the amortization of the deferred monthly research and development fee payments received by the Company from Paladin for the period July 1, 2009 to June 30, 2010, pursuant to the terms of the Research and Development Agreement. Under the agreement, the primary substantive obligations of the Company had been achieved by the Company by December 31, 2010. However, under the agreement, the Company is also required to maintain the patent portfolio in Canada, South Africa and Israel and to provide further support and cooperation to Paladin over the life of the agreement. As a result, the balance in deferred revenue at January 1, 2011 is being amortized into research and development revenue on a straight-line basis over the remaining life of the agreement, which ends in June 2016.

Other revenue

In January, 2012 the Company satisfied an outstanding condition pursuant to an agreement with Lux for the sale of Active Pharmaceutical Ingredient (API) such that $1.32 million (US$1.3 million) was due and payable in two instalments of $661,000 (US$650,000) each on July 29, 2012 and July 29, 2013, respectively. The Company recorded the sale of API in the amount of $1.3 million as other income in the first quarter ended March 31, 2012. The Company, in a previous year, had recorded the cost of this API as a research and development expense.

The US$1.3 million amount is owed by Lux to the Company but the timing and collectability of the amount is uncertain, particularly as a result of Lux not meeting the primary endpoint in the Phase 3 uveitis clinical trial. Therefore, the Company has recorded a provision for doubtful collection of $1.31 million for the year ended December 31, 2012.

The Company received $446,000 from Lux in 2011 to reimburse the Company for the costs of the midazolam drug interaction clinical study that the Company had completed in the previous year. The payment was triggered as a result of Lux not receiving regulatory approval for the uveitis indication by a specified date. The Company recorded this amount as other revenue.

Research and Development

The major components of research and development (“R&D”) expenditures for the last two years were as follows:

R & D Expenditures (in thousands of dollars)	2012 $	2011 $	Increase (Decrease) $
Research and development, net			
Drug supply-API and capsules	2,741	—	2,741
Wages and employee benefits	1,546	1,895	(349)
Study contracts, consulting and other outside services	324	791	(467)
Rent, utilities and other facility costs	495	483	12
Gases, chemicals and lab supplies	75	97	(22)
Stock compensation expense	104	137	(33)
Patent annuity and legal fees	318	309	9
Insurance	39	45	(6)
Other miscellaneous	33	99	(66)
Subtotal	**5,675**	**3,856**	**1,819**
Less Refundable tax credits and other government assistance	(194)	(307)	113
Net R&D expenditures	**5,481**	**3,549**	**1,932**

Net research and development expenditures increased to $5.48 million for the year ended December 31, 2012, compared to $3.55 million for the year ended December 31, 2011, an increase of $1.93 million.

The Company’s R&D efforts for the year ended December 31, 2012 primarily focused on the planning and pre-dosing activities for the voclosporin Phase 3 clinical trial for kidney transplant and securing drug supply (both API and packaged capsules for the transplant trial and its partners’ programs).

The Company's R&D efforts in 2012 also included assisting Lux as required for the uveitis regulatory submission to the FDA prior to receipt of Lux's Phase 3 uveitis clinical trial results. The Company also conducted research activities for the NICAM program.

The Company incurred total R&D costs of $371,000 ($459,000 in 2011) related to the NICAM program in 2012. The Company received funding from the NRC of $58,000 in 2012 ($108,000 in 2011), which is reflected in refundable tax credits and government assistance, related to these costs.

Corporate and Administration

The components of corporate and administration for the year ended December 31, 2012, compared to the year ended December 31, 2011, are as follows:

Corporate and Administration (in thousands of dollars)	2012	2011	Increase (Decrease)
	$	$	$
Professional and consulting fees	1,871	869	1,002
Salaries and benefits	957	976	(19)
Travel and promotion	284	185	99
Office, data processing, telecommunications and other	188	206	(18)
Director fees	176	75	101
Stock compensation expense	171	242	(71)
Trustee fees, filing fees and other public company costs	110	93	17
Insurance	65	67	(2)
Rent, utilities and other facility costs	59	89	(30)
Corporate and administration expenses	**3,881**	**2,802**	**1,079**

The increase in corporate and administration expenditures in 2012 compared to 2011 was primarily from higher professional fees resulting from the arbitration process with ILJIN. The Company incurred arbitration court costs of $219,000 and legal fees of $859,000 related to the arbitration process.

Stock-based Compensation expense

For stock option plan information and outstanding stock option details refer to note 14(c) of the year end audited consolidated financial statements for December 31, 2012.

For the year ended December 31, 2012, the Company granted 8,925,000 stock options (2011 – 6,310,000) to the executives, directors and employees of the Company at a weighted average price of $0.07 (2011 – $0.14) per share. The options have a three year term from the date of grant for employees and a term of ten years for executives and directors of the Company. The stock options granted in 2012 vest on a time release basis.

The Company used the Black-Scholes option pricing model to estimate the fair value of the options granted to employees, officers and directors.

The following weighted average assumptions were used to estimate the fair value of the options granted during the years ended December 31, 2012 and 2011:

	2012	2011
Annualized volatility	97.6%	100.3%
Risk-free interest rate	1.26%	1.61%
Expected life of options in years	4.52 years	3.75 years
Estimated forfeiture rate	7.76%	5.85%
Dividend rate	0.0%	0.0%
Exercise price	$ 0.07	$ 0.14
Market price on date of grant	$ 0.07	$ 0.14
Fair value per common share option	$ 0.05	$ 0.09

The Company considers historical volatility of its common shares in estimating its future stock price volatility. The risk-free interest rate for the expected life of the options was based on the yield available on government benchmark bonds with an approximate equivalent remaining term at the time of the grant. The expected time until exercise is based upon the contractual term, taking into account expected employee exercise and expected post-vesting employment termination behaviour.

Application of the fair value method resulted in a charge to stock-based compensation expense of $275,000 (2011 – $379,000) with corresponding credits to contributed surplus. For the year ended December 31, 2012, stock compensation expense has been allocated to research and development expense in the amount of $104,000 (2011 – $137,000) and corporate administration expense in the amount of $171,000 (2011 – $242,000).

Amortization of property and equipment

Amortization expense for property and equipment decreased to $580,000 for the year ended December 31, 2012, compared to $710,000 for the year ended December 31, 2011 as additional equipment and leasehold improvements became fully amortized during the year.

Amortization of intangible assets

Amortization of intangible assets in 2012 was consistent with that of the previous year at $267,000 for the year ended December 31, 2012, compared to $271,000 for the year ended December 31, 2011.

Other expense (income), net, composed of:

Financial assets at fair value through profit or loss		
Loss (gain) on derivative financial asset	4,178	(4,178)
Finance income		
Interest income on short-term bank deposits	(7)	(10)
Finance costs		
Interest on drug supply payable	51	—
Debt finance fee	45	—
Interest on finance lease	5	1
	101	1
Other		
Provision for doubtful collection of receivable from Lux	1,310	—
Foreign exchange loss (gain)	(16)	71
Gain on disposal of equipment	(8)	—
Royalty expense	—	137
	1,286	208

Loss (Gain) on derivative financial asset

See "Critical accounting estimates and Judgment" section of this document for discussion of this item.

Provision for doubtful collection of receivable from Lux

See "Critical accounting estimates and Judgment" section of this document for discussion of this item.

Foreign exchange loss

The Company's functional currency is the Canadian dollar. The Company recorded a foreign exchange gain of $16,000 for the year ended December 31, 2012 compared to a loss of $71,000 for the year ended December 31, 2012. The Company incurs foreign exchange gains or losses depending on the fluctuations of the Canada-US exchange rates and US dollar working capital balances.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2012, the Company had $184,000 in cash and cash equivalents, $183,000 in accounts receivable, $1.57 million, in accounts payable and accrued liabilities, $1.7 million in drug supply payable and a finance lease liability of $36,000.

The success of the Company, its ability to complete the development of its pharmaceutical products and, in particular, voclosporin, and its ability to continue as a going concern is directly related to the Company raising additional financial resources in the immediate future (see note 2 to the consolidated financial statements).

In the fourth quarter of 2012, Company closed a non-brokered private placement, raising proceeds of $758,000 by the issuance of 18,950,000 units at a price of 4 cents per unit. Each unit consisted of one common share and one non-transferable common share purchase warrant exercisable at 5 cents for a period of two years from the closing dates. No commissions or finder's fees were paid.

As a result of closing the private placement, the Company had 192,871,249 common shares issued and outstanding as at December 31, 2012. At December 31, 2012, the Company also had 18,950,000 warrants outstanding at $0.05, 401,388 warrants outstanding to purchase common shares at $1.00 and 16,037,000 stock options outstanding with a weighted average exercise price of $0.11 per share.

The Company is in the development stage and is devoting substantially all of its efforts towards completing the development activities for its late stage drug, voclosporin. The recoverability of amounts expended on research and development to date, including capitalized intangible assets, is dependent on the ability of the Company and its partners to complete these development activities and receive regulatory approval and to be able to commercialize voclosporin in the key markets and indications whereby the Company can achieve future profitable operations. The Company is dependent on raising additional funds through the issuance of shares, and/or attracting additional funding from either its current partners or new ones in order to undertake further development and commercialization of its intellectual property. While it has been successful in raising capital in the past, there can be no assurance it will be able to do so in the future. Without additional funding, the Company will be required to curtail certain or all of its operations.

Net cash used in operating activities for the year ended December 31, 2012, was $6.51 million compared to cash used in operating activities of $1.38 million for the year ended December 31, 2011. Cash used in operating activities in 2012 was composed of net loss, add-backs or adjustments not involving cash and net change in non-cash working items. The net cash used in operating activities in 2011 was composed of net loss, add-backs or adjustments not involving cash, net change in non-cash working items and $4.51 million of deferred license fee received from the ILJIN transaction.

Cash used by investing activities for the year ended December 31, 2012, was $31,000 compared to $1.18 million for the same period in 2011. Cash used by investing activities in the year ended December 31, 2011 included $1.0 million paid to purchase patents and territory rights from Paladin in conjunction with the completion of the ILJIN transaction.

Cash provided by financing activities for the year ended December 31, 2012, was $713,000 compared to $2.33 million for the year ended December 31, 2011.

The Company received $758,000 in net proceeds from the issuance of common shares in the fourth quarter of 2012 compared to $2.34 million of net proceeds from the issuance of the common shares, including $2.38 million from ILJIN less $125,000 in share issue costs in the first quarter of 2011.

CONTRACTUAL OBLIGATIONS

The Company had a fixed term operating lease for its premises which expired on August 31, 2012. Effective September 1, 2012 the Company signed a month to month lease at the same location with a two month termination clause. The Company has also entered into other agreements with suppliers and service providers in the normal course of business.

The following table presents contractual obligations and purchase obligations arising from these agreements other than amounts already recorded in accounts payable and accrued liabilities and drug supply payable currently in force as at December 31, 2012.

(in thousands of dollars)	Total	Less than one year	Two to three years	Greater than three years
	$	$	$	$
Operating lease obligation	76	76	—	—
Purchase obligations	263	160	88	15
Finance lease liability	37	37	—	—

RELATED PARTY TRANSACTIONS

For details on related party transactions, refer to note 21 of the audited consolidated financial statements for December 31, 2012.

OFF-BALANCE SHEET ARRANGEMENTS

To date the Company has not had any relationships with unconsolidated entities or financial partnerships, such as entities referred to as structured finance or special purpose entities, which are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with IFRS often requires management to make estimates about and apply assumptions or subjective judgment to future events and other matters that affect the reported amounts of the Company's assets, liabilities, revenues, expenses and related disclosures. Assumptions, estimates and judgments are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's consolidated financial statements are prepared. Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates and judgments in order to ensure that the consolidated financial statements are presented fairly and in accordance with IFRS.

Critical accounting estimates and judgments are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustment.

Management considers the following areas to be those where critical accounting policies affect the significant judgments and estimates used in the preparation of the Company's consolidated financial statements.

Critical judgments in applying the Company's accounting policies

Revenue recognition

Management's assessments related to the recognition of revenues for arrangements containing multiple elements are based on estimates and assumptions. Judgment is necessary to identify separate units of accounting and to allocate related consideration to each separate unit of accounting. Where deferral of upfront payments or license fees is deemed appropriate, subsequent revenue recognition is often determined based upon certain assumptions and estimates, the Company's continuing involvement in the arrangement, the benefits expected to be derived by the customer and expected patent lives. To the extent that any of the key assumptions or estimates change future operating results could be affected.

Impairment of financial assets

A financial asset is impaired, and an impairment loss recorded, if there is objective evidence of impairment as result of one or more events that occurred after initial recognition of the asset, and that event has an impact on estimated future cash flows of the financial asset. At December 31, 2012, the Company had booked an impairment provision against the full amount owing from its partner Lux of US$1.3 million. In making this assessment, management determined that Lux was experiencing financial difficulties during the year as it was not able to make payments in accordance with the original terms of the agreement, and sought to renegotiate terms. Further, on December 27, 2012, Lux failed to meet the primary endpoint in its phase three uveitis trial, which is a significant event further impacting Lux's financial condition. As a result, the Company does not expect any future cash inflows from this asset.

Drug inventory

Inventories are measured at the lower of cost and net realizable value. Determining net realizable value involves significant judgment. The Company's drug (voclosporin) is still in development and has not been commercialized for any indication at this time. Given the uncertainty with respect to commercial sales of the drug compound and finished capsules, and that the only current use of the inventory is for clinical trials, management has determined that a reserve should be recognized against the entire amount of inventory at December 31, 2012. This resulted in an expense being recorded into research and development expenses in the statement of operations and comprehensive loss of $2.74 million. Should a future market materialize for the Company's inventory, this reserve, or some portion of it, may be reversed in the future.

Fair value of stock options

Determining the fair value of stock options, including performance based options, requires judgment related to the choice of a pricing model, the estimation of stock price volatility, expected term of the underlying instruments and the probability factors of success in achieving the objectives used for the performance based options used. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results, liabilities or other components of shareholders' equity.

Fair value of financial derivative asset

Pursuant to the Development, Distribution & Licensing Agreement ("DDLA") with ILJIN, ILJIN was entitled to acquire a fixed number of common shares for a fixed US dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of operations and comprehensive loss as they arise. At December 31, 2011 the Company recorded the fair value change of $4.18 million and recorded a non-cash gain on derivative financial asset. The derivative was separated on the basis of the stated terms of the share purchase rights in the DDLA. Management had estimated the fair value of the derivative asset at December 31, 2011 considering all factors that would impact the fair value. The Company used a 50% probability weighting factor as at December 31, 2011 as to the whether ILJIN would make the payment as required on or before January 28, 2012 and as result recorded a fair value change of $4.18 million as a non-cash gain on derivative financial asset.

ILJIN did not make the required payment, resulting in a dispute that led to arbitration. The Company, Aurinia and ILJIN, subsequent to year end, have entered into a definitive tripartite agreement as more fully described in the

"Recent Corporate Developments" section of this document. Accordingly the fair value of the financial derivative asset has been assessed to be $Nil at December 31, 2012 and accordingly the Company has recorded a loss on financial derivative asset of $4.18 million in other expense (income) in the statement of operations and comprehensive loss for the year ended December 31, 2012.

Intangible assets and impairment

The values associated with intellectual property with finite lives are determined by applying significant estimates and assumptions, including those related to cash flow projections, economic risk, discount rates and asset lives.

Valuations performed in connection with post-acquisition assessments of impairment of intellectual property are based on estimates that include risk-adjusted future cash flows, which are discounted using appropriate interest rates. Projected cash flows are based on business forecasts, trends and expectation and are therefore inherently judgmental. Future events could cause the assumptions utilized in impairment assessments to change, resulting in a potentially significant effect on the Company's future operating results due to increased impairment charges, or reversals thereof, or adjustments to amortization charges.

RISKS AND UNCERTAINTIES

The success of the Company and its ability to complete the development of its pharmaceutical products and, in particular, voclosporin, is directly related to the Company's ability to raise additional financial resources and successfully complete the proposed merger with Aurinia. Additional sources of capital include payments from potential new licensing partners, equity financings, debt financings and/or the monetization of certain of the Company's intangible assets. There is no assurance of obtaining additional financing through these arrangements or any arrangements on acceptable terms. Given the nature of the biotechnology sector, it may be difficult to raise significant new capital at a reasonable or at any cost. If the Company is not able to obtain additional funding from other sources, management may be required to reduce or terminate development programs or curtail certain or all of its operations. There can be no assurance that any financing efforts will be successful. It is possible that financing may not be available or not be on favourable terms.

The Company has invested a significant portion of its time and financial resources in the development of voclosporin. The Company anticipates that its ability to generate revenues and meet expectations will depend primarily on the successful development and commercialization of voclosporin. The successful development and commercialization of voclosporin will depend on several factors, including the following:

- successful completion of clinical programs;
- receipt of marketing approvals from the FDA and other regulatory authorities with a commercially viable label;
- securing and maintaining partners with sufficient expertise and resources to help in the continuing development and eventual commercialization of voclosporin for autoimmune indications and transplant;
- maintaining suitable manufacturing and supply agreements to ensure commercial quantities of the product through validated processes; and
- acceptance and adoption of the product by the medical community and third-party payors.

A detailed list of the risks and uncertainties affecting the Company can be found in the Company's Annual Information Form which is filed on SEDAR. Additional risks and uncertainties of which the Company is unaware, or that it currently deems to be immaterial, may also become important factors that affect the Company.

Capital management

The Company's objective in managing capital is to ensure a sufficient liquidity position to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company defines capital as net equity, comprised of issued common shares, warrants, contributed surplus and deficit.

The Company's objective with respect to its capital management is to ensure that it has sufficient cash resources to maintain its ongoing operations and finance its research and development activities, corporate and administration expenses, working capital and overall capital expenditures.

Since inception, the Company has primarily financed its liquidity needs through public offerings of common shares and private placements. The Company has also met its liquidity needs through non-dilutive sources, such as debt financings, licensing fees from its partners and research and development fees.

There have been no changes to the Company's objectives and what it manages as capital since the prior fiscal period. The Company is not subject to externally imposed capital requirements.

Financial instruments and Risk factors

Financial assets and liabilities have been classified into categories that determine their basis of measurement and for items measured at fair value, whether changes in fair value are recognized in the statement of operations or comprehensive loss. Those categories are fair value through profit or loss; loans and receivables; and, for liabilities, amortized cost.

In establishing fair value, the Company used a fair value hierarchy based on levels defined below:

- Level 1: defined as observable inputs such as quoted prices in active markets.
- Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: defined as inputs that are based on little or no observable market data, therefore requiring entities to develop its own assumptions.

The Company has determined that the carrying values of its short-term financial assets and liabilities, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, drug supply payable and finance lease liability, approximate their fair value because of the relatively short period to maturity of the instruments.

Derivative financial assets and liabilities are stated at estimated fair value. The derivative asset related to the ILJIN share purchase rights at December 31, 2011 had been classified into the level 3 category. Note 5 to the year ended December 31, 2012 financial statements provides additional disclosure regarding this item. The fair value of the investment in Aurinia is also classified into level 3.

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. Risk management is carried out by management under policies approved by the board of directors. Management identifies and evaluates the financial risks. The Company's overall risk management program seeks to minimize adverse effects on the Company's financial performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through the management of its capital structure and financial leverage as discussed above. It also manages liquidity risk by continuously monitoring actual and projected cash flows. There are material uncertainties that may cast a significant doubt that the Company will be able to continue as a going concern without raising additional funds as more fully discussed in Note 2 of the consolidated financial statements. See also "Recent Corporate Developments" for activities being conducted by the Company subsequent to the year end.

The Company's activities have been financed through a combination of the cash flows from licensing and development fees and the issuance of equity and/or debt. The Company completed a $758,000 private placement in the fourth quarter of 2012.

Accounts payable and accrued liabilities of $1,573,000, drug supply payable of $1,698,000 and the current portion of finance lease liability of $36,000 are due and payable within one year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's exposure to interest rate risk at December 31, 2012 is considered minimal.

Foreign currency risk

The Company is exposed to financial risk related to the fluctuation of foreign currency exchange rates.

Foreign currency risk is the risk that variations in exchange rates between the Canadian dollar and foreign currencies, primarily with the United States dollar, will affect the Company's operating and financial results. The Company's exposure to foreign currency risk at December 31, 2012 is considered minimal as no material financial assets or liabilities are denominated in currencies other than the Canadian dollar.

The Company, in the second quarter ended June 30, 2011, entered into eight $250,000 USD-CDN foreign exchange collar contracts to reduce its exposure to foreign exchange fluctuations. At December 31, 2011 the Company had four of these foreign exchange collar arrangements outstanding. Under the terms of the collars, the Company bore the exchange risk or benefit when the USD dollar traded against the CDN dollar at specific rates ranging from $0.955 to $1.025 over specific periods of time ranging from 90 days to 365 days. For the year ended December 31, 2011 the valuation of these collar contracts to fair value resulted in an unrealized foreign exchange loss adjustment of $96,000 which was recorded in foreign exchange loss on the Consolidated Statement of Operations and Comprehensive loss. At December 31, 2011 the Company recorded a derivative financial liability of $96,000 on the Consolidated Statement of Financial Position. The remaining collar contracts were either settled or expired in 2012 and as a result the derivative financial liability was derecognized upon settlement in 2012.

Credit risk

The Company's cash was held at a major Canadian Bank. The Company had a credit risk of $1,310,000 related to a Receivable from partner (Lux) during the year. The Company wrote-down the receivable to $nil at December 31, 2012 as more fully described in note 13(f) to the year ended December 31, 2012 financial statements.

CONTINGENCIES

i) The Company may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes that the ultimate resolution of such contingencies will not have a material adverse effect on the consolidated financial position of the Company.

ii) The Company entered into indemnification agreements with its officers and directors. The maximum potential amount of future payments required under these indemnification agreements is unlimited. However, the Company does maintain liability insurance to limit the exposure of the Company.

iii) The Company has entered into license and research and development agreements with third parties that include indemnification and obligation provisions that are customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of third party claims or damages arising from these transactions. These provisions may survive termination of the underlying agreement. The nature of the obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any payments under such agreements and no amount has been accrued in the accompanying consolidated financial statements.

iv) The Company and ILJIN incurred legal and other costs related to the arbitration process. The allocation of costs has not yet been determined by the arbitration panel. The Company believes its maximum exposure to costs incurred by ILJIN would not exceed $1,200,000, however, management's assessment that a cost award in favour of ILJIN is unlikely. Accordingly no provision has been made. Further, upon completion of the transactions contemplated as described in the "Recent Corporate Developments' section, all claims by ILJIN against the Company would be dismissed

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as required under applicable Canadian regulatory requirements. The Company's internal control over financial reporting ("ICFRs") is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

Internal controls over financial reporting include those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements on a timely basis. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to consolidated financial statements preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As at December 31, 2012, management assessed the effectiveness of the Company's ICFRs and, based on that assessment concluded that the Company's ICFRs was effective and that there were no material weaknesses in the Company's ICFRs. No changes have occurred during the most recent interim period that have materially affected or are reasonably likely to materially affect the Company's ICFRs.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all material information required to be publicly disclosed by a public company is gathered and communicated to management, including the certifying officers, on a timely basis.

The Company's Chief Executive Officer and its Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure and procedures. They are assisted in this responsibility by the other Officers of the Company. This group requires that it be fully appraised of any material information affecting the Company so that it may evaluate and discuss this information so that the appropriate decisions can be made regarding public disclosure.

The Chief Executive Officer and the Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures as at December 31, 2012, have concluded that the disclosure controls and procedures were adequate and effective to provide reasonable assurance that material information the Company is required to disclose on a continuous basis in interim and annual filings and other reports and news releases is recorded, processed, summarized and reported or disclosed on a timely basis as necessary.

ADDITIONAL COMPANY INFORMATION

Additional information on the Company may be found in its regulatory filings including its Annual Information Form, quarterly reports and proxy circulars filed with the Canadian Securities Commissions through SEDAR at www.sedar.com or at the Company's Web site at www.isotechnika.com.

UPDATED SHARE INFORMATION

As at April 3, 2013, the following class of shares and equity securities potentially convertible into common shares were outstanding:

Common shares	192,871,000
Convertible equity securities	
Warrants	19,351,000
Stock options	15,694,000

SUPPLEMENTAL INFORMATION

Selected Annual Information

(expressed in thousands of dollars, except per share data)

	2012	2011	2010
Statement of Operations	$	$	$
Revenues	6,126	947	3,421
Total expenses, net	(15,813)	(3,405)	(9,043)
Current income and capital taxes	—	—	(101)
Net loss from continuing operations	(9,687)	(2,458)	(5,723)
Net income from discontinued operation	—	—	1,900
Net loss for the year	(9,687)	(2,458)	(3,823)
Net loss per share	(0.05)	(0.01)	(0.03)
Weighted average number of common shares outstanding	177,619	172,964	138,050
Balance sheets			
Working capital (deficiency)	(3,211)	6,321	5,236
Total assets	4,138	14,622	10,284
Total non-current financial liabilities	—	36	—
Shareholder's equity (Deficit)	(2,108)	6,546	6,349
Common shares outstanding	192,871	173,921	162,296

Quarterly Information

(expressed in thousands of dollars except per share data)

Set forth below is selected unaudited consolidated financial data for each of the last eight quarters:

2012	Q1 $	Q2 $	Q3 $	Q4 $	Annual
Revenues	5,800	90	86	150	6,126
Research and development costs in total expenses	802	817	554	3,308	5,481
Corporate and administration costs in total expenses	986	990	974	935	3,881
Other expense (income) included in total expenses	4,234	400	38	886	5,558
Net loss for the period	(454)	(2,343)	(1,702)	(5,188)	(9,687)
Per common share ($)					
Net loss – basic and diluted	(.003)	(0.013)	(0.003)	(0.028)	(0.05)
Common Shares outstanding	173,921	173,921	173,921	192,871	192,871
Weighted average number of common shares outstanding	173,921	173,921	173,921	188,630	177,619
2011					
Revenues	134	148	555	110	947
Research and development costs in total expenses	781	1,080	771	917	3,549
Corporate and administration costs in total expenses	709	656	682	755	2,802
Other expense (income) included in total expenses	1,287	(6,569)	(3,392)	4,695	(3,979)
Net income (loss) for the period	(2,893)	4,723	2,242	(6,530)	(2,458)
Per common share ($)					
Net income (loss) – basic and diluted	(0.018)	0.027	0.013	(0.038)	(0.01)
Common Shares outstanding	173,921	173,921	173,921	173,921	173,921
Weighted average number of common shares outstanding	164,206	173,921	173,921	173,921	172,964

Summary of Quarterly Results

The primary factors affecting the magnitude of the Company's losses in the various quarters include the amortization of deferred revenue to revenues, research and development costs, timing associated with the clinical development programs and gains (losses) on financial instrument derivatives and fair value changes in these derivatives.

See "Fourth Quarter Analysis" below for discussion of the significant items in the fourth quarter of 2012.

The net loss for the three months ended March 31, 2012 reflected amortization of the remaining ILJIN deferred licensing revenue of $4.40 million as a result of the termination of the DDLA with ILJIN. Results for the same period also reflected revenue from the sale of API to Lux in the amount of $1.3 million.

The net loss for the three months ended March 31, 2012 also included a non-cash loss on the ILJIN related financial derivative asset of $4.18 million as more fully discussed in the "Loss (gain) on derivative financial asset" section earlier in this document.

The net loss for the three months ended December 31, 2011 included a non-cash loss on the ILJIN related financial derivative asset of $4.65 million. The net income for the three months ended September 30, 2011 included a gain on the ILJIN derivative of $3.05 million. The net income for the three months ended June 30, 2011 included a gain on this derivative of $6.65 million while the net loss for the three months ended March 31, 2011 included a loss on the ILJIN derivative of $871,000.

These unrealized gains (losses) resulted from the required accounting treatment for derivatives in financial instruments. Pursuant to the DDLA, ILJIN was entitled to acquire a fixed number of common shares for a fixed US dollar price per share on the first and second anniversary dates of the DDLA. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative asset or liability and measured at fair value with changes recognized in the statement of operations and comprehensive income (loss) as it arises. These fair value adjusted derivative gains or losses did not affect the cash position of the Company.

Fourth Quarter Analysis

The Company recorded a net consolidated loss of $5.19 million or $0.028 per common share for the fourth quarter ended December 31, 2012, compared to a consolidated loss of $6.53 million or $0.038 per common share for the fourth quarter ended December 31, 2011.

The decrease in the net consolidated loss for the fourth quarter ended December 31, 2012 compared to 2011 reflected a change in the fair value of the derivative financial asset related to the ILJIN DDLA recorded in the fourth quarter of 2011. The Company recorded a non-cash loss of $4.65 million in the fourth quarter of 2011 related to this change in the fair value. For purposes of determining the fair value of the derivative financial asset the Company used a 50% probability weighting factor at December 31, 2011 as to the whether ILJIN would make the payment as required on or before January 28, 2012. The derivative financial asset fair value of $4.18 million at December 31, 2011 was adjusted to $nil in the first quarter of 2012 as a result of the notification of termination of the ILJIN DDLA by the Company on January 30, 2012. At December 31, 2012 the fair value of the derivative financial asset related to ILJIN was assessed at $nil.

The net loss for the three months ended December 31, 2012 included a provision on drug supply inventory of $2.74 million to research and development expense which was recorded in research and development costs and an additional provision of $860,000 on the Lux receivable related to the sale of API to Lux in 2012 (the Company had previously recorded a provision of $450,000 on this receivable in the second quarter of 2012).

OUTLOOK

In order to undertake further development and commercialization of voclosporin and continue development of the NICAM program the Company must raise funds in the immediate future.

As discussed earlier in this document, the Company and Aurinia on February 5, 2013 signed a Binding Term Sheet for the merger of the two companies, creating a clinical development stage pharmaceutical company focused on the global nephrology market.

The Term Sheet sets forth the main criteria to be incorporated into a definitive merger agreement under which Isotechnika will acquire 100% of the outstanding securities of Aurinia. The merger is expected to be effected by an exchange of Isotechnika shares for securities of Aurinia, resulting in a 65:35 post-merger ownership split between Isotechnika and Aurinia, respectively.

In addition, Isotechnika and Aurinia have negotiated a tripartite settlement with ILJIN pursuant to which, upon the successful completion of the proposed merger, the combined company will re-acquire full rights to voclosporin for autoimmune indications including lupus, and transplantation in the United States, Europe and other regions of the world, outside of Canada, Israel, South Africa, China, Taiwan and Hong Kong. In return, ILJIN will be entitled to receive certain pre-defined future milestone payments in the aggregate amount of $10 million, plus up to $1.6 million upon the new company reaching certain financing milestones. ILJIN will also own 25% of the issued and outstanding shares of the merged company.

The transaction is subject to certain closing conditions including, among others, the negotiation and completion of a merger agreement, acceptance and approval by the Toronto Stock Exchange (the “TSX”), the approval of Isotechnika’s shareholders and Isotechnika securing up to $3 million in debt or equity financing satisfactory for it to fulfill its obligations as contemplated by the Term Sheet. The merged entity is expected to adopt Aurinia Pharmaceuticals Inc. as its new corporate name.

The consolidation of the intellectual property through the merger and reaching a settlement agreement with ILJIN provides the combined entity with a much higher probability of being able to raise the necessary funding to continue the development of voclosporin for the lupus indication. Further the Company will be able to continue to explore strategic global partnership transactions for the transplant indication. Ideally, the Company would advance both transplantation and lupus nephritis to optimize shareholder value. A merged Company, having both the lupus nephritis and renal transplantation indications under a single corporate umbrella would likely offer the most commercially attractive opportunity.

The Company is actively working to secure interim capital to facilitate the completion of the merger process.

The outcome of these matters is dependent on a number of factors outside of the Company's control. Given the nature of the biotechnology sector there is no assurance that any new partnerships or financings will materialize on a timely basis or be obtained on favourable terms. Depending on the results of the research and development programs and availability of financial resources, the Company may accelerate, terminate, cut back on certain areas of research and development, commence new areas of research and development, or curtail certain or all of the Company's operations.

The Company remains focused on unlocking shareholder value by developing and commercializing voclosporin either directly by the Company or indirectly through its partners.

Exhibit 99.25

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE FIRST QUARTER ENDED MARCH 31, 2013

The following Management's Discussion and Analysis of Financial Condition or MD&A and Results of Operations provides information on the activities of Isotechnika Pharma Inc. ("Isotechnika" or the "Company") on a consolidated basis and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and accompanying notes for the three months ended March 31, 2013. All amounts are expressed in Canadian dollars unless otherwise stated. This document is current in all material respects as of May 13, 2013.

The Company prepares its consolidated financial statements in accordance with the CICA Handbook.

Accordingly, the financial information contained in this MD&A and in the Company's interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards or IFRS as issued by the International Accounting Standards Board or IASB. The interim condensed consolidated financial statements and MD&A have been reviewed by our Audit Committee and approved by the Board of Directors.

Forward-looking Statements

This document may contain forward-looking information, including, but not limited to, statements with respect to the merger of the Company and Aurinia, the proposed business of the combined company, the combined company having a higher probability of being able to obtain necessary funding, the combined company being able to continue to explore strategic global partnership transactions, the combined company offering the most commercially attractive opportunity, the completion of the Unit Offering and the Subscription Receipt Offering and the gross proceeds there-from and other information or statements about future events or conditions which may prove to be incorrect.

The forward-looking statements and information contained in this document are based on certain factors and assumptions made by management of the Company including, but not limited to Aurinia, ILJIN and the Agent fulfilling their obligations in the various agreements the Company has entered into with them.

The forward-looking statements and information contained in this document are subject to a number of significant risks and uncertainties that could cause actual results to differ materially from those anticipated including, but not limited to, risks relating to the transactions not proceeding for any reason, the Company not being able to obtain sufficient funding from the completion of one or both of the Unit Offering and Subscription Receipt Offering, the anticipated synergies between the Company and Aurinia not proceeding as expected, regulatory approval for the merger, the Unit Offering or the Subscription Receipt Offering not being obtained, and the impact of any occurring natural disasters and economic, business and market conditions.

Additional risks and uncertainties include, among others, the Company's belief as to the potential of its products and in particular voclosporin, its ability to protect its intellectual property rights, securing and maintaining corporate alliances and partnerships, the need to raise additional capital in the future to fund its planned clinical trial program and the effect of capital market conditions and other factors on capital availability, the potential of its products, the success and timely completion of clinical studies and trials, and the Company's and its partners' ability to successfully obtain regulatory approvals and commercialize voclosporin on a timely basis.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements or information prove incorrect, actual results may vary materially from those described herein.

For additional information on risks and uncertainties please see the "Risks and Uncertainties" section of this MD&A. Although the Company believes that the expectations reflected in such forward-looking statements and information are reasonable, undue reliance should not be placed on forward-looking statements or information because the Company can give no assurance that such expectations will prove to be correct.

Forward-looking statements reflect current expectations regarding future events and speak only as of the date of this MD&A and represent the Company's expectations as of that date. Investors should also consult the Company's ongoing quarterly filings, annual reports and the Annual Information Form and other filings found on SEDAR at www.sedar.com.

COMPANY OVERVIEW

Isotechnika is a biopharmaceutical company, headquartered in Edmonton, Alberta, Canada. The head office of the Company is located at 5120 - 75th Street, Edmonton, Alberta T6E 6W2. Isotechnika is incorporated pursuant to the *Business Corporations Act* (Alberta). The Company's shares are listed and traded on the Toronto Stock Exchange (TSX) under the symbol ISA. The Company's primary business is the development of therapeutic drugs.

RECENT CORPORATE DEVELOPMENTS

Proposed Merger of the Company with Aurinia

The Company and privately-held Aurinia Pharmaceuticals Inc. ("Aurinia") on February 5, 2013 signed a binding term sheet ("Term Sheet") for the merger of the two companies, creating a clinical stage pharmaceutical company focused on the global nephrology market.

Aurinia is a spin-out from Vifor Pharma. The Company signed a global Licensing and Collaboration Agreement effective December 30, 2011 with Vifor (International) AG ("Vifor"), the specialty pharma company of Switzerland based Galenica Group. The agreement granted Vifor an exclusive license for voclosporin, for the treatment of lupus and all proteinuric nephrology indications (the "Vifor License"). The Vifor License is for the United States and other regions outside of Canada, South Africa, Israel, China, Taiwan and Hong Kong (the "Vifor Territory"). Aurinia's current leadership team is comprised primarily of former senior managers, directors and officers of Aspreva Pharmaceuticals ("Aspreva"), which Galenica acquired for $915 million in 2008. While at Aspreva, this management team executed one of the largest and most important lupus nephritis studies ever conducted, called the Aspreva Lupus Management Study ("ALMS"), which resulted in the emergence of mycophenolate mofetil as a new standard treatment for patients suffering from this devastating and potentially fatal disease. Aurinia now holds certain rights to this large ALMS database and holds the license for voclosporin in lupus nephritis. Aurinia's lupus rights and database will be combined in the newly merged company with the transplantation and autoimmune rights, and the database held by Isotechnika.

The Term Sheet sets forth the main criteria to be incorporated into a definitive merger agreement under which Isotechnika will acquire 100% of the outstanding securities of Aurinia. The merger is expected to be effected by an exchange of Isotechnika shares for securities of Aurinia, resulting in a 65:35 post-merger ownership split between Isotechnika and Aurinia, respectively.

In addition, Isotechnika and Aurinia have negotiated a tripartite settlement with ILJIN Life Science Co. Ltd. ("ILJIN") pursuant to which, upon the successful completion of the proposed merger, the combined company will re-acquire full rights to voclosporin for autoimmune indications including lupus, and transplantation in the United States, and other regions of the world, outside of Europe, Canada, Israel, South Africa, China, Taiwan and Hong Kong. In return, ILJIN will be entitled to receive certain pre-defined future milestone payments in the aggregate amount of $10 million, plus up to $1.6 million upon the combined company reaching certain financing milestones. ILJIN will also own 25% of the issued and outstanding shares of the combined company.

The transaction is subject to certain closing conditions including, among others, the negotiation and completion of a merger agreement, acceptance and approval by the Toronto Stock Exchange (the "TSX"), the approval of Isotechnika's shareholders and Isotechnika securing up to $3 million in debt or equity financing satisfactory for it to fulfill its obligations as contemplated by the Term Sheet. The merged entity is expected to adopt Aurinia Pharmaceuticals Inc. as its new corporate name.

Aurinia has used and benefited from the ALMS dataset to develop and adequately power a new study in which voclosporin will be layered on top of the standard of care in a multi-target approach to treating lupus nephritis. It is

the Company's belief that this combination has the potential to rapidly and significantly improve patient outcomes. The consolidation of the intellectual property of these two companies ensures that this significant market opportunity is well protected and provides a powerful platform to create true stakeholder value.

Financing Activities

Subsequent to March 31, 2013, the Company entered into two agreements with Canaccord Genuity Corp (the "Agent"), pursuant to which the Agent would assist the Company in selling, on a commercially reasonable efforts basis, securities of the Company in two private placements.

The first private placement will consist of up to 44.45 million units of the Company at a price of $0.045 per unit, or approximately $2 million in gross proceeds. Each unit in the first private placement (the "Unit Offering") will consist of one common share of the Company (a "Share") and one warrant (each, a "Warrant"), with each whole Warrant being exercisable for one Share at a price of $0.05 for a period of up to 36 months from the date of issuance. Given the number of securities to be issued pursuant to the Unit Offering, the Warrants issuable in the Unit Offering will not be exercisable until shareholder approval for their issuance has been obtained. If the shareholder approval is not obtained by September 15, 2013, the Warrants issuable in the Unit Offering will be cancelled.

The second private placement (the "Subscription Receipt Offering") will consist of up to 22.2 million subscription receipts of the Company at a price of $0.045 per subscription receipt, or approximately $1 million in gross proceeds. Each subscription receipt will entitle the holder thereof, upon the satisfaction of certain conditions and for no additional consideration and without any further action, to one Share and one-half of a whole Warrant with each whole Warrant being exercisable for one Share at a price of $0.05 for a period of up to 36 months from the date of issuance. The conditions for the conversion of the subscription receipts include receipt of shareholder approval and regulatory approval. If the conditions for the Subscription Receipt Offering are not met by September 15, 2013, the subscription receipts will be cancelled and the subscription proceeds will be returned to the subscribers. Proceeds from the interim private placements will be utilized for working capital.

In order to help fund its operations in the immediate-term, the Company completed a private placement in April, 2013 with Dr. Richard Glickman, who is a major Aurinia shareholder and ILJIN consisting of the issuance of zero-coupon promissory notes in the aggregate principal amount of $400,000. The notes are secured by the Company's refundable Alberta Scientific Research and Experimental Development Expenditures. The $400,000 is intended to be repaid in connection with the private placements. Dr. Glickman and ILJIN intend to subscribe for Units in the aggregate amount of $400,000.

Iljin Life Science Co., Ltd.

Effective January 28, 2011 (the "Effective Date") the Company completed a Development, Distribution and License Agreement (the "DDLA") with ILJIN for the further clinical and commercial development of voclosporin for use in transplant indications applicable to voclosporin. The Company granted to ILJIN an exclusive license to voclosporin for transplant and autoimmune indications for the United States and other regions outside of Europe, Canada, Israel, South Africa, China, Taiwan and Hong Kong. The Company retained the rights over voclosporin in Europe for future development and commercialization.

Pursuant to the DDLA, the Company was to receive a total license fee of US$5 million. In addition, ILJIN was to purchase 90.7 million common shares of the Company for gross proceeds of US$19.87 million in three tranches.

The Company was obligated under the terms of the agreement to complete a single Phase 3 clinical trial for the prevention of kidney transplant rejection. A Joint Steering Committee ("JSC") with equal membership from the Company and ILJIN was to have been formed to oversee the development and commercialization of voclosporin in the ILJIN territories.

The Company received $4.51 million (US$4.5 million) of the license fee and the first private placement tranche of $2.38 million (US$2.38 million) on January 28, 2011 which was the Effective Date of the Agreement. The Company issued 11.5 million common shares at a price of $0.207 per share (US$0.207) to ILJIN pursuant to the subscription agreement for securities. On or before January 28, 2012 ILJIN was to pay US$500,000 to the Company as the Second Development Payment and purchase 39.6 million common shares of the Company issued from treasury for an

aggregate subscription price of US$8.5 million. On or before January 28, 2013, ILJIN was to purchase the final tranche of 39.6 million common shares of the Company issued from treasury for an aggregate subscription price of US$9 million.

Prior to the January 28, 2012 date, ILJIN verbally indicated their intent to alter the economics of the DDLA. Consequently, payment under the DDLA was not received as required per the agreement of January 28, 2011. The Company on January 30, 2012 notified ILJIN that it was terminating the DDLA. At that time the Company believed that the termination of the original DDLA was valid. As a result of the Company terminating the DDLA with ILJIN the remaining deferred revenue balance of $4.4 million was recorded as licensing revenue on January 30, 2012.

The Company received notification in March, 2012 that ILJIN submitted a request for arbitration to the International Chamber of Commerce ("ICC") Court of Arbitration relating to Isotechnika's termination of the DDLA. The Arbitration hearing to determine the Company's right to terminate the agreement was held early in the fourth quarter of 2012.

In November, 2012 the Company received notification from the ICC that a Partial Award regarding its right to terminate the DDLA with ILJIN had been issued to the parties. In the result, the Partial Award provided that the DDLA had not been terminated and, therefore, the Company's contractual relationship with ILJIN still subsisted. As such the Partial Award rejected the Company's interpretation of the DDLA's termination provision.

In January of 2013, ILJIN formally notified Isotechnika and the arbitral tribunal that ILJIN had withdrawn all claims for damages in the parties' pending arbitration arising from the Development, Distribution and License Agreement.

In 2013 the Company, ILJIN and Aurinia entered into a definitive tripartite settlement agreement whereby the DDLA will be terminated as more fully discussed in the section above.

THE COMPANY'S DRUG DEVELOPMENT PROGRAMS

Voclosporin

Voclosporin, Isotechnika's lead drug, belongs to a class of drugs called *Calcineurin Inhibitors* ("CNIs"), the cornerstone of therapy for the prevention of organ transplant rejection. This drug class includes two currently available drugs, cyclosporine and tacrolimus. Worldwide sales of CNIs in 2010 were approximately US$3 billion. Importantly, voclosporin is the only novel CNI in development which means limited future competition in the CNI class. Voclosporin is also the only CNI with chemical composition patent protection. Chemical composition patents for both cyclosporine and tacrolimus have expired. Furthermore, leading experts in the transplantation field have been increasingly outspoken about the important role of CNIs to prevent transplant rejection. Approximately 95% of all transplant patients are discharged from hospital with lifelong CNI therapy.

Voclosporin has successfully completed comprehensive phase 2a and 2b renal transplant clinical programs in which it demonstrated safety and efficacy. Since tacrolimus is the more commonly used CNI, transplant physicians are looking for a drug that is equivalent in efficacy to tacrolimus, yet offering a better side effect profile, ease of dosing and the ability to reach targeted blood concentrations for therapeutic drug monitoring ("TDM"). In a phase 2b trial versus tacrolimus, voclosporin showed (i) similar efficacy, (ii) a wider therapeutic window, and (iii) lower incidence of new onset diabetes after transplant ("NODAT"), in the proposed target therapeutic range.

One of the most important key benefits of voclosporin over tacrolimus is the markedly reduced incidence of NODAT. This new-onset, drug-induced diabetes is difficult to manage, significantly adds to overall healthcare costs, and greatly compromises the life-saving benefit of a transplant by causing increased organ rejection, morbidity and death. NODAT is an important concern with tacrolimus. The literature indicates that, on average, patients with NODAT lose their transplanted organ 3 years earlier, have a 23% increase in death after 5 years post transplant, and costs the medical system an additional $12,000 per year when compared to patients without NODAT. The data suggests that voclosporin can provide a superior profile versus tacrolimus on this key issue, as well as cause less diarrhea and sustained tremors (neurotoxicity). Furthermore, the clear relationship between blood concentrations of voclosporin and clinical outcomes is another distinct advantage as it should enhance ease of dosing and monitoring for both physicians and patients. This latter advantage relates to the pharmacokinetic-pharmacodynamic (PK-PD) properties of voclosporin. Greater PK-PD predictability is a key advantage of voclosporin over the other two CNI's.

The phase 3 program for transplant would consist of two clinical trials, each enrolling approximately 600 new kidney transplant patients. One trial would be conducted primarily in the United States and Canada, while the second trial would enroll patients primarily in Europe. The trials aim to demonstrate non-inferiority in a composite endpoint, primarily driven by biopsy proven acute rejection ("BPAR"), compared to tacrolimus. A key secondary endpoint will be the incidence of NODAT, as well as the overall safety and tolerability of voclosporin relative to tacrolimus.

The Company, in October 2011, received positive Scientific Advice ("SA") from the European Medicines Agency ("EMA") on the proposed phase 3 clinical trial protocol for voclosporin. Receipt of positive Scientific Advice ensures a clear regulatory path forward in the European Union. In March, 2012 the Company received an agreement letter from the United States Food & Drug Administration ("FDA") on a Special Protocol Assessment ("SPA") for the planned Phase 3 trial.

In the fourth quarter of 2012 the Company received permission (Investigational New Drug. "IND") from the U.S. Food and Drug Administration ("FDA") to commence the first of two planned phase 3 kidney transplant trials for its lead product candidate, voclosporin. These regulatory events mark significant steps for the Company on the path to initiate final testing of voclosporin to prevent kidney transplant rejection.

Alongside the regulatory and clinical preparations, another key process step requires having active pharmaceutical ingredient ("API") ready to be formulated into soft gelatin capsules and then administered to patients. A new batch of voclosporin API was ordered from the manufacturer in 2011. The manufacturing process was completed in April, 2012 upon the Company receiving a Certificate of Analysis indicating that the API met specifications. The Company in the third quarter of 2012 completed the process of encapsulating the API and packaging the capsules for clinical supply.

Financing Initiatives

The costs of the clinical trials are estimated to be in the range of $27.5 million to $30 million for each of the two renal transplant trials. The Company has been pursuing opportunities to fund the trials through strategic partnerships and/or equity financing. One of the difficulties encountered in raising these funds by issuing equity from Treasury is the Company's current low market capitalization. Raising the funds for the two required pivotal phase 3 trials is highly dilutive and difficult to achieve. Licensing voclosporin for the transplant indication is therefore a preferred pathway. However, as ILJIN currently has the rights to commercialize voclosporin in the US and most of the rest of world (ROW), including Asia-Pacific (excluding China, Hong Kong and Taiwan), the global transplant rights are unavailable to a new potential licensee. This is one of the reasons for the Tripartite Agreement Settlement between Isotechnika-ILJIN-Aurinia. A return of the rights and license for the ILJIN territories for voclosporin would enhance the Company's ability to seek a global licensing partner to further the development and commercialization of voclosporin for transplantation.

Another reason for the Tripartite Agreement is so that the rights associated with the intellectual property (IP) would be consolidated back into a single corporate entity, post-merger with Aurinia. By having the consolidated rights held by a single entity, the need for sophisticated sales tracking methodology and cross-field sales would be obviated. The indication split between transplantation and lupus nephritis would be contained within one company. By obtaining the rights and license back for the ILJIN territories and by limiting cross-indication splitting, the Company believes it is optimizing its chances of successfully attracting a global development and commercialization partner for transplantation.

Post-merger with Aurinia, it is believed that the Company would be in a good position to raise needed funding for a lupus nephritis trial, as: 1) a lupus nephritis trial is less expensive than a renal transplant trial (and therefore less dilutive); 2) consolidating the voclosporin rights into one company increases the chances of successfully raising the needed capital; and 3) cross-indication sales tracking is less problematic. It is for these reasons and the preceding considerations that it is believed the best course of action at present is to complete the Tripartite Agreement between Isotechnika-ILJIN-Aurinia, and to complete the merger/acquisition of Aurinia by Isotechnika. The Company, therefore, believes it is prudent to raise sufficient capital for a lupus nephritis trial, while being opportunistic where possible with the transplantation indication. For reasons already stated, the Company may pursue a development and commercialization partner that has a more broad interest in nephrology, as opposed to purely one indication or the other.

Lupus Nephritis ("LN") indication

The Lupus Foundation of America (LFA) estimates that ~1.5 million people in the US and up to 5.0 million people worldwide suffer from Systemic Lupus Erythematosus (SLE). Of these patients, 40-50% experience renal manifestations of the disease resulting in inflammation of the kidney. These patients are considered to have LN. Using Vifor/Aspreva diagnosis calculations generated from multiple longitudinal data sources, we estimate that the number of diagnosed patients with SLE in the Unites States is ~500,000. Of these, ~200,000 are suffering from LN.

Based on the work performed by the Aspreva/ Vifor lupus team, publications of the ALMS data has appeared in several respected journals. These publications include those published in the *New England Journal of Medicine* and the *Journal of the American Society of Nephrology*, which established CellCept© (mycophenolate mofetil (MMF)) as the standard of care for the treatment of LN. This evolving use of CellCept© as a treatment option has allowed the lupus market to evolve into an attractive and mature market opportunity. In 2011 over 125,000 patients were being treated with CellCept© in the United States alone for their lupus symptoms. This represents a very mature market which the Company plans to exploit.

Despite that fact that CellCept© is the current standard of care for the treatment of LN, it remains far from perfect with only ~5-20% (depending on how measured) of patients on therapy actually achieving disease remission after 6 months of therapy. Data suggest that an LN patient who does not achieve rapid disease remission in response to therapy is more likely to experience renal failure or require dialysis at approximately 10 years (Chen et al). Therefore, it is critically important to achieve disease remission as quickly and as effectively as possible. Additionally, a recent syndicated report published by BioTrends™ has shown that if a LN patient is receiving CellCept© they still experience, on average, 1.7 clinical exacerbations of disease per year. This would suggest that the majority of patients in the US suffering with LN are inadequately treated. The Company believes that the addition of *voclosporin* to the standard of care will significantly improve patient outcomes.

NICAMs

The Company has discovered a portfolio of non-immunosuppressive cyclophilin antagonist molecules ("NICAMs"), Cyclophilin binding has garnered considerable attention as a novel therapy in the treatment of a wide range of diseases including Hepatitis C, stroke, and chronic neurological disorders such as Parkinson's, Lou Gehrig's, and Alzheimer's. Cyclosporine A is a well-known cyclophilin binder, however its additional strong binding to calcineurin results in powerful immunosuppression and limits its therapeutic potential to transplantation and various autoimmune disorders. NICAMs do not bind to calcineurin, yet retain the ability to inhibit various cyclophilins. This program is in an early stage of development and will require additional funding to continue to advance its development.

In April, 2012 the Company announced the signing of a three year Non-Clinical Evaluation Agreement with the National Institute of Allergy and Infectious Diseases ("NIAID"), part of the U.S. National Institutes of Health ("NIH"). Pursuant to the agreement, NIAID-funded contractors will evaluate the Company's portfolio of NICAMs as anti-viral agents. Isotechnika's NICAM portfolio will be tested through NIAID's preclinical services program for use in biodefense and against emerging infectious disease threats including Hepatitis C, Herpes viruses, Corona viruses (including SARS), Poxviruses (cowpox), Yellow Fever, West Nile, Dengue and Papillomavirus.

The Company, in July 2012, received approval for additional funding from the NRC-IRAP for a project which extends Isotechnika's research into the use of NICAMs for reducing ischemia-reperfusion injury, the major disease mechanism that occurs in heart attacks, strokes, and other traumatic events involving impaired blood flow to vital organs. A second project received grant approval from the NRC-IRAP program in November 2012 for the identification and evaluation of NICAMs as inhibitors of replication in infectious disease. The Company received the NRC contribution until March 31, 2013.

In November, 2012 the Company also received positive results from the first round of screening of its portfolio of NICAMs through the contract testing laboratories of NIAID. Several NICAM compounds have been found to be highly active in primary *in vitro* assays against a number of important viruses including Hepatitis C virus, Human Papillomavirus, Human Cytomegalovirus and Varicella-Zoster virus (causative agent of shingles). Some of the compounds are currently undergoing secondary level *in vitro* testing, through NIAID's contract testing laboratories, towards selection of lead drug candidates for preclinical development.

In December 2012, the Company received positive anti-hepatitis C virus ("HCV") results from the second round of *in vitro* testing of its NICAMs. Contractors funded by NIAID carried out the testing.

Several NICAM compounds were tested for cross genotype activity using quantitative polymerase chain reaction in HCV replicons, as well as combinatorial effects with alpha interferon using a luciferase reporter assay. Results demonstrate that the NICAMs are highly active (low nanomolar potency) against HCV genotypes, 1 and 2, which represent approximately 85% of the HCV infections globally. Direct-acting HCV anti-viral drugs currently on the market are approved only for genotype 1 infections. Testing also revealed that the NICAM compounds acted synergistically with alpha interferon, the current standard of care treatment, in reducing viral activity. The presence of synergistic activity means that significantly lower drug doses may be possible, thereby limiting the adverse events associated with interferon treatment. These findings support the view that NICAMs will broaden the therapeutic treatment window by complementing other classes of HCV drugs in development.

RESULTS OF OPERATIONS

For the three months ended March 31, 2013, the Company reported a consolidated net loss of $793,000 or $0.004 per common share, as compared to a consolidated net loss of $454,000 or $0.003 per common share for the three months ended March 31, 2012.

Revenue and deferred revenue

The Company recorded revenue of $89,000 for the three months ended March 31, 2013 compared to $5.8 million for the comparable period in 2012.

The Company recorded licensing and R&D revenue of $87,000 for the three month ended March 31, 2013 compared to $4.48 million for the three months ended March 31, 2012. Licensing and R&D fee revenues represent the amortization of deferred revenue from fee payments received by the Company (see note 5 to the interim condensed consolidated financial statements). The deferred revenue is recorded as revenue as the Company incurs the costs related to meeting its obligations under the terms of the applicable agreements. The significant decrease was the result of the Company recording the remaining deferred revenue balance of $4.40 million related to the ILJIN payment fee as revenue for the three months ended March 31, 2012 as more fully discussed in Section (b) below. The deferred revenue related to the Lux, 3SBio and Paladin fee payments is being amortized on a straight line basis.

Revenue for the three months ended March 31, 2012 also included $1.3 million as other revenue which was related to sale of API to Lux. There was no such item for the three months ended March 31, 2013. In January, 2012 the Company satisfied an outstanding condition pursuant to an agreement with Lux for the sale of Active Pharmaceutical Ingredient (API) such that $1,323,000 (US$1,300,000) was due and payable in two instalments of $661,000 (US$650,000) each on July 29, 2012 and July 29, 2013, respectively.

The US$1,300,000 amount is owed by Lux to the Company but the timing and collectability of the amount is uncertain, particularly as a result of Lux not meeting the primary endpoint in the Phase 3 uveitis clinical trial. Therefore, the Company recorded a provision for doubtful collection for the full amount in the year ended December 31, 2012.

Licensing and Collaboration Agreement with Aurinia Pharmaceuticals Inc.

The Company signed a global Licensing and Collaboration Agreement ("LCA") effective December 30, 2011 with Vifor. The agreement granted Vifor an exclusive license for voclosporin, for the treatment of lupus and all proteinuric nephrology indications. The Vifor License was for the United States and other regions outside of Canada, South Africa, Israel, China, Taiwan and Hong Kong (the "Vifor Territory"). Under the terms of the Agreement, the Company was to receive milestone payments, as well as royalties on commercial sales. In connection with this agreement, Vifor was to purchase voclosporin active pharmaceutical ingredient ("API") from the Company. Vifor was to carry the burden of the costs associated with these clinical trials. On December 13, 2012, the LCA was assigned to Aurinia Development Corp. by Vifor. Aurinia Development Corp. is a subsidiary of Aurinia Pharmaceuticals Inc ("Aurinia").

On December 10, 2012 pursuant to this agreement, the Company received as a milestone payment, an investment in Aurinia. Aurinia issued the Company a share certificate representing 10% of the common shares of Aurinia. Aurinia had the option of granting the Company these shares or $592,000 in cash (US$600,000). The Company determined that the fair value of the shares in Aurinia approximated $592,000 and therefore recorded the value of the investment in Aurinia shares at $592,000. The Company has recorded this milestone payment as deferred revenue upon receipt. Under the LCA, the primary substantive obligations of the Company were to maintain the patent portfolio and pay for drug supply if costs exceed a certain amount. Deferred revenue is being amortized into licensing revenue as the Company incurs the costs related to meeting its obligations under the LCA.

ILJIN had provided a License Back for the field of lupus and proteinuric kidney diseases for the Territory defined in the ILJIN DDLA of certain rights to the Company in order for these rights to be licensed to Vifor specifically for the indications of lupus and proteinuric kidney disease, in return for certain milestones and royalties to be paid by Vifor.

The Company's investment in Aurinia is carried at fair value, with changes in fair value recognized in other comprehensive income. Since Aurinia's shares do not trade in a public market, the Company has used a form of comparable company valuation approach to determine fair value, categorized as level 3 in the fair value hierarchy. Due to the unique nature of Aurinia's primary assets, being its license agreement with Isotechnika and its intellectual property related to lupus nephrology research (as discussed in note 4), management does not believe there are any comparable companies that trade publicly for which an indicative value could be obtained. As a result, it has compared the value of Aurinia to the value of the Company based on the proposed merger of the entities and the relative valuation formula agreed to by the parties and to be approved by the shareholders. Without providing for any adjustments for lack of liquidity or non-controlling interests, this approach results in a fair value of the investment of $415,000 at March 31, 2013. The change in fair value from December 31, 2012 of $177,000 has been recognized as a loss in other comprehensive income. If the value of the shares of Isotechnika were to increase or decrease by $0.01, this would result in an increase or decrease respectively in the value of the Aurinia shares of approximately $100,000. This investment is the only financial instrument measured at fair value in the statement of financial position at March 31, 2013.

During the first quarter of 2013, the Company entered into a term sheet to merge with Aurinia and a tripartite settlement agreement between the Company, ILJIN and Aurinia as more fully described in the *Recent Corporate Developments* section of this document.

Development, Distribution and License Agreement with ILJIN Life Science Co., Ltd.

Effective January 28, 2011 (the "Effective Date") the Company completed a Development, Distribution and License Agreement (the "DDLA") with ILJIN for the further clinical and commercial development of voclosporin for use in transplant indications applicable to voclosporin. The Company granted to ILJIN an exclusive license to voclosporin for transplant and autoimmune indications for the United States and other regions outside of Europe, Canada, Israel, South Africa, China, Taiwan and Hong Kong. The Company retained the rights over voclosporin in Europe for future development and commercialization.

Pursuant to the DDLA, the Company was to receive a total license fee of US$5.0 million. In addition, ILJIN was to purchase 90,700,000 common shares of the Company for gross proceeds of US$19.87 million in three tranches.

The Company was obligated under the terms of the agreement to complete a single Phase 3 clinical trial for the prevention of kidney transplant rejection. A Joint Steering Committee ("JSC") with equal membership from the Company and ILJIN was to have been formed to oversee the development and commercialization of voclosporin in the ILJIN territories.

The Company received $4.50 million (US$4.5 million) of the license fee and the first private placement tranche of $2.38 million (US$2.37 million) on January 28, 2011 which was the Effective Date of the Agreement. The Company issued 11,500,000 common shares at a price of $0.207 per share (US$0.207) to ILJIN pursuant to the subscription agreement for securities. On or before January 28, 2012 ILJIN was to pay US$500,000 to the Company as the Second Development Payment and purchase 39,600,000 common shares of the Company issued from treasury for an

aggregate subscription price of US$8.5 million. On or before January 28, 2013, ILJIN was to purchase the final tranche of 39,600,000 common shares of the Company issued from treasury for an aggregate subscription price of US$9.0 million.

Prior to the January 28, 2012 date, ILJIN verbally indicated their intent to alter the economics of the DDLA. Consequently, payment under the DDLA was not received as required per the agreement of January 28, 2011. The Company on January 30, 2012 notified ILJIN that it was terminating the DDLA. At that time the Company believed that the termination of the original DDLA was valid. As a result, the remaining deferred revenue balance of $4.40 million was recorded as licensing revenue for the three months ended March 31, 2012.

For update on ILJIN, see *Recent Corporate Developments*.

Research and Development

The major components of research and development ("R&D") expenditures for the three months ended March 31, 2013 and 2012 were as follows:

R & D Expenditures (in thousands of dollars)	March 31, 2013	March 31, 2012	Increase (Decrease)
	$	$	$
Research and development, net			
Wages and employee benefits	186	471	(285)
Study contracts, consulting and other outside services	21	57	(36)
Rent, utilities and other facility costs	104	142	(38)
Gases, chemicals and lab supplies	(7)	26	(33)
Stock compensation expense	42	19	23
Patent annuity and legal fees	40	112	(72)
Insurance	1	10	(9)
Other miscellaneous	1	8	(7)
Subtotal	**388**	**845**	**(457)**
Less Refundable tax credits and other government assistance	(50)	(43)	(7)
Net R&D expenditures	**338**	**802**	**(464)**

Net research and development expenditures decreased to $338,000 for the three months ended March 31, 2013, compared to $802,000 for the three months ended March 31, 2012. The decrease reflects a reduction in expenditures due to the Company's financial condition. The Company has reduced its staff numbers of R&D personnel through attrition and has reduced the hours worked for the remaining staff using the Employment Insurance Work-Share program.

The Company has also continued to conduct research activities for the NICAM program on a reduced scale. The Company incurred total R&D costs of $64,000 (March 31, 2012-$108,000) related to the NICAM program for the three months ended March 31, 2013. The Company received funding from the NRC of $40,000 for the three months ended March 31, 2013 (March 31, 2012-$nil) and also recorded refundable tax credits of $3,000 related to this program, as reflected in the refundable tax credits and other government assistance line in the chart above.

Corporate and Administration

The components of corporate and administration for the three months ended March 31, 2013 and 2012 were as follows:

Corporate and Administration (in thousands of dollars)	March 31, 2013	March 31, 2012	Increase (Decrease)
	$	$	$
Professional and consulting fees	150	338	(188)
Salaries and benefits	150	309	(159)
Travel and promotion	18	109	(91)
Office, data processing, telecommunications and other	26	66	(40)
Director fees	39	54	(15)
Stock compensation expense	64	32	32
Trustee fees, filing fees and other public company costs	29	43	(14)
Insurance	9	16	(7)
Rent, utilities and other facility costs	13	19	(6)
Corporate and administration expenses	**498**	**986**	**(488)**

The Company significantly reduced corporate and administration expenditures for the three months ended March 31, 2013 when compared to the same period in 2012. The Company is focused on completing the merger with Aurinia and raising additional funds while reducing costs as much as possible due to its current financial condition.

The Company has reduced its staff numbers of corporate and administration personnel through attrition and has reduced the hours worked and wages paid for the remaining person in part by using the Employment Insurance Work-Share program.

Professional and consulting fees have decreased as less legal costs were incurred in the first three months of 2013 as a result of the Company signing a definitive settlement agreement with ILJIN and Aurinia during the quarter.

Stock-based Compensation expense

For stock option plan information and outstanding stock option details refer to note 8 of the interim condensed consolidated financial statements for the three months ended March 31, 2013.

For the three months ended March 31, 2013, the Company did not grant any stock options. For the three months ended March 31, 2012, the Company granted 100,000 stock options to a Director of the Company at $0.13 per share.

Application of the fair value method resulted in a charge to stock-based compensation expense of $106,000 (2012 – $51,000) with corresponding credits to contributed surplus. For the three months ended March 31, 2013, stock compensation expense has been allocated to research and development expense in the amount of $42,000 (2012 – $19,000) and corporate administration expense in the amount of $64,000 (2012 – $32,000).

Amortization of property and equipment

Amortization expense for property and equipment decreased to $14,000 for the three months ended March 31, 2013, compared to $148,000 for the three months ended March 31, 2012 which reflected that the majority of the leasehold improvements and equipment was fully amortized by the end of 2012.

Amortization of intangible assets

Amortization of intangible assets of $69,000 for the three months ended March 31, 2013 was consistent with the $65,000 recorded in the comparable period in 2012.

Other expense (income)

Other expense (income) on the statement of operations reflected net income amount of $38,000 for the three months ended March 31, 2013 primarily as a result of recording a gain on disposal of equipment of $67,000. There was no similar item for the three months ended March 31, 2012. Other expense (income) for the three months ended March 31, 2012 reflected an expense of $4.23 million. This expense was primarily from recording a loss on derivative financial asset of $4.18 million

Pursuant to the DDLA with ILJIN, ILJIN was entitled to acquire a fixed number of common shares for a fixed US dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of operations and comprehensive loss as they arise.

The Company, Aurinia and ILJIN have entered into a definitive tripartite agreement as more fully described in the *Recent Corporate Developments* section of this document. Accordingly the fair value of the financial derivative asset has been assessed to be $Nil at March 31, 2013. The Company had recorded a $4.18 million non-cash loss on this derivative financial asset for the three months ended March 31, 2012.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2013, the Company had $34,000 in cash and cash equivalents, $187,000 in accounts receivable, accounts payable and accrued liabilities totalling $2.11 million, drug supply payable of $1.70 million and finance lease liability of $28,000. For the three months ended March 31, 2013, the Company reported a loss of $793,000, a cash outflow from operating activities of $203,000, and as at March 31, 2013 had an accumulated deficit of $216.76 million.

The success of the Company, its ability to complete the development of its pharmaceutical products and, in particular, voclosporin, and its ability to continue as a going concern is directly related to the Company raising additional financial resources in the immediate future (see note 2 to the interim condensed consolidated financial statements for the first quarter ended March 31, 2013). See *Recent Corporate Developments* section for activities being conducted by the Company subsequent to the quarter and to raise working capital.

The Company is in the development stage and is devoting substantially all of its efforts towards completing the development activities for its late stage drug, voclosporin. The recoverability of amounts expended on research and development to date, including capitalized intangible assets, is dependent on the ability of the Company and its partners to complete these development activities and receive regulatory approval and to be able to commercialize voclosporin in the key markets and indications whereby the Company can achieve future profitable operations. The Company is dependent on raising additional funds through the issuance of shares, and/or attracting additional funding from either its current partners or new ones in order to undertake further development and commercialization of its intellectual property. While it has been successful in raising capital in the past, there can be no assurance it will be able to do so in the future. Without additional funding, the Company will be required to curtail certain or all of its operations.

The Company had 192.87 million common shares issued and outstanding as at March 31, 2013. At March 31, 2013, the Company also had 18.95 million warrants outstanding at $0.05, 401,000 warrants outstanding to purchase common shares at $1.00 and 15.69 million stock options outstanding with a weighted average exercise price of $0.11 per share.

Net cash used in operating activities for the three months ended March 31, 2013, was $203,000 compared to cash used in operating activities of $1.81 million for the three months ended March 31, 2012. Cash used in operating activities in 2013 was composed of net loss, add-backs or adjustments not involving cash and net change in non-cash working items. The net cash used in operating activities for the three months ended March 31, 2012 was composed of net loss, add-backs or adjustments not involving cash, net change in non-cash working items. Cash generated by (used in) investing activities for the three months ended March 31, 2013, was $67,000 compared to cash used in investing activities for the three months ended March 31, 2012 was $858,000. Cash used in investing activities in 2012 included $849,000 of restricted cash.

Cash used in financing activities for the three months ended March 31, 2013, was $8,000 compared to $11,000 for the three months ended March 31, 2012, and related to principal repayments on the computer equipment finance lease.

CONTRACTUAL OBLIGATIONS

The Company signed a month to month lease at its existing location with a two month termination clause. The Company has also entered into other agreements with suppliers and service providers in the normal course of business.

The following table presents contractual obligations and purchase obligations arising from these agreements other than amounts already recorded in accounts payable and accrued liabilities and drug supply payable currently in force as at March 31, 2013.

(in thousands of dollars)	Total	Less than one year	Two to three years	Greater than three years
	$	$	$	$
Operating lease obligation	81	81	—	—
Purchase obligations	250	153	86	11
Finance lease liability	28	28	—	—

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with IFRS often requires management to make estimates about and apply assumptions or subjective judgment to future events and other matters that affect the reported amounts of the Company's assets, liabilities, revenues, expenses and related disclosures. Assumptions, estimates and judgments are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's interim condensed consolidated financial statements are prepared. Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates and judgments in order to ensure that the interim condensed consolidated financial statements are presented fairly and in accordance with IFRS.

Critical accounting estimates and judgments are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustment.

Management considers the following areas to be those where critical accounting policies affect the significant judgments and estimates used in the preparation of the Company's interim condensed consolidated financial statements.

Critical judgments in applying the Company's accounting policies

Revenue recognition

Management's assessments related to the recognition of revenues for arrangements containing multiple elements are based on estimates and assumptions. Judgment is necessary to identify separate units of accounting and to allocate related consideration to each separate unit of accounting. Where deferral of upfront payments or license fees is deemed appropriate, subsequent revenue recognition is often determined based upon certain assumptions and estimates, the Company's continuing involvement in the arrangement, the benefits expected to be derived by the customer and expected patent lives. To the extent that any of the key assumptions or estimates change future operating results could be affected.

Impairment of financial assets

A financial asset is impaired, and an impairment loss recorded, if there is objective evidence of impairment as result of one or more events that occurred after initial recognition of the asset, and that event has an impact on estimated future cash flows of the financial asset.

Fair value of stock options

Determining the fair value of stock options, including performance based options, requires judgment related to the choice of a pricing model, the estimation of stock price volatility, expected term of the underlying instruments and the probability factors of success in achieving the objectives used for the performance based options used. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results, liabilities or other components of shareholders' equity.

Fair value of financial derivative asset

Pursuant to the DDLA with ILJIN, ILJIN was entitled to acquire a fixed number of common shares for a fixed US dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of operations and comprehensive loss as they arise.

The Company, Aurinia and ILJIN have entered into a definitive tripartite agreement as more fully described in the *Recent Corporate Developments* section of this document. Accordingly the fair value of the financial derivative asset has been assessed to be $Nil at March 31, 2013. The Company had recorded a $4.18 million non-cash loss on this derivative financial asset for the three months ended March 31, 2012.

Intangible assets and impairment

The values associated with intellectual property with finite lives are determined by applying significant estimates and assumptions, including those related to cash flow projections, economic risk, discount rates and asset lives.

Valuations performed in connection with post-acquisition assessments of impairment of intellectual property are based on estimates that include risk-adjusted future cash flows, which are discounted using appropriate interest rates. Projected cash flows are based on business forecasts, trends and expectation and are therefore inherently judgmental. Future events could cause the assumptions utilized in impairment assessments to change, resulting in a potentially significant effect on the Company's future operating results due to increased impairment charges, or reversals thereof, or adjustments to amortization charges.

RISKS AND UNCERTAINTIES

The success of the Company and its ability to complete the development of its pharmaceutical products and, in particular, voclosporin, is directly related to the Company's ability to raise additional financial resources and successfully complete the proposed merger with Aurinia. Additional sources of capital include payments from potential new licensing partners, equity financings, debt financings and/or the monetization of certain of the Company's intangible assets. There is no assurance of obtaining additional financing through these arrangements or any arrangements on acceptable terms. Given the nature of the biotechnology sector, it may be difficult to raise significant new capital at a reasonable or at any cost. If the Company is not able to obtain additional funding from other sources, management may be required to reduce or terminate development programs or curtail certain or all of its operations. There can be no assurance that any financing efforts will be successful. It is possible that financing may not be available or not be on favourable terms.

The Company has invested a significant portion of its time and financial resources in the development of voclosporin. The Company anticipates that its ability to generate revenues and meet expectations will depend primarily on the successful development and commercialization of voclosporin. The successful development and commercialization of voclosporin will depend on several factors, including the following:

- successful completion of clinical programs;
- receipt of marketing approvals from the FDA and other regulatory authorities with a commercially viable label;
- securing and maintaining partners with sufficient expertise and resources to help in the continuing development and eventual commercialization of voclosporin for autoimmune indications and transplant;

- maintaining suitable manufacturing and supply agreements to ensure commercial quantities of the product through validated processes; and
- acceptance and adoption of the product by the medical community and third-party payors.

A detailed list of the risks and uncertainties affecting the Company can be found in the Company's Annual Information Form which is filed on SEDAR. Additional risks and uncertainties of which the Company is unaware, or that it currently deems to be immaterial, may also become important factors that affect the Company.

Capital management

The Company's objective in managing capital is to ensure a sufficient liquidity position to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company defines capital as net equity, comprised of issued common shares, warrants, contributed surplus and deficit.

The Company's objective with respect to its capital management is to ensure that it has sufficient cash resources to maintain its ongoing operations and finance its research and development activities, corporate and administration expenses, working capital and overall capital expenditures.

Since inception, the Company has primarily financed its liquidity needs through public offerings of common shares and private placements. The Company has also met its liquidity needs through non-dilutive sources, such as debt financings, licensing fees from its partners and research and development fees.

There have been no changes to the Company's objectives and what it manages as capital since the prior fiscal period. The Company is not subject to externally imposed capital requirements.

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. Risk management is carried out by management under policies approved by the board of directors. Management identifies and evaluates the financial risks. The Company's overall risk management program seeks to minimize adverse effects on the Company's financial performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through the management of its capital structure and financial leverage as discussed above. It also manages liquidity risk by continuously monitoring actual and projected cash flows. There are material uncertainties that may cast a significant doubt that the Company will be able to continue as a going concern without raising additional funds as more fully discussed in Note 2 of the interim condensed consolidated financial statements. See also *Recent Corporate Developments* for activities being conducted by the Company subsequent to the quarter end to raise working capital.

The Company's activities have been financed through a combination of the cash flows from licensing and development fees and the issuance of equity and/or debt. The Company completed a $758,000 private placement in the fourth quarter of 2012.

Accounts payable and accrued liabilities of $2.11 million drug supply payable of $1.70 million and finance lease liability of $28,000 are due and payable within one year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's exposure to interest rate risk at March 31, 2013 is considered minimal.

Foreign currency risk

The Company is exposed to financial risk related to the fluctuation of foreign currency exchange rates.

Foreign currency risk is the risk that variations in exchange rates between the Canadian dollar and foreign currencies, primarily with the United States dollar, will affect the Company's operating and financial results. The Company's exposure to foreign currency risk at March 31, 2013 is considered minimal as no material financial assets or liabilities are denominated in currencies other than the Canadian dollar.

Credit risk

The Company's cash is held at a major Canadian Bank. The Company has a credit risk of $1,310,000 related to a Receivable from Lux in 2012. The Company provided in full for the receivable at December 31, 2012.

CONTINGENCIES

i) The Company may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes that the ultimate resolution of such contingencies will not have a material adverse effect on the interim condensed consolidated financial position of the Company.

ii) The Company entered into indemnification agreements with its officers and directors. The maximum potential amount of future payments required under these indemnification agreements is unlimited. However, the Company does maintain liability insurance to limit the exposure of the Company.

iii) The Company has entered into license and research and development agreements with third parties that include indemnification and obligation provisions that are customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of third party claims or damages arising from these transactions. These provisions may survive termination of the underlying agreement. The nature of the obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any payments under such agreements and no amount has been accrued in the accompanying interim condensed consolidated financial statements.

iv) The Company and ILJIN incurred legal and other costs related to the arbitration process. The allocation of costs has not yet been determined by the arbitration panel. The Company believes its maximum exposure to costs incurred by ILJIN would not exceed $1.2 million, however, management's assessment that a cost award in favour of ILJIN is unlikely. Accordingly no provision has been made. Further, upon completion of the transactions contemplated as described in the *Recent Corporate Developments* section, all claims for costs by ILJIN against the Company would be dismissed.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as required under applicable Canadian regulatory requirements. The Company's internal control over financial reporting ("ICFRs") is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of interim condensed consolidated financial statements for external purposes in accordance with IFRS.

Internal controls over financial reporting include those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements on a timely basis. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to interim condensed consolidated financial statements preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As at March 31, 2013, management assessed the effectiveness of the Company's ICFRs and, based on that assessment concluded that the Company's ICFRs was effective and that there were no material weaknesses in the Company's ICFRs. No changes have occurred during the most recent interim period that have materially affected or are reasonably likely to materially affect the Company's ICFRs.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all material information required to be publicly disclosed by a public company is gathered and communicated to management, including the certifying officers, on a timely basis.

The Company's Chief Executive Officer and its Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure and procedures. They are assisted in this responsibility by the other Officers of the Company. This group requires that it be fully appraised of any material information affecting the Company so that it may evaluate and discuss this information so that the appropriate decisions can be made regarding public disclosure.

The Chief Executive Officer and the Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures as at March 31, 2013, have concluded that the disclosure controls and procedures were adequate and effective to provide reasonable assurance that material information the Company is required to disclose on a continuous basis in interim and annual filings and other reports and news releases is recorded, processed, summarized and reported or disclosed on a timely basis as necessary.

ADDITIONAL COMPANY INFORMATION

Additional information on the Company may be found in its regulatory filings including its Annual Information Form, quarterly reports and proxy circulars filed with the Canadian Securities Commissions through SEDAR at www.sedar.com or at the Company's Web site at www.isotechnika.com.

UPDATED SHARE INFORMATION

As at May 13, 2013, the following class of shares and equity securities potentially convertible into common shares were outstanding:

Common shares	192,871,000
Convertible equity securities	
Warrants	19,351,000
Stock options	15,342,000

Quarterly Information

(expressed in thousands of dollars except per share data)

Set forth below is the selected unaudited consolidated financial data for each of the last eight quarters:

	Three months ended							
	2013	2012					2011	
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Revenue	89	150	86	90	5,800	110	555	148
Research and development costs	338	3,308	554	817	802	917	771	1,080
Corporate and administration costs	498	935	974	990	986	755	682	656
Other expense (income)	(38)	886	38	400	4,234	4,695	(3,392)	(6,569)
Net income (loss) for the period	(793)	(5,188)	(1,702)	(2,343)	(454)	(6,530)	2,242	4,723
Per common share ($)								
Net earnings (loss) – basic and diluted	(0.004)	(0.028)	(0.01)	(0.013)	(0.003)	(0.038)	0.013	0.027
Common Shares outstanding	192,871	192,871	173,921	173,921	173,921	173,921	173,921	173,921
Weighted average number of common shares outstanding	192,871	188,630	173,921	173,921	173,921	173,921	173,921	173,921

Summary of Quarterly Results

The primary factors affecting the magnitude of the Company's losses in the various quarters include the amortization of deferred revenue to revenues, research and development costs, timing associated with the clinical development programs and gains (losses) on financial instrument derivatives and fair value changes in these derivatives.

The net loss for the three months ended December 31, 2012 included a provision on drug supply inventory of $2.74 million which was recorded in research and development costs and an additional provision of $860,000 on the Lux receivable related to the sale of API to Lux in 2012 (the Company had previously recorded a provision of $450,000 on this receivable in the second quarter of 2012).

The net loss for the three months ended March 31, 2012 reflected amortization of the remaining ILJIN deferred licensing revenue of $4.40 million as a result of the termination of the DDLA with ILJIN. Results for the same period also reflected revenue from the sale of API to Lux in the amount of $1.3 million.

The net loss for the three months ended March 31, 2012 also included a non-cash loss on the ILJIN related financial derivative asset of $4.18 million. The derivative financial asset fair value of $4.18 million at December 31, 2011 was adjusted to $nil in the first quarter of 2012 as a result of the notification of termination of the ILJIN DDLA by the Company on January 30, 2012.

OUTLOOK

In order to undertake further development and commercialization of voclosporin and continue development of the NICAM program the Company needs to raise funds in the immediate future. As more fully discussed in the *Recent Corporate Developments* Section earlier in this document the Company, subsequent to March 31, 2013 entered into two agreements with Canaccord Genuity Corp, pursuant to which they will assist the Company in selling, on a commercially reasonable efforts basis, securities of the Company in two private placements.

As also discussed earlier in this document, the Company and Aurinia on February 5, 2013 signed a Term Sheet for the merger of the two companies, creating a clinical development stage pharmaceutical company focused on the global nephrology market.

The transaction is subject to certain closing conditions including, among others, the negotiation and completion of a merger agreement, acceptance and approval by the Toronto Stock Exchange (the "TSX"), the approval of Isotechnika's shareholders and Isotechnika securing up to $3 million in debt or equity financing satisfactory for it to fulfill its obligations as contemplated by the Term Sheet.

The consolidation of the intellectual property through the merger and reaching a settlement agreement with ILJIN provides the combined entity with a much higher probability of being able to raise the necessary funding to continue the development of voclosporin for the lupus indication. Further the Company will be able to continue to explore strategic global partnership transactions for the transplant indication. Ideally, the Company would advance both transplantation and lupus nephritis to optimize shareholder value. A merged Company, having both the lupus nephritis and renal transplantation indications under a single corporate umbrella would likely offer the most commercially attractive opportunity.

The outcome of these matters is dependent on a number of factors outside of the Company's control. Given the nature of the biotechnology sector there is no assurance that any new partnerships or financings will be able to be completed on a timely basis or be obtained on favourable terms. Depending on the results of the research and development programs and availability of financial resources, the Company may accelerate, terminate, cut back on certain areas of research and development, commence new areas of research and development, or curtail certain or all of the Company's operations.

The Company remains focused on unlocking shareholder value by developing and commercializing voclosporin either directly by the Company or indirectly through its partners.

Exhibit 99.26

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE SECOND QUARTER ENDED JUNE 30, 2013

The following Management's Discussion and Analysis of Financial Condition or MD&A and Results of Operations provides information on the activities of Isotechnika Pharma Inc. ("Isotechnika" or the "Company") on a consolidated basis and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and accompanying notes for the three months ended June 30, 2013. All amounts are expressed in Canadian dollars unless otherwise stated. This document is current in all material respects as of August 12, 2013.

The Company prepares its consolidated financial statements in accordance with the CICA Handbook.

Accordingly, the financial information contained in this MD&A and in the Company's interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards or IFRS as issued by the International Accounting Standards Board or IASB. The interim condensed consolidated financial statements and MD&A have been reviewed by our Audit Committee and approved by the Board of Directors.

Forward-looking Statements

This document may contain forward-looking information, including, but not limited to, statements with respect to the merger of the Company and Aurinia, the proposed business of the combined company, the combined company having a higher probability of being able to obtain necessary funding, the combined company being able to continue to explore strategic global partnership transactions, the combined company offering the most commercially attractive opportunity, the completion of the Unit Offerings and the gross proceeds there-from and other information or statements about future events or conditions which may prove to be incorrect.

The forward-looking statements and information contained in this document are based on certain factors and assumptions made by management of the Company including, but not limited to Aurinia, ILJIN and the Agent fulfilling their obligations in the various agreements the Company has entered into with them.

The forward-looking statements and information contained in this document are subject to a number of significant risks and uncertainties that could cause actual results to differ materially from those anticipated including, but not limited to, risks relating to the transactions not proceeding for any reason, the Company not being able to obtain sufficient funding from the completion of one or both of the Unit Offerings, the anticipated synergies between the Company and Aurinia not proceeding as expected, regulatory approval for the merger, the Unit Offerings not being obtained, and the impact of any occurring natural disasters and economic, business and market conditions.

Additional risks and uncertainties include, among others, the Company's belief as to the potential of its products and in particular voclosporin, its ability to protect its intellectual property rights, securing and maintaining corporate alliances and partnerships, the need to raise additional capital in the future to fund its planned clinical trial program and the effect of capital market conditions and other factors on capital availability, the potential of its products, the success and timely completion of clinical studies and trials, and the Company's and its partners' ability to successfully obtain regulatory approvals and commercialize voclosporin on a timely basis.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements or information prove incorrect, actual results may vary materially from those described herein.

For additional information on risks and uncertainties please see the "Risks and Uncertainties" section of this MD&A. Although the Company believes that the expectations reflected in such forward-looking statements and information are reasonable, undue reliance should not be placed on forward-looking statements or information because the Company can give no assurance that such expectations will prove to be correct.

Forward-looking statements reflect current expectations regarding future events and speak only as of the date of this MD&A and represent the Company's expectations as of that date. Investors should also consult the Company's ongoing quarterly filings, annual reports and the Annual Information Form and other filings found on SEDAR at www.sedar.com.

COMPANY OVERVIEW

Isotechnika is a biopharmaceutical company, headquartered in Edmonton, Alberta, Canada. The head office of the Company is located at 5120 - 75th Street, Edmonton, Alberta T6E 6W2. Isotechnika is incorporated pursuant to the *Business Corporations Act* (Alberta). The Company's shares are currently listed and traded on the Toronto Stock Exchange (TSX) under the symbol ISA. The Company's primary business is the development of therapeutic drugs.

RECENT CORPORATE DEVELOPMENTS

Proposed Merger of the Company with Aurinia

The Company and privately-held Aurinia Pharmaceuticals Inc. ("Aurinia") on February 5, 2013 signed a binding term sheet ("Term Sheet") for the merger of the two companies, creating a clinical stage pharmaceutical company focused on the global nephrology market.

Aurinia is a spin-out from Vifor Pharma. The Company signed a global Licensing and Collaboration Agreement effective December 30, 2011 with Vifor (International) AG ("Vifor"), the specialty pharma company of Switzerland based Galenica Group. The agreement granted Vifor an exclusive license for voclosporin, for the treatment of lupus and all proteinuric nephrology indications (the "Vifor License"). The Vifor License is for the United States and other regions outside of Canada, South Africa, Israel, China, Taiwan and Hong Kong (the "Vifor Territory"). Aurinia's current leadership team is comprised primarily of former senior managers, directors and officers of Aspreva Pharmaceuticals ("Aspreva"), which Galenica acquired for $915 million in 2008. While at Aspreva, this management team executed one of the largest and most important lupus nephritis studies ever conducted, called the Aspreva Lupus Management Study ("ALMS"), which resulted in the emergence of mycophenolate mofetil as a new standard treatment for patients suffering from this devastating and potentially fatal disease. Aurinia now holds certain rights to this large ALMS database and holds the license for voclosporin in lupus nephritis. Aurinia's lupus rights and database will be combined in the newly merged company with the transplantation and autoimmune rights, and the database held by Isotechnika.

The Term Sheet sets forth the main criteria to be incorporated into a definitive merger agreement under which Isotechnika will acquire 100% of the outstanding securities of Aurinia. The merger is expected to be effected by an exchange of Isotechnika shares for securities of Aurinia, resulting in a 65:35 post-merger ownership split between Isotechnika and Aurinia, respectively.

In addition, Isotechnika and Aurinia have negotiated a tripartite settlement with ILJIN Life Science Co. Ltd. ("ILJIN") pursuant to which, upon the successful completion of the proposed merger, the combined company will re-acquire full rights to voclosporin for autoimmune indications including lupus, and transplantation in the United States, and other regions of the world, outside of Europe, Canada, Israel, South Africa, China, Taiwan and Hong Kong. In return, ILJIN will be entitled to receive certain pre-defined future milestone payments in the aggregate amount of $10 million, plus up to $1.6 million upon the combined company reaching certain financing milestones. ILJIN will also own approximately 25% of the issued and outstanding shares of the combined company.

The transaction is subject to certain closing conditions including, among others, the negotiation and completion of a merger agreement, acceptance and approval by the Toronto Stock Exchange (the "TSX"), and the approval of Isotechnika's shareholders at the Annual and Special Shareholders meeting to be held on August 15, 2013. The merged entity is expected to adopt Aurinia Pharmaceuticals Inc. as its new corporate name.

Aurinia has used and benefited from the ALMS dataset to develop and adequately power a new study in which voclosporin will be layered on top of the standard of care in a multi-target approach to treating lupus nephritis. It is the Company's belief that this combination has the potential to rapidly and significantly improve patient outcomes. The consolidation of the intellectual property of these two companies ensures that this significant market opportunity is well protected and provides a powerful platform to create true stakeholder value.

THE COMPANY'S DRUG DEVELOPMENT PROGRAMS

Voclosporin

Voclosporin, Isotechnika's lead drug, belongs to a class of drugs called *Calcineurin Inhibitors* ("CNIs"), the cornerstone of therapy for the prevention of organ transplant rejection. This drug class includes two currently available drugs, cyclosporine and tacrolimus. Worldwide sales of CNIs in 2010 were approximately US$3 billion. Importantly, voclosporin is the only novel CNI in development which means limited future competition in the CNI class. Voclosporin is also the only CNI with chemical composition patent protection. Chemical composition patents for both cyclosporine and tacrolimus have expired. Furthermore, leading experts in the transplantation field have been increasingly outspoken about the important role of CNIs to prevent transplant rejection. Approximately 95% of all transplant patients are discharged from hospital with lifelong CNI therapy.

Lupus Nephritis ("LN") indication

The Lupus Foundation of America (LFA) estimates that ~1.5 million people in the US and up to 5.0 million people worldwide suffer from Systemic Lupus Erythematosus (SLE). Of these patients, 40-50% experience renal manifestations of the disease resulting in inflammation of the kidney. These patients are considered to have LN. Using Vifor/Aspreva diagnosis calculations generated from multiple longitudinal data sources, we estimate that the number of diagnosed patients with SLE in the Unites States is ~500,000. Of these, ~200,000 are suffering from LN.

Based on the work performed by the Aspreva/ Vifor lupus team, publications of the ALMS data has appeared in several respected journals. These publications include those published in the *New England Journal of Medicine* and the *Journal of the American Society of Nephrology*, which established CellCept© (mycophenolate mofetil (MMF)) as the standard of care for the treatment of LN. This evolving use of CellCept© as a treatment option has allowed the lupus market to evolve into an attractive and mature market opportunity. In 2011 over 125,000 patients were being treated with CellCept© in the United States alone for their lupus symptoms. This represents a very mature market which the Company plans to exploit.

Despite the fact that CellCept© is the current standard of care for the treatment of LN, it remains far from perfect with only ~5-20% (depending on how measured) of patients on therapy actually achieving disease remission after 6 months of therapy. Data suggest that an LN patient who does not achieve rapid disease remission in response to therapy is more likely to experience renal failure or require dialysis at approximately 10 years (Chen et al). Therefore, it is critically important to achieve disease remission as quickly and as effectively as possible. Additionally, a recent syndicated report published by BioTrends™ has shown that if a LN patient is receiving CellCept© they still experience, on average, 1.7 clinical exacerbations of disease per year. This would suggest that the majority of patients in the US suffering with LN are inadequately treated. The Company believes that the addition of *voclosporin* to the standard of care will significantly improve patient outcomes.

Transplant indication

Voclosporin has successfully completed comprehensive phase 2a and 2b renal transplant clinical programs in which it demonstrated safety and efficacy. Since tacrolimus is the more commonly used CNI, transplant physicians are looking for a drug that is equivalent in efficacy to tacrolimus, yet offering a better side effect profile, ease of dosing and the ability to reach targeted blood concentrations for therapeutic drug monitoring ("TDM"). In a phase 2b trial versus tacrolimus, voclosporin showed (i) similar efficacy, (ii) a wider therapeutic window, and (iii) lower incidence of new onset diabetes after transplant ("NODAT"), in the proposed target therapeutic range.

One of the most important key benefits of voclosporin over tacrolimus is the markedly reduced incidence of NODAT. This new-onset, drug-induced diabetes is difficult to manage, significantly adds to overall healthcare costs, and greatly compromises the life-saving benefit of a transplant by causing increased organ rejection, morbidity and death. NODAT is an important concern with tacrolimus. The literature indicates that, on average, patients with NODAT lose their transplanted organ 3 years earlier, have a 23% increase in death after 5 years post transplant, and costs the medical system an additional $12,000 per year when compared to patients without NODAT. The data suggests that voclosporin can provide a superior profile versus tacrolimus on this key issue, as well as cause less diarrhea and sustained tremors (neurotoxicity). Furthermore, the clear relationship between blood concentrations of voclosporin

and clinical outcomes is another distinct advantage as it should enhance ease of dosing and monitoring for both physicians and patients. This latter advantage relates to the pharmacokinetic-pharmacodynamic (PK-PD) properties of voclosporin. Greater PK-PD predictability is a key advantage of voclosporin over the other two CNI's.

The phase 3 program for transplant would consist of two clinical trials, each enrolling approximately 600 new kidney transplant patients. One trial would be conducted primarily in the United States and Canada, while the second trial would enroll patients primarily in Europe. The trials aim to demonstrate non-inferiority in a composite endpoint, primarily driven by biopsy proven acute rejection ("BPAR"), compared to tacrolimus. A key secondary endpoint will be the incidence of NODAT, as well as the overall safety and tolerability of voclosporin relative to tacrolimus.

The Company, in October 2011, received positive Scientific Advice ("SA") from the European Medicines Agency ("EMA") on the proposed phase 3 clinical trial protocol for voclosporin. Receipt of positive Scientific Advice ensures a clear regulatory path forward in the European Union. In March, 2012 the Company received an agreement letter from the United States Food & Drug Administration ("FDA") on a Special Protocol Assessment ("SPA") for the planned Phase 3 trial.

In the fourth quarter of 2012 the Company received permission from the U.S. Food and Drug Administration ("FDA") to commence the first of two planned phase 3 kidney transplant trials for its lead product candidate, voclosporin. These regulatory events mark significant steps for the Company on the path to initiate final testing of voclosporin to prevent kidney transplant rejection.

Alongside the regulatory and clinical preparations, another key process step requires having active pharmaceutical ingredient ("API") ready to be formulated into soft gelatin capsules and then administered to patients. A new batch of voclosporin API was ordered from the manufacturer in 2011. The manufacturing process was completed in April, 2012 upon the Company receiving a Certificate of Analysis indicating that the API met specifications. The Company in the third quarter of 2012 completed the process of encapsulating the API and packaging the capsules for clinical supply.

NICAMs

The Company has discovered a portfolio of non-immunosuppressive cyclophilin antagonist molecules ("NICAMs"), Cyclophilin binding has garnered considerable attention as a novel therapy in the treatment of a wide range of diseases including Hepatitis C, stroke, and chronic neurological disorders such as Parkinson's, Lou Gehrig's, and Alzheimer's. Cyclosporine A is a well-known cyclophilin binder, however its additional strong binding to calcineurin results in powerful immunosuppression and limits its therapeutic potential to transplantation and various autoimmune disorders. NICAMs do not bind to calcineurin, yet retain the ability to inhibit various cyclophilins. This program is in an early stage of development and will require additional funding to continue to advance its development.

In April, 2012 the Company announced the signing of a three year Non-Clinical Evaluation Agreement with the National Institute of Allergy and Infectious Diseases ("NIAID"), part of the U.S. National Institutes of Health ("NIH"). Pursuant to the agreement, NIAID-funded contractors will evaluate the Company's portfolio of NICAMs as anti-viral agents. Isotechnika's NICAM portfolio will be tested through NIAID's preclinical services program for use in biodefense and against emerging infectious disease threats including Hepatitis C, Herpes viruses, Corona viruses (including SARS), Poxviruses (cowpox), Yellow Fever, West Nile, Dengue and Papillomavirus.

The Company, in July 2012, received approval for additional funding from the NRC-IRAP for a project which extends Isotechnika's research into the use of NICAMs for reducing ischemia-reperfusion injury, the major disease mechanism that occurs in heart attacks, strokes, and other traumatic events involving impaired blood flow to vital organs. A second project received grant approval from the NRC-IRAP program in November 2012 for the identification and evaluation of NICAMs as inhibitors of replication in infectious disease. The Company received the NRC contribution until March 31, 2013.

In November, 2012 the Company also received positive results from the first round of screening of its portfolio of NICAMs through the contract testing laboratories of NIAID. Several NICAM compounds have been found to be highly active in primary *in vitro* assays against a number of important viruses including Hepatitis C virus, Human Papillomavirus, Human Cytomegalovirus and Varicella-Zoster virus (causative agent of shingles). Some of the compounds are currently undergoing secondary level *in vitro* testing, through NIAID's contract testing laboratories, towards selection of lead drug candidates for preclinical development.

In December 2012, the Company received positive anti-hepatitis C virus ("HCV") results from the second round of *in vitro* testing of its NICAMs. Contractors funded by NIAID carried out the testing.

Several NICAM compounds were tested for cross genotype activity using quantitative polymerase chain reaction in HCV replicons, as well as combinatorial effects with alpha interferon using a luciferase reporter assay. Results demonstrate that the NICAMs are highly active (low nanomolar potency) against HCV genotypes, 1 and 2, which represent approximately 85% of the HCV infections globally. Direct-acting HCV anti-viral drugs currently on the market are approved only for genotype 1 infections. Testing also revealed that the NICAM compounds acted synergistically with alpha interferon, the current standard of care treatment, in reducing viral activity. The presence of synergistic activity means that significantly lower drug doses may be possible, thereby limiting the adverse events associated with interferon treatment. These findings support the view that NICAMs will broaden the therapeutic treatment window by complementing other classes of HCV drugs in development.

In June, 2013 the Company received additional grant funding from the NRC-IRAP for its NICAM program. NRC-IRAP continues to play an instrumental role in networking the NICAM program with key global partners and previously assisted Isotechnika in late-stage screening of several NICAM compounds, including evaluation of anti-hepatitis C virus ("HCV") activity.

These evaluations have also been funded by the U.S. National Institutes of Allergy and Infectious Disease ("NIAID"), a part of the U.S. National Institutes of Health ("NIH"), and have led to the identification of a lead NICAM compound - 440-02 - for development as an anti-HCV agent.

The current project will further define the scope of 440-02 activity by studying its actions on several HCV genotypes and in combination with other anti-viral agents. This work will be conducted by the Scripps Research Institute in the laboratory of Dr. Philippe Gallay, a renowned HCV and human immunodeficiency virus ("HIV) researcher focused on the interplay between cyclophilin and viruses.

Current Financing Activities

On April 16, 2013, the Company entered into an agreement with Canaccord Genuity Corp (the "Agent"), pursuant to which the Agent would assist the Company in selling, on a commercially reasonable efforts basis, securities of the Company through a private placement.

The private placement will consist of up to 44,445,000 units of the Company at a price of $0.045 per unit, or approximately $2,000,000 in gross proceeds if fully subscribed. Each unit in the private placement (the "Unit Offering") will consist of one common share of the Company (a "Share") and one warrant (each, a "Warrant"), with each whole Warrant being exercisable for one Share at a price of $0.05 for a period of up to five years from the date of issuance. Given the number of securities to be issued pursuant to the Unit Offering, the Warrants issuable in the Unit Offering will not be exercisable until shareholder approval for their issuance has been obtained at the August 15, 2013 shareholder meeting. If shareholder approval is not obtained by September 15, 2013, the Warrants issuable in the Unit Offering will be cancelled.

The Company, on June 26, 2013 closed the first tranche of this private placement, raising gross proceeds of $1,019,500 by the issuance of 22,656,000 units at a price of $0.045 cents per unit. The issue of the warrants is subject to shareholder approval. The Company paid a commission of 7% cash on $619,500 of the placement and issued 963,666 broker warrants. The broker warrants are exercisable at a price of $0.045 and will expire five years from the closing date. In addition the Company incurred legal and other advisory fees of $90,000 to complete the private placement. In order to help fund its operations in the immediate-term, the Company received loans in April, 2013 from Dr. Richard Glickman, who is a major Aurinia shareholder and ILJIN consisting of the issuance of zero-coupon promissory notes in the principal amount of $200,000 each. Dr. Glickman and ILJIN each subscribed for Units in the private placement in the amount of $200,000 each and the promissory notes were cancelled.

While the Company believes that the First Unit Offering provides the Company with sufficient funding to continue its business in the ordinary course for a limited period of time following the closing of the Arrangement, additional funding is required to fund the Company's operations on a go-forward basis. Accordingly, the Company is proposing to conduct a Second Unit Offering as an additional step of the financing process. The timing for the closing of the Second Unit Offering has not been specified, but is intended to close following the completion of the merger arrangement.

The Second Unit Offering will be comprised of up to 133,333,332 Second Units. Each Second Unit will be sold for $0.045, meaning that the Company will receive gross proceeds of up to $6,000,000. The Company will use the proceeds from the Second Unit Offering for its general corporate purposes, including funding outstanding obligations, and ongoing research and development of voclosporin for the lupus nephritis indication

The Company is seeking shareholder approval for the issuance of the Second Units issued to subscribers and the securities underlying the Second Units at the Annual and Special Shareholders meeting to be held on August 15, 2013.

Proposed Financing Initiatives

The costs of the clinical trials are estimated to be in the range of $27.5 million to $30 million for each of the two renal transplant trials. The Company has been pursuing opportunities to fund the trials through strategic partnerships and/or equity financing. One of the difficulties encountered in raising these funds by issuing equity from Treasury is the Company's current low market capitalization. Raising the funds for the two required pivotal phase 3 trials is highly dilutive and difficult to achieve. Licensing voclosporin for the transplant indication is therefore a preferred pathway. However, as ILJIN currently has the rights to commercialize voclosporin in the US and most of the rest of world (ROW), including Asia-Pacific (excluding China, Hong Kong and Taiwan), the global transplant rights are unavailable to a new potential licensee. This is one of the reasons for the Tripartite Agreement Settlement between Isotechnika-ILJIN-Aurinia. A return of the rights and license for the ILJIN territories for voclosporin would enhance the Company's ability to seek a global licensing partner to further the development and commercialization of voclosporin for transplantation.

Another reason for the Tripartite Agreement is so that the rights associated with the intellectual property (IP) would be consolidated back into a single corporate entity, post-merger with Aurinia. By having the consolidated rights held by a single entity, the need for sophisticated sales tracking methodology and cross-field sales would be obviated. The indication split between transplantation and lupus nephritis would be contained within one company. By obtaining the rights and license back for the ILJIN territories and by limiting cross-indication splitting, the Company believes it is optimizing its chances of successfully attracting a global development and commercialization partner for transplantation.

Post-merger with Aurinia, it is believed that the Company will be in a good position to raise needed funding for a lupus nephritis trial, as: 1) a lupus nephritis trial is less expensive than a renal transplant trial (and therefore less dilutive); 2) consolidating the voclosporin rights into one company increases the chances of successfully raising the needed capital; and 3) cross-indication sales tracking is less problematic. It is for these reasons and the preceding considerations that it is believed the best course of action at present is to complete the Tripartite Agreement between Isotechnika-ILJIN-Aurinia, and to complete the merger/acquisition of Aurinia by Isotechnika. The Company, therefore, believes it is prudent to raise sufficient capital for a lupus nephritis trial, while being opportunistic where possible with the transplantation indication. For reasons already stated, the Company may pursue a development and commercialization partner that has a more broad interest in nephrology, as opposed to purely one indication or the other.

RESULTS OF OPERATIONS

For the three months ended June 30, 2013, the Company reported a consolidated net loss of $993,000 or $0.005 per common share, as compared to a consolidated net loss of $2.34 million or $0.013 per common share for the three months ended June 30, 2012. The decrease in the loss reflects a general reduction in expenditures due to the Company's financial condition. The Company has reduced its staff numbers through attrition and has reduced the hours worked for other staff using the Employment Insurance Work-Share program.

In addition the Company recorded a $458,000 restructured receivable charge related to a receivable from Lux, in the second quarter ended June 30, 2012. There was no similar item in 2013.

For the six months ended June 30, 2013, the Company reported a consolidated net loss of $1.79 million or $0.009 per common share, as compared to a consolidated net loss of $2.8 million or $0.016 per common share for the six months ended June 30, 2012.

Revenue and deferred revenue

The Company recorded revenue of $87,000 for the three months ended June 30, 2013 compared to $90,000 for the comparable period in 2012.

Revenue for the six months ended June 30, 2013 was $176,000 compared to $5.89 million for the six months ended June 30, 2012.

The Company recorded licensing and R&D revenue of $174,000 for the six months ended June 30, 2013 compared to $4.55 million for the six months ended June 30, 2012. Licensing and R&D fee revenues represent the amortization of deferred revenue from fee payments received by the Company (see note 5 to the interim condensed consolidated financial statements). The deferred revenue is recorded as revenue as the Company incurs the costs related to meeting its obligations under the terms of the applicable agreements. The significant decrease was the result of the Company recording the unamortized deferred revenue balance of $4.40 million related to the ILJIN payment fee as revenue for the three months ended March 31, 2012 on the basis that this agreement was terminated. The deferred revenue related to Lux, 3SBio and Paladin fee payments are being amortized on a straight line basis while deferred revenue from the Aurinia license payment is being amortized into revenue as costs related to the license are incurred.

Revenue for the six months ended June 30, 2012 also included $1.3 million as other revenue which was related to the sale of API to Lux. There was no such item for the six months ended June 30, 2013. In January, 2012 the Company satisfied an outstanding condition pursuant to an agreement with Lux for the sale of Active Pharmaceutical Ingredient (API) such that $1,323,000 (US$1,300,000) was due and payable in two instalments of $661,000 (US$650,000) each on July 29, 2012 and July 29, 2013, respectively.

The US$1,300,000 amount is owed by Lux to the Company but the timing and collectability of the amount is uncertain, particularly as a result of Lux not meeting the primary endpoint in the Phase 3 uveitis clinical trial. Therefore, the Company recorded a provision for doubtful collection for the full amount in the year ended December 31, 2012.

Licensing and Collaboration Agreement with Aurinia Pharmaceuticals Inc.

The Company signed a global Licensing and Collaboration Agreement ("LCA") effective December 30, 2011 with Vifor. The agreement granted Vifor an exclusive license for voclosporin, for the treatment of lupus and all proteinuric nephrology indications (the "Vifor License"). The Vifor License was for the United States and other regions outside of Canada, South Africa, Israel, China, Taiwan and Hong Kong (the "Vifor Territory"). Under the terms of the Agreement, the Company was to receive milestone payments, as well as royalties on commercial sales. In connection with this agreement, Vifor was to purchase voclosporin active pharmaceutical ingredient ("API") from the Company. Vifor was to carry the burden of the costs associated with these clinical trials. On December 13, 2012, the LCA was assigned to Aurinia Development Corp. by Vifor. Aurinia Development Corp. is a subsidiary of Aurinia Pharmaceuticals Inc. ("Aurinia").

ILJIN had provided a License Back for the field of lupus and proteinuric kidney diseases for the Territory defined in the ILJIN DDLA of certain rights to the Company in order for these rights to be licensed to Vifor specifically for the indications of lupus and proteinuric kidney disease, in return for certain milestones and royalties to be paid by Vifor.

On December 10, 2012 pursuant to this agreement, the Company received as a milestone payment, an investment in Aurinia. Aurinia issued the Company a share certificate representing 10% of the common shares of Aurinia. Aurinia had the option of granting the Company these shares or $592,000 in cash (US$600,000). The Company determined that the fair value of the shares in Aurinia approximated $592,000 and therefore recorded the value of the investment in Aurinia shares at $592,000. The Company has recorded this milestone payment as deferred revenue upon receipt. Under the LCA, the primary substantive obligations of the Company are to maintain the patent portfolio and pay for drug supply if costs exceed a certain amount. Deferred revenue is being amortized into licensing revenue as the Company incurs the costs related to meeting its obligations under the LCA.

The Company's investment in Aurinia is carried at fair value, with changes in fair value recognized in other comprehensive income ("OCI"). These gains and losses may subsequently be reclassified into net loss in the statement of operations and comprehensive loss. Since Aurinia's shares do not trade in a public market, the Company has used a form of comparable company valuation approach to determine fair value. Due to the unique nature of Aurinia's primary assets, being its' license agreement with Isotechnika and its' intellectual property related to lupus nephrology research management does not believe there are any comparable companies that trade publicly for which an indicative value could be obtained. As a result, it has compared the value of Aurinia to the value of the Company based on the proposed merger of the entities and the relative valuation formula agreed to by the parties and to be approved by the shareholders. Without providing for any adjustments for lack of liquidity or non-controlling interests, this approach results in a fair value of the investment of $368,000 at June 30, 2013. The change in fair value from December 31, 2012 of $224,000 has been recognized as a loss in OCI. If the value of the shares of Isotechnika were to increase or decrease by $0.01, this would result in an increase or decrease respectively in the value of the Aurinia shares of approximately $100,000.

During the first quarter of 2013, the Company entered into a term sheet to merge with Aurinia and a tripartite settlement agreement between the Company, ILJIN and Aurinia as more fully described in the *Recent Corporate Developments* section of this document.

Development, Distribution and License Agreement with ILJIN Life Science Co., Ltd.

Effective January 28, 2011 (the "Effective Date") the Company completed a Development, Distribution and License Agreement (the "DDLA") with ILJIN for the further clinical and commercial development of voclosporin for use in transplant indications applicable to voclosporin. The Company granted to ILJIN an exclusive license to voclosporin for transplant and autoimmune indications for the United States and other regions outside of Europe, Canada, Israel, South Africa, China, Taiwan and Hong Kong. The Company retained the rights over voclosporin in Europe for future development and commercialization.

Pursuant to the DDLA, the Company was to receive a total license fee of US$5.0 million. In addition, ILJIN was to purchase 90,700,000 common shares of the Company for gross proceeds of US$19.87 million in three tranches.

The Company was obligated under the terms of the agreement to complete a single Phase 3 clinical trial for the prevention of kidney transplant rejection. A Joint Steering Committee ("JSC") with equal membership from the Company and ILJIN was to have been formed to oversee the development and commercialization of voclosporin in the ILJIN territories.

The Company received $4.50 million (US$4.5million) of the license fee and the first private placement tranche of $2.38 million (US$2.37 million) on January 28, 2011 which was the Effective Date of the Agreement. The Company issued 11,500,000 common shares at a price of $0.207 per share (US$0.207) to ILJIN pursuant to the subscription agreement for securities. On or before January 28, 2012 ILJIN was to pay US$500,000 to the Company as the Second Development Payment and purchase 39,600,000 common shares of the Company issued from treasury for an aggregate subscription price of US$8.5million. On or before January 28, 2013, ILJIN was to purchase the final tranche of 39,600,000 common shares of the Company issued from treasury for an aggregate subscription price of US$9.0 million.

Prior to the January 28, 2012 date, ILJIN verbally indicated their intent to alter the economics of the DDLA. Consequently, payment under the DDLA was not received as required per the agreement of January 28, 2011. The Company on January 30, 2012 notified ILJIN that it was terminating the DDLA. At that time the Company believed that the termination of the original DDLA was valid. As a result, the remaining deferred revenue balance of $4.40 million was recorded as licensing revenue for the three months ended March 31, 2012.

The Company received notification in March, 2012 that ILJIN submitted a request for arbitration to the International Chamber of Commerce ("ICC") Court of Arbitration relating to Isotechnika's termination of the DDLA. The Arbitration hearing to determine the Company's right to terminate the agreement was held early in the fourth quarter of 2012.

In November, 2012 the Company received notification from the ICC that a Partial Award regarding its right to terminate the DDLA with ILJIN had been issued to the parties. In the result, the Partial Award provided that the DDLA had not been terminated and, therefore, the Company's contractual relationship with ILJIN still subsisted. As such the Partial Award rejected the Company's interpretation of the DDLA's termination provision.

In January of 2013, ILJIN formally notified Isotechnika and the arbitral tribunal that ILJIN had withdrawn all claims for damages in the parties' pending arbitration arising from the Development, Distribution and License Agreement.

In 2013 the Company, ILJIN and Aurinia entered into a definitive tripartite settlement agreement whereby the DDLA will be terminated as more fully discussed in the *Recent Corporate Developments* section of this document.

Research and Development

The major components of research and development expenditures for the three and six month periods ending June 30, 2013 and 2012 were as follows:

R&D Expenditures (in thousands of dollars)	Three Months Ended June 30			Six Months Ended June 30		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
	$	$	$	$	$	$
Research and development, net						
Wages and employee benefits	163	477	(314)	349	948	(599)
Study contracts, and other outside services	30	134	(104)	51	191	(140)
Rent, utilities and other facility costs	109	109	—	213	251	(38)
Gases, chemicals and lab supplies	1	22	(21)	(6)	48	(54)
Stock compensation expense	35	16	19	77	35	42
Patent annuities and legal fees	108	79	29	148	191	(43)
Insurance	1	10	(9)	2	20	(18)
Other	9	10	(1)	10	18	(8)
Subtotal	**456**	**857**	**(401)**	**844**	**1,702**	**(858)**
Less Refundable tax credits and other government assistance	(4)	(40)	36	(54)	(83)	29
Net research & development expenses	**452**	**817**	**(365)**	**790**	**1,619**	**(829)**

Net research and development expenses decreased to $452,000 and $790,000 respectively for the three and six month periods ended June 30, 2013, compared to $817,000 and $1.62 million respectively for the three and six month periods ended June 30, 2012.

The decrease reflects a reduction in expenditures due to the Company's financial condition. The Company has significantly reduced its research and development wage and benefit costs by a combination of a reduction in its staff numbers of R&D personnel through attrition and by reducing the hours worked for the remaining staff using the Employment Insurance Work-Share program which was available to the Company until June 22, 2013.

The Company has also continued to conduct research activities for the NICAM program on a reduced scale. Included in the above expenses were research and development costs of $41,000 and $108,000 for the three and six month periods ended June 30, 2013 related to the NICAM program compared to $106,000 and $214,000 respectively for the

three and six month periods ended June 30, 2012. The Company received funding from the NRC of $4,000 and $44,000 for the three and six month periods ended June 30, 2013 ($Nil and $Nil respectively for the three and six month periods ended June 30, 2012).

Corporate and Administration

The components of corporate and administration for the three and six month periods ended June 30, 2013, compared to the three and six month periods ended June 30, 2012, were as follows:

Corporate and Administration Expenditures (in thousands of dollars)	Three months ended June 30			Six months ended June 30		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
	$	$	$	$	$	$
Salaries, director fees and benefits	174	295	(121)	363	658	(295)
Professional and consulting fees	162	454	(292)	312	792	(480)
Travel and promotion	20	112	(92)	38	221	(183)
Stock compensation expense	46	21	25	110	53	57
Rent, utilities and other facility costs	29	12	17	42	31	11
Trustee fees, filing fees and other public company costs	34	35	(1)	63	78	(15)
Insurance	9	16	(7)	18	32	(14)
Office, data processing, telecommunications and other	29	46	(17)	55	112	(57)
Corporate and administration expenses	**503**	**991**	**(488)**	**1,001**	**1,977**	**(976)**

The Company significantly reduced corporate and administration expenditures for the three and six month periods ended June 30, 2013 when compared to the same periods in 2012. The Company is focused on completing the merger with Aurinia and raising additional funds while reducing costs as much as possible due to its current financial condition.

The Company has reduced its staff numbers of corporate and administration personnel through attrition and has reduced the hours worked and wages paid for the remaining personnel in part by using the Employment Insurance Work-Share program.

Professional and consulting fees also significantly decreased as less legal costs were incurred in the three and six month periods ended June 30, 2013 as a result of the Company signing a definitive settlement agreement with ILJIN and Aurinia in the first quarter of 2013. The Company incurred significant legal fees related to the arbitration process in 2012.

Stock-based Compensation

For a description of the Company's stock option plan and outstanding stock option details refer to note 7(c) of the interim condensed consolidated financial statements for the three and six month periods ended June 30, 2013.

For the three and six month periods ended June 30, 2013, the Company granted stock options of Nil and Nil respectively (2012 - Nil and 100,000 respectively).

Application of the fair value method resulted in charges to stock-based compensation expense of $81,000 and $187,000 for the three and six months ended June 30, 2013 respectively, (2012 – $37,000 and $88,000) with corresponding credits to contributed surplus. For the three and six month periods ended June 30, 2013, stock compensation expense has been allocated to research and development expense in the amounts of $35,000 and $77,000, respectively, (2012 – $16,000 and $35,000) and corporate and administration expense in the amounts of $46,000 and $110,000, respectively, (2012 – $21,000 and $53,000).

Amortization of property and equipment

Amortization expense for property and equipment decreased to $13,000 and $27,000 for the three and six month periods ended June 30, 2013, compared to $147,000 and $295,000 for the three and six month periods ended June 30, 2012. The decrease reflects that majority of the leasehold improvements and equipment has become fully amortized over the past year.

Amortization of intangible assets

Amortization of intangible assets was consistent at $69,000 and $138,000 respectively for the three and six month periods ended June 30, 2013, compared to $67,000 and $132,000 for the three and six month periods ended June 30, 2012.

Foreign exchange loss

The Company's functional currency is the Canadian dollar. The Company recorded a foreign exchange loss of $18,000 for the three months ended June 30, 2013 compared to a gain of $58,000 for the three months ended June 30, 2012. The Company recorded a foreign exchange loss of $22,000 for the six months ended June 30, 2013 compared to a gain of $39,000 for the six months ended June 30, 2012. The Company incurs foreign exchange gains or losses depending on the fluctuations of the Canada-US exchange rates.

The Company incurred a foreign exchange loss in the second quarter ended June 30, 2013 due to the decrease in the Canadian Dollar relative to the US dollar during the period which increased the cost of the accounts payable denominated in US dollars.

Other expense (income)

Other expense (income) on the statement of operations reflected an expense of $43,000 for the three months ended June 30, 2013 compared to an expense of $400,000 for the three months ended June 30, 2012. The decrease was the result of the Company recording a $458,000 restructured receivable charge related to a receivable from Lux, in the second quarter ended June 30, 2012. There was no similar item for the three months ended June 30, 2013.

Other expense (income) for the six months ended June 30, 2013 reflected an expense of $5,000 compared to an expense of $4.63 million for the six months ended June 30, 2012. The 2012 comparative figure included a loss on derivative financial asset of $4.18 million. Pursuant to the DDLA with ILJIN, ILJIN was entitled to acquire a fixed number of common shares for a fixed US dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of operations and comprehensive loss as they arise.

The Company, Aurinia and ILJIN have entered into a definitive tripartite agreement as more fully described in the *Recent Corporate Developments* section of this document. Accordingly the fair value of the financial derivative asset has been assessed to be $Nil at June 30, 2013. The Company had recorded a $4.18 million non-cash loss on this derivative financial asset for the three months ended March 31, 2012.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2013, the Company had $478,000 in cash, $188,000 in accounts receivable, accounts payable and accrued liabilities totalling $2.64 million, drug supply payable of $1.70 million and finance lease liability of $24,000. For the three months ended June 30, 2013, the Company reported a loss of $993,000, a cash outflow from operating activities of $390,000, and as at June 30, 2013 had an accumulated deficit of $217.75 million.

The success of the Company, its ability to complete the development of its pharmaceutical products and, in particular, voclosporin, and its ability to continue as a going concern is directly related to the Company raising additional financial resources in the immediate future (see note 2 to the interim condensed consolidated financial statements for the second quarter ended June 30, 2013). See *Recent Corporate Developments* section for activities being conducted by the Company.

The Company is in the development stage and is devoting substantially all of its efforts towards completing the development activities for its late stage drug, voclosporin. The recoverability of amounts expended on research and

development to date, including capitalized intangible assets, is dependent on the ability of the Company and its partners to complete these development activities and receive regulatory approval and to be able to commercialize voclosporin in the key markets and indications whereby the Company can achieve future profitable operations. The Company is dependent on raising additional funds through the issuance of shares, and/or attracting additional funding from either its current partners or new ones in order to undertake further development and commercialization of its intellectual property. While it has been successful in raising capital in the past, there can be no assurance it will be able to do so in the future. Without additional funding, the Company will be required to curtail certain or all of its operations.

Net cash used in operating activities for the three months ended June 30, 2013, was $390,000 compared to cash used in operating activities of $593,000 for the three months ended June 30, 2012. Cash used in operating activities in 2013 was composed of net loss, add-backs or adjustments not involving cash and net change in non-cash working items. The net cash used in operating activities for the three months ended June 30, 2012 was composed of net loss, add-backs or adjustments not involving cash, net change in non-cash working items.

Cash used in investing activities for the three months ended June 30, 2013, was $48,000 compared to cash generated in investing activities for the three months ended June 30, 2012 of $840,000. Cash generated in investing activities in 2012 included $849,000 of restricted cash.

Cash generated in financing activities for the three months ended June 30, 2013, was $882,000 compared to cash used in financing activities of $11,000 for the three months ended June 31, 2012. The Company received net proceeds of $400,000 from the issuance of promissory notes and $486,000 from the issuance of units in a private placement equity financing which closed on June 26, 2013.

CONTRACTUAL OBLIGATIONS

The Company is currently operating on a month to month lease at its existing location. The Company has also entered into other agreements with suppliers and service providers in the normal course of business.

The following table presents contractual obligations and purchase obligations arising from these agreements other than amounts already recorded in accounts payable and accrued liabilities and drug supply payable currently in force as at June 30, 2013.

(in thousands of dollars)	Total	Less than one year	Two to three years	Greater than three years
	$	$	$	$
Operating lease obligation	42	42	—	—
Purchase obligations	231	150	75	6
Finance lease liability	24	24	—	—

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with IFRS often requires management to make estimates about and apply assumptions or subjective judgment to future events and other matters that affect the reported amounts of the Company's assets, liabilities, revenues, expenses and related disclosures. Assumptions, estimates and judgments are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's interim condensed consolidated financial statements are prepared. Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates and judgments in order to ensure that the interim condensed consolidated financial statements are presented fairly and in accordance with IFRS.

Critical accounting estimates and judgments are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustment.

Management considers the following areas to be those where critical accounting policies affect the significant judgments and estimates used in the preparation of the Company's interim condensed consolidated financial statements.

Critical judgments in applying the Company's accounting policies

Revenue recognition

Management's assessments related to the recognition of revenues for arrangements containing multiple elements are based on estimates and assumptions. Judgment is necessary to identify separate units of accounting and to allocate related consideration to each separate unit of accounting. Where deferral of upfront payments or license fees is deemed appropriate, subsequent revenue recognition is often determined based upon certain assumptions and estimates, the Company's continuing involvement in the arrangement, the benefits expected to be derived by the customer and expected patent lives. To the extent that any of the key assumptions or estimates change future operating results could be affected.

Impairment of financial assets

A financial asset is impaired, and an impairment loss recorded, if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset, and that event has an impact on estimated future cash flows of the financial asset.

Fair value of stock options

Determining the fair value of stock options, including performance based options, requires judgment related to the choice of a pricing model, the estimation of stock price volatility, expected term of the underlying instruments and the probability factors of success in achieving the objectives used for the performance based options. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results, liabilities or other components of shareholders' equity.

Fair value of financial derivative asset

Pursuant to the DDLA with ILJIN, ILJIN was entitled to acquire a fixed number of common shares for a fixed US dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of operations and comprehensive loss as they arise.

The Company, Aurinia and ILJIN have entered into a definitive tripartite agreement as more fully described in the *Recent Corporate Developments* section of this document. Accordingly the fair value of the financial derivative asset has been assessed to be $Nil at June 30, 2013. The Company had recorded a $4.18 million non-cash loss on this derivative financial asset for the six months ended June 30, 2012.

Intangible assets and impairment

The values associated with intellectual property with finite lives are determined by applying significant estimates and assumptions, including those related to cash flow projections, economic risk, discount rates and asset lives.

Valuations performed in connection with post-acquisition assessments of impairment of intellectual property are based on estimates that include risk-adjusted future cash flows, which are discounted using appropriate interest rates. Projected cash flows are based on business forecasts, trends and expectation and are therefore inherently judgmental. Future events could cause the assumptions utilized in impairment assessments to change, resulting in a potentially significant effect on the Company's future operating results due to increased impairment charges, or reversals thereof, or adjustments to amortization charges.

RISKS AND UNCERTAINTIES

The success of the Company and its ability to complete the development of its pharmaceutical products and, in particular, voclosporin, is directly related to the Company's ability to raise additional financial resources and successfully complete the proposed merger with Aurinia. Additional sources of capital include payments from potential new licensing partners, equity financings, debt financings and/or the monetization of certain of the Company's intangible assets. There is no assurance of obtaining additional financing through these arrangements or any arrangements on acceptable terms. Given the nature of the biotechnology sector, it may be difficult to raise significant new capital at a reasonable or at any cost. If the Company is not able to obtain additional funding from other sources, management may be required to reduce or terminate development programs or curtail certain or all of its operations. There can be no assurance that any financing efforts will be successful. It is possible that financing may not be available or not be on favourable terms.

The Company has invested a significant portion of its time and financial resources in the development of voclosporin. The Company anticipates that its ability to generate revenues and meet expectations will depend primarily on the successful development and commercialization of voclosporin. The successful development and commercialization of voclosporin will depend on several factors, including the following:

- successful completion of clinical programs;
- receipt of marketing approvals from the FDA and other regulatory authorities with a commercially viable label;
- securing and maintaining partners with sufficient expertise and resources to help in the continuing development and eventual commercialization of voclosporin for autoimmune indications and transplant;
- maintaining suitable manufacturing and supply agreements to ensure commercial quantities of the product through validated processes; and
- acceptance and adoption of the product by the medical community and third-party payors.

A detailed list of the risks and uncertainties affecting the Company can be found in the Company's Annual Information Form which is filed on SEDAR. Additional risks and uncertainties of which the Company is unaware, or that it currently deems to be immaterial, may also become important factors that affect the Company.

Capital management

The Company's objective in managing capital is to ensure a sufficient liquidity position to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company defines capital as net equity, comprised of issued common shares, warrants, contributed surplus and deficit.

The Company's objective with respect to its capital management is to ensure that it has sufficient cash resources to maintain its ongoing operations and finance its research and development activities, corporate and administration expenses, working capital and overall capital expenditures.

Since inception, the Company has primarily financed its liquidity needs through public offerings of common shares and private placements. The Company has also met its liquidity needs through non-dilutive sources, such as debt financings, licensing fees from its partners and research and development fees.

There have been no changes to the Company's objectives and what it manages as capital since the prior fiscal period. The Company is not subject to externally imposed capital requirements.

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. Risk management is carried out by management under policies approved by the board of directors. Management identifies and evaluates the financial risks. The Company's overall risk management program seeks to minimize adverse effects on the Company's financial performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through the management of its capital structure and financial leverage as discussed above. It also manages liquidity risk by continuously monitoring actual and projected cash flows. There are material uncertainties that may cast a significant doubt that the Company will be able to continue as a going concern without raising additional funds as more fully discussed in Note 2 of the interim condensed consolidated financial statements. See also *Recent Corporate Developments* for activities being conducted by the Company subsequent to the quarter end to raise working capital.

The Company's activities have been financed through a combination of the cash flows from licensing and development fees and the issuance of equity and/or debt. The Company completed a $1,019,500 private placement on June 26, 2013.

Accounts payable and accrued liabilities of $2.64 million drug supply payable of $1.70 million and finance lease liability of $24,000 are due and payable within one year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's exposure to interest rate risk at June 30, 2013 is considered minimal.

Foreign currency risk

The Company is exposed to financial risk related to the fluctuation of foreign currency exchange rates.

Foreign currency risk is the risk that variations in exchange rates between the Canadian dollar and foreign currencies, primarily with the United States dollar, will affect the Company's operating and financial results. The Company's exposure to foreign currency risk at June 30, 2013 is considered minimal as no significant financial assets or liabilities are denominated in currencies other than the Canadian dollar.

Credit risk

The Company's cash is held at a major Canadian Bank. The Company has a credit risk of $1,310,000 related to a Receivable from Lux in 2012. The Company provided in full for the receivable at December 31, 2012.

CONTINGENCIES

i) The Company may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes that the ultimate resolution of such contingencies will not have a material adverse effect on the interim condensed consolidated financial position of the Company.

ii) The Company entered into indemnification agreements with its officers and directors. The maximum potential amount of future payments required under these indemnification agreements is unlimited. However, the Company does maintain liability insurance to limit the exposure of the Company.

iii) The Company has entered into license and research and development agreements with third parties that include indemnification and obligation provisions that are customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of third party claims or damages arising from these transactions. These provisions may survive termination of the underlying agreement. The nature of the obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any payments under such agreements and no amount has been accrued in the accompanying interim condensed consolidated financial statements.

iv) The Company and ILJIN incurred legal and other costs related to the arbitration process. The allocation of costs has not yet been determined by the arbitration panel. The Company believes its maximum exposure to costs incurred by ILJIN would not exceed $1.2 million, however, management's assessment that a cost award in favour of ILJIN is unlikely. Accordingly no provision has been made. Further, upon completion of the transactions contemplated as described in the *Recent Corporate Developments* section, all claims for costs by ILJIN against the Company would be dismissed.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as required under applicable Canadian regulatory requirements. The Company's internal control over financial reporting ("ICFRs") is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of interim condensed consolidated financial statements for external purposes in accordance with IFRS.

Internal controls over financial reporting include those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements on a timely basis. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to interim condensed consolidated financial statements preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As at June 30, 2013, management assessed the effectiveness of the Company's ICFRs and, based on that assessment concluded that the Company's ICFRs was effective and that there were no material weaknesses in the Company's ICFRs. No changes have occurred during the most recent interim period that have materially affected or are reasonably likely to materially affect the Company's ICFRs.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all material information required to be publicly disclosed by a public company is gathered and communicated to management, including the certifying officers, on a timely basis.

The Company's Chief Executive Officer and its Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure and procedures. They are assisted in this responsibility by the other Officers of the Company. This group requires that it be fully appraised of any material information affecting the Company so that it may evaluate and discuss this information so that the appropriate decisions can be made regarding public disclosure.

The Chief Executive Officer and the Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures as at June 30, 2013, have concluded that the disclosure controls and procedures were adequate and effective to provide reasonable assurance that material information the Company is required to disclose on a continuous basis in interim and annual filings and other reports and news releases is recorded, processed, summarized and reported or disclosed on a timely basis as necessary.

ADDITIONAL COMPANY INFORMATION

Additional information on the Company may be found in its regulatory filings including its Annual Information Form, quarterly reports and proxy circulars filed with the Canadian Securities Commissions through SEDAR at www.sedar.com or at the Company's Web site at www.isotechnika.com.

UPDATED SHARE INFORMATION

As at August 12, 2013, the following class of shares and equity securities potentially convertible into common shares were outstanding:

Common shares	215,527,000
Convertible equity securities	
Warrants outstanding	20,315,000
Stock options	14,813,000
Warrants exercisable upon shareholder approval	22,656,000

Quarterly Information

(expressed in thousands of dollars except per share data)

Set forth below is the selected unaudited consolidated financial data for each of the last eight quarters:

	Three months ended							
	2013			2012			2011	
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Revenue	87	89	150	86	90	5,800	110	555
Research and development costs	452	338	3,308	554	817	802	917	771
Corporate and administration costs	503	498	935	974	991	986	755	682
Other expense (income)	43	(38)	886	38	400	4,234	4,695	(3,392)
Net income (loss) for the period	(993)	(793)	(5,188)	(1,702)	(2,343)	(454)	(6,530)	2,242
Per common share ($)								
Net earnings (loss) – basic and diluted	(0.005)	(0.004)	(0.028)	(0.01)	(0.013)	(0.003)	(0.038)	0.013
Common Shares outstanding	215,527	192,871	192,871	173,921	173,921	173,921	173,921	173,921
Weighted average number of common shares outstanding	193,867	192,871	188,630	173,921	173,921	173,921	173,921	173,921

Summary of Quarterly Results

The primary factors affecting the magnitude of the Company's losses in the various quarters include the amortization of deferred revenue to revenues, research and development costs, timing associated with the clinical development programs and gains (losses) on financial instrument derivatives and fair value changes in these derivatives.

The net loss for the three months ended December 31, 2012 included a provision on drug supply inventory of $2.74 million which was recorded in research and development costs and an additional provision of $860,000 on the Lux receivable related to the sale of API to Lux in 2012 (the Company had previously recorded a provision of $450,000 on this receivable in the second quarter of 2012).

The net loss for the three months ended March 31, 2012 reflected amortization of the remaining ILJIN deferred licensing revenue of $4.40 million as a result of the termination of the DDLA with ILJIN. Results for the same period also reflected revenue from the sale of API to Lux in the amount of $1.3 million.

The net loss for the three months ended March 31, 2012 also included a non-cash loss on the ILJIN related financial derivative asset of $4.18 million. The derivative financial asset fair value of $4.18 million at December 31, 2011 was adjusted to $nil in the first quarter of 2012 as a result of the notification of termination of the ILJIN DDLA by the Company on January 30, 2012.

OUTLOOK

The Company is in the process of a merger, as described earlier in this document. The transaction is subject to certain closing conditions including, among others, the negotiation and completion of a merger agreement, acceptance and approval by the Toronto Stock Exchange, and the approval of Isotechnika's shareholders at the Annual and Special Shareholders meeting to be held on August 15, 2013.

Management believes that the consolidation of the intellectual property through the merger, and reaching a settlement agreement with ILJIN Life Science Co., Ltd. ("ILJIN") increases the likelihood of being able to raise the necessary funding to continue the development of voclosporin for the lupus indication. The combined entity will also continue to explore strategic global licensing transactions for the transplant indication.

The Company, on June 26, 2013 was able to close a private placement (First unit Offering) for gross proceeds of $1,019,500 which included the conversion of $400,000 of promissory notes which were issued in April, 2013. The proceeds will be used for working capital purposes and to complete the merger process.

While the Company believes that the First Unit Offering provides the Company with sufficient funding to continue its business in the ordinary course for a limited period of time following the closing of the Arrangement, additional funding is required to fund the Company's operations on a go-forward basis. Accordingly, the Company is proposing to conduct a Second Unit Offering as an additional step of the financing process. The timing for the closing of the Second Unit Offering has not been specified, but is intended to close following the completion of the merger arrangement. This second Unit Offering was more fully discussed previously in the "Current Financing Activities" section of this document.

The success of the Company and recoverability of amounts expended on research and development to date, including capitalized intangible assets, is dependent on the ability of the Company and its partners to raise this additional cash, complete development activities, receive regulatory approval and to be able to commercialize voclosporin in key markets and indications, whereby the Company can achieve future profitable operations.

The Company remains focused on unlocking shareholder value by completing the merger process, raising the required financial resources and by developing and commercializing voclosporin either directly by the Company or indirectly through its partners.

Exhibit 99.27

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2013

The following Management's Discussion and Analysis of Financial Condition or MD&A and Results of Operations provides information on the activities of Aurinia Pharmaceuticals Inc. (formerly Isotechnika Pharma Inc. ("Aurinia" or the "Company") on a consolidated basis and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and accompanying notes for the three months ended September 30, 2013. All amounts are expressed in Canadian dollars unless otherwise stated. Dollar amounts in tabular columns expressed in thousands of Canadian dollars. This document is current in all material respects as of November 20, 2013.

The Company prepares its consolidated financial statements in accordance with the CICA Handbook. Accordingly, the financial information contained in this MD&A and in the Company's interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards or IFRS as issued by the International Accounting Standards Board or IASB. The interim condensed consolidated financial statements and MD&A have been reviewed by our Audit Committee and approved by the Board of Directors.

Forward-looking Statements

This document may contain forward-looking information, including, but not limited to, statements with respect to the merger of the Company and Aurinia Pharma Corp., the proposed business of the combined company, the combined company having a higher probability of being able to obtain necessary funding, the combined company being able to continue to explore strategic global partnership transactions, the combined company offering the most commercially attractive opportunity, the completion of the Unit Offerings and the gross proceeds there-from and other information or statements about future events or conditions which may prove to be incorrect.

The forward-looking statements and information contained in this document are based on certain factors and assumptions made by management of the Company including, but not limited to Aurinia Pharma Corp. and ILJIN Life Sciences Co., Ltd. fulfilling their obligations in the various agreements the Company has entered into with them.

The forward-looking statements and information contained in this document are subject to a number of significant risks and uncertainties that could cause actual results to differ materially from those anticipated including, but not limited to, risks relating to the transactions not proceeding for any reason, the Company not being able to obtain sufficient funding, the anticipated synergies between the Company and Aurinia Pharma Corp. not proceeding as expected, and the impact of any occurring natural disasters and economic, business and market conditions.

Additional risks and uncertainties include, among others, the Company's belief as to the potential of its products and in particular voclosporin, its ability to protect its intellectual property rights, securing and maintaining corporate alliances and partnerships, the need to raise additional capital in the future to fund its planned clinical trial program and the effect of capital market conditions and other factors on capital availability, the potential of its products, the success and timely completion of clinical studies and trials, and the Company's and its partners' ability to successfully obtain regulatory approvals and commercialize voclosporin on a timely basis.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements or information prove incorrect, actual results may vary materially from those described herein.

For additional information on risks and uncertainties please see the "Risks and Uncertainties" section of this MD&A. Although the Company believes that the expectations reflected in such forward-looking statements and information are reasonable, undue reliance should not be placed on forward-looking statements or information because the Company can give no assurance that such expectations will prove to be correct.

Forward-looking statements reflect current expectations regarding future events and speak only as of the date of this MD&A and represent the Company's expectations as of that date. Investors should also consult the Company's ongoing quarterly filings, annual reports and the Annual Information Form and other filings found on SEDAR at www.sedar.com.

COMPANY OVERVIEW

THE COMPANY

Corporate Structure

Name, Address and Incorporation

Aurinia Pharmaceuticals Inc. (formerly Isotechnika Pharma Inc.) or the "Company" is a biopharmaceutical company with its registered office, which includes administration and lab facilities, located at 5120 – 75 Street, Edmonton, Alberta T6E 6W2. The Company also has an office at #1203-4464 Markham Street, Victoria, British Columbia which incorporates clinical, regulatory and business development functions of the Company.

Aurinia Pharmaceuticals Inc. is incorporated pursuant to the *Business Corporations Act* (Alberta). The Company's Common Shares are currently listed and traded on the TSX Venture Exchange ("**TSXV**") under the symbol "AUP". The Company's primary business is the development of a therapeutic drug to treat autoimmune diseases, in particular Lupus Nephritis, and for the prevention of graft rejection in solid organ transplant patients.

The Company has three wholly owned subsidiaries, Aurinia Pharma Corp. (formerly Aurinia Pharmaceuticals Inc.), Isotechnika Limited (inactive) and Aurinia Pharmaceuticals, Inc. (USA) which was incorporated on November 4, 2013. Aurinia Pharma Corp. has two inactive subsidiaries, Aurinia Holdings Corp. (Barbados) and Aurinia Development Corp. (Barbados).

Summary Description of Business

Aurinia is focused on the development of its novel therapeutic immunomodulating drug candidate, voclosporin, which is a next generation calcineurin inhibitor. It has been studied in kidney rejection following transplantation, psoriasis and in various forms of Uveitis (an ophthalmic disease).

The Company has rebranded, restructured and refocused itself over the past several months and modified its strategy to focus on the development of voclosporin for the treatment of Lupus Nephritis ("LN"). The mechanism of action of voclosporin, a calcineurin inhibitor, has been validated for the prevention of rejection in patients undergoing solid organ transplants and in several autoimmune indications, including dermatitis, Keratoconjunctivitis sicca, Psoriasis, Rheumatoid Arthritis, and for LN in Japan. The Company believes that voclosporin possesses pharmacologic properties with the potential to demonstrate best-in-class differentiation with first-in-class status for the treatment of LN in North America and Europe.

RECENT CORPORATE DEVELOPMENTS

1. Plan of Arrangement and Acquisition of Aurinia Pharma Corp.

Background to Arrangement

On February 5, 2013 the Company announced that it had signed a binding term sheet (the "Term Sheet") with Aurinia Pharma Corp. for the merger of the two companies, creating a clinical development stage pharmaceutical company focused on the global nephrology market. The Term Sheet set forth the main criteria to be incorporated into a definitive merger agreement under which the Company would acquire 100% of the outstanding securities of Aurinia Pharma Corp. The merger was expected to be effected by the exchange of the Company shares for securities of Aurinia Pharma Corp. resulting in an estimated 65:35 post merger ownership split, on a warrant diluted basis, between the Company and Aurinia Pharma Corp. respectively. It was expected that the merger would be accounted for as a business combination, with the Company being the acquirer.

On April 3, 2013, the Company and Aurinia Pharma Corp. negotiated a tripartite settlement agreement (the "Settlement Agreement") with ILJIN pursuant to which, upon the successful completion of the proposed merger, the combined company will re-acquire full rights to voclosporin for autoimmune indications including lupus, and transplantation in the United States, Europe and other regions of the world, outside of Canada, Israel, South Africa, China, Taiwan and Hong Kong. In return, ILJIN would be entitled to receive certain predefined future milestone payments and would also own approximately 25% of the issued and outstanding shares of the merged company on a warrant diluted basis, which is calculated to give effect to the dilution by the exercise of warrants but excluding the exercise of stock options. On June 11, 2013, a draft arrangement agreement was prepared implementing the arrangement (the "Arrangement Agreement"), the terms of which were subsequently negotiated by the parties and their respective legal counsels. The Arrangement was intended to implement the terms of the Settlement Agreement.

ILJIN received the ownership interest in the Company in exchange for:

(i) returning to the Company and terminating:

  (a) all of its rights, licenses and obligations under the DDLA ; and

  (b) all other licenses and sublicenses between ILJIN and any of the Company, Aurinia or Vifor (International) AG ("Vifor"); and

(ii) suspending all of its current or contemplated legal or financial claims against the Company, Aurinia or Vifor.

Plan of Arrangement

Upon closing of the plan of arrangement on September 20, 2013 the Company issued Common Shares to ILJIN. In addition ILJIN is entitled to receive certain predefined future success based clinical and marketing milestone payments in the aggregate amount of up to $10 million, plus up to $1.6 million upon the merged company reaching certain financing milestones.

The Company also acquired all of the issued and outstanding Common Shares of Aurinia Pharma Corp. at a ratio of 19.82974808 Common Shares for each Aurinia Pharma Corp. share held by an Aurinia Pharma Corp. shareholder.

The estimated fair value of the contract settlement with ILJIN at September 20, 2013 was $8.49 million and has been determined to represent reacquired license rights, and is therefore reflected on the balance sheet as an increase in intangible assets. Consideration paid or payable to ILJIN is as follows: the Company's 10% interest in Aurinia Pharma Corp. of $670,000, (14.89 million common shares upon conversion), $3.81 million in common shares (by issuance of 84.71 million common shares at a deemed price of $0.045 per share), $1.6 million in financial milestones payable (expected to become payable within one year) and $2.41 million in clinical and sales milestones payable based on the estimated fair value of the pre-defined future milestone payments. The fair value of the clinical and sales milestones was determined using a discounted cash flow model with a 15% discount rate and probability factors for each potential milestone payment ranging from 36% to 60%.

The Company determined that the transaction with Aurinia Pharma Corp. represented a business combination with the Company identified as the acquirer. The Company began consolidation of the operating results, cash flows and net assets of Aurinia Pharma Corp. on September 20, 2013.

The table below presents the purchase cost and preliminary allocation of the purchase price to the assets and liabilities acquired, as well as the settlement of pre-existing balances between the parties to the Arrangement Agreement prior to acquisition.

	Carrying Value $	Settle Pre-existing items $	Fair Value Adjustments $	Fair Value of Acquisition $
Cash	4	—	—	4
Prepaid expenses and deposits	123	—	—	123
Inventory	80	—	—	80
	207	—	—	207
Intangibles	2,448	(577)	5,848	7,719
	2,655	(577)	5,848	7,926
Accounts payable	185	(49)	—	136
Note payable	528	(528)	—	—
	713	(577)	—	136
Net assets acquired	1,942	—	5,848	7,790

Consideration provided by the Company for the acquisition of Aurinia Pharma Corp. was 184.11 million common shares of the Company with a deemed fair value of $8.29 million, less $495,000 of deferred revenue that was effectively settled as a result of the business combination.

The preliminary fair value of the reacquired rights, intellectual know-how, including the Aspreva Lupus Management Study (ALMS) database, and goodwill was determined to be $7.72 million at September 20, 2013. At September 30, 2013, management is in the process of determining the fair value of the assets and liabilities acquired and therefore the allocation between these asset categories, as shown above, is subject to change. Management is also considering the possibility of a bargain purchase gain; however this is subject to a final determination of the fair value of assets acquired. Management intends to complete this evaluation and make the final purchase price allocation adjustments in the fourth quarter of 2013.

Second Unit Offering

Immediately following the completion of the acquisition described above, the Company completed a second private placement (the "Second Unit Offering") of 133.33 million Second Units at a price of $0.045 per Second Unit for gross proceeds of $6.0 million. Each Second Unit is comprised of one Common Share and one-half of a whole Second Offering Warrant, with each whole Second Offering Warrant exercisable for one Common Share at a price of $0.05 per Common Share for a period of three years from their date of issuance.

ILJIN participated in the Second Unit Offering for 33.33 million Second Units.

Listing on the TSX Venture Exchange

The arrangement transaction described above was determined by the Toronto Stock Exchange ("TSX") to constitute a "backdoor listing" under the rules of the TSX due to the significant increase in the ownership position in the Company by ILJIN. The result of that determination was that the Company was required to meet the TSX's original listing requirements following completion of the arrangement. The Company did not meet the TSX's original listing requirements and, as a result, the Common Shares were delisted from the TSX as of the end of trading on September 27, 2013. The Company applied to the TSXV for listing of the Common Shares on that exchange and subsequently the Common Shares were listed on the TSXV as of the open of trading on September 30, 2013.

Share consolidation and name change

On October 23, 2013, the Company proceeded with a consolidation of its Common Shares on a 50:1 basis. In conjunction with the share consolidation, the Company changed its name from Isotechnika Pharma Inc. to Aurinia Pharmaceuticals Inc. Both the name change and the share consolidation were approved by the shareholders of the Company at its shareholder meeting held on August 15, 2013. In connection with its name change, the Company's trading symbol on the TSX Venture Exchange was changed to "AUP".

STRATEGY

The Company's business strategy is to optimize the clinical and commercial value of voclosporin, its late stage clinical candidate. In particular, the Company is focused on the development of voclosporin as an add-on therapy to the current standard of care, CellCept®, which was developed by the Aurinia Pharma Corp. management team during its tenure at Aspreva Pharmaceuticals Inc.

- Focus the Company's resources on advancing voclosporin through a robust Phase 2b lupus nephritis study – There is currently an open Investigational New Drug ("IND") with the United States Federal Drug Administration (the "FDA") for the Company to begin treating patients with *voclosporin* for the treatment of lupus nephritis. Aurinia plans to execute on this clinical plan as soon as practicably possible.
- Mitigate development risk by leveraging the ALMS database and the new management team's experience – The Company has certain rights to utilize the ALMS database including its use in planning, designing and informing the Phase 2b lupus nephritis study.
- Evaluate future voclosporin indications – While the Company intends to deploy its operational and financial resources to develop voclosporin for LN, the Company believes that voclosporin has the potential to be of therapeutic value in a number of autoimmune indications and the prevention of transplant rejection.
- Further develop the company as an attractive acquisition target – Management of the Company believes that should the planned clinical studies be successful, maintaining broad rights to the Company's technology through the completion of the clinical program will increase the Company's potential to be an attractive acquisition target.

About Lupus Nephritis

The Lupus Foundation of America ("LFA") estimates that approximately 1.5 million people in the United States of America and up to 5.0 million people worldwide suffer from systemic lupus erythematosus ("SLE"). Approximately 90% of patients suffering from SLE are women of child-bearing age. The disease causes severe impairments on quality of life and wellbeing. Of the patients suffering from SLE, 40-60% experience renal manifestations of the disease resulting in inflammation of the kidney. These patients are considered to have LN and have a high probability of advancing to end stage renal disease and dialysis if left untreated.

Based on the work performed by the former Aspreva team, ALMS data has been reported in several respected journals, including, the New England Journal of Medicine (*Dooley MA, Jayne D, Ginzler EM, Isenberg D, Olsen NJ, Wofsy D, Solomons, N et al; ALMS Group. Mycophenolate versus azathioprine as maintenance therapy for lupus nephritis. N Engl J Med. 2011 Nov 17;365(20):1886-95*) and the Journal of the American Society of Nephrology *(Appel GB, Contreras G, Dooley MA, Ginzler EM, Isenberg D, Jayne D, Solomons N et al; Aspreva Lupus Management Study Group. Mycophenolate mofetil versus cyclophosphamide for induction treatment of lupus nephritis. J Am Soc Nephrol. 2009 May;20(5):1103-12. Epub 2009 Apr 15.)* These publications and subsequent alterations in treatment strategies by physicians caring for patients suffering from LN have established CellCept® (mycophenolate mofetil (MMF)) as the standard of care for the treatment of LN. This shift in the treatment paradigm for LN and the establishment of CellCept® use as a relatively uniform treatment approach for these patients has, in the view of the Company, caused the LN market to evolve into an attractive and mature market opportunity.

Despite CellCept® being the current standard of care for the treatment of LN, it remains far from adequate with fewer than 20% of patients on therapy actually achieving disease remission after six months of therapy. Data suggests that a LN patient who does not achieve rapid disease remission upon treatment is more likely to experience renal failure or require dialysis at 10 years *(Chen YE, Korbet SM, Katz RS, Schwartz MM, Lewis EJ; the Collaborative Study Group. Value of a complete or partial remission in severe lupus nephritis. Clin J Am Soc Nephrol. 2008;3:46-53*.). Therefore, it is critically important to achieve disease remission as quickly and as effectively as possible. The data suggest that the majority of patients in the United States suffering from lupus will not achieve complete remission and are not adequately treated. (BioTrends® Research Group In., ChartTrends® SLE, December 2010).

CNIs and Lupus Nephritis

Aurinia's lead drug, voclosporin, belongs to a class of drugs called calcineurin inhibitors ("CNIs"). There are only two other marketed CNIs available, cyclosporine and tacrolimus. Cyclosporine was introduced in the early 1980's and tacrolimus was first marketed in the mid-1990's. Both cyclosporine and tacrolimus have lost key patent protection and have not been approved for the treatment of lupus in Europe or North America. For the past 20 years these products, in combination with CellCept® (mycophenolate mofetil or "MMF") and steroids have been the cornerstone for the prevention of renal transplant rejection with greater than 90% of all renal transplant patients leaving hospital on lifelong CNI plus MMF therapy.

In 2008, the Japanese Health Authority became the first major jurisdiction in 50 years to approve a pharmaceutical agent for the treatment of LN. This product was the calcineurin inhibitor tacrolimus. In addition to this approval, a substantial amount of recent data has been generated, primarily from investigator initiated trials, that support the use of either cyclosporine or tacrolimus for the treatment of various forms of lupus including LN. The addition of tacrolimus, layered on top of MMF and steroids akin to the widely accepted and utilized transplantation regimen, appears to dramatically improve complete response/remission rates in LN (*Bao H, Liu ZH, Xie HL, Hu WX, Zhang HT, Li LS. Successful treatment of class V+IV lupus nephritis with multitarget therapy. J Am Soc Nephrol. 2008 Oct;19(10):2001-10. Epub 2008 Jul 2 and .Liu , Zhi-Hong et al., 2012 ASN Abstract SA-OR097).* This approach to treatment can be considered a multi-targeted therapeutic ("MTT") approach to treating LN as is routinely used in transplantation. Complete remission rates of up to 50% have been reported utilizing this approach. Long term follow-up studies in LN suggest that the early reduction in proteinuria as seen in complete remission leads to improved renal outcome at ten years. *(Houssiau FA, Vasconcelos C, D'Cruz D, Sebastiani GD, de Ramon Garrido E, Danieli MG, et al. Early response to immunosuppressive therapy predicts good renal outcome in lupus nephritis. Lessons from long-term followup of patients in the Euro-lupus nephritis trial. Arthritis Rheum. 2004 Dec;50(12):3934-40.)*

The Company plans to utilize this MTT approach to treating LN patients with is novel potentially best in class CNI, voclosporin.

About Voclosporin

Voclosporin is an oral drug, administered twice daily. It is structurally similar to *cyclosporine A* ("CsA"), but is chemically modified on the amino acid-1 residue. This modification leads to a number of advantages the Company believes offer relevant clinical benefits as compared to the older off-patent CNIs.

Voclosporin Mechanism of action

Voclosporin reversibly inhibits immunocompetent lymphocytes, particularly T-Lymphocytes in the G0 and G1 phase of the cell-cycle, and also reversibly inhibits the production and release of lymphokines. Through a number of processes voclosporin inhibits and prevents the activation of various transcription factors necessary for the induction of cytokine genes during T-cell activation. It is believed that the inhibition of activation of T-cells will have a positive modulatory effect in the treatment of LN. In addition to these immunologic impacts recent data suggests that CNIs have another subtle but important impact on the structural integrity of the podocytes *(Faul C, et al. The actin cytoskeleton of kidney podocytes is a direct target of the antiproteinuric effect of cyclosporine A. Nat Med. 2008 Sep;14(9):931-8. doi: 10.1038/nm.1857).* This data suggests that inhibition of calcineurin in patients with autoimmune kidney diseases helps stabilize the cellular actin-cytoskeleton of the podocytes thus having a structural impact on the podocyte and the subsequent leakage of protein into the urine, which is a key marker of patients suffering from LN.

Potential Voclosporin Clinical Benefits

The Company believes that voclosporin has shown a number of key clinical benefits over the existing commercially available CNIs (tacrolimus & cyclosporine). Firstly, CNI assay results have indicated that voclosporin is approximately four times more potent than its parent molecule cyclosporine, which would indicate an ability to give less drug and produce fewer potentially harmful metabolites. Secondly, cyclosporine inhibits the enterohepatic recirculation of mycophenolic acid ("MPA"), the active metabolite of MMF. The net effect of co-administration of CsA with MMF is reduced MPA systemic exposure by as much as 50% (*D. Cattaneo et al. American Journal of Transplantation, 2005:12(5);2937-2944.*). This drug interaction has not been observed with voclosporin and it is not expected that MPA blood exposure levels will be reduced with voclosporin co-administration. This is an extremely important fact to consider as most patients being treated with voclosporin for LN will already be taking MMF. Furthermore, pharmacokinetic and pharmacodynamics ("PK-PD") analysis indicate lower PK-PD variability for voclosporin versus tacrolimus or cyclosporine, to the extent that the Company believes flat-dosing can be achieved for voclosporin. The currently available CNIs require extensive therapeutic drug monitoring which can often be costly, confusing and time consuming for treating physicians.

In a head-to-head study comparing voclosporin against cyclosporine in the treatment of psoriasis, cyclosporine was shown to cause significant increases in lipid levels as compared to voclosporin. The difference was statistically significant. This is important considering the fact that most lupus patients die of cardiovascular disease. In another study comparing voclosporin against tacrolimus in patients undergoing renal transplantation, the voclosporin group experienced a statistically significantly lower incidence of glucose intolerance and diabetes than tacrolimus treated patients. Additionally, in the Japanese tacrolimus study that led to the approval of this drug in Japan, almost 15% of tacrolimus patients experienced glucose intolerance *(Miyasaka N, Kawai S, Hashimoto H. Efficacy and safety of tacrolimus for lupus nephritis: a placebo-controlled double-blind multicenter study. Mod Rheumatol. 2009;19(6):606-15. Epub 2009 Aug 18*). This is a major limitation for physicians wanting to use this agent in lupus and is a well described side effect of tacrolimus.

The Company believes that voclosporin can be differentiated from the older CNIs.

Voclosporin Development History

More than 2,600 patients have been administered voclosporin. The safety and tolerability profile of the drug therefore is well characterized. Phase 2 or later clinical studies that have been completed include studies in the following indications:

Psoriasis: To date, two Phase 3 studies in patients with moderate to severe psoriasis have been completed. The primary efficacy endpoint in both studies was a reduction in Psoriasis Area and Severity Index ("PASI"), which is a common measure of psoriasis disease severity. The first study treatment with voclosporin resulted in statistically significantly greater success rates than treatment with placebo by the twelfth week. In a second study comparing voclosporin against cyclosporine, the drug was not shown to be statistically non-inferior to cyclosporine in terms of efficacy, however voclosporin proved superior in terms of limiting elevations in hyperlipidemia. Due to the evolving psoriasis market dynamics and the changing standard of care for the treatment of this disease the Company has decided not to pursue further Phase 3 development.

Renal Transplantation: A Phase 2b trial in de novo renal transplant recipients was completed. Study ISA05-01, the PROMISE Study *(Busque S, Cantarovich M, Mulgaonkar S, Gaston R, Gaber AO, Mayo PR, et al; PROMISE Investigators. The PROMISE study: a phase 2b multicenter study of voclosporin (ISA247) versus tacrolimus in de novo kidney transplantation. Am J Transplant. 2011 Dec;11(12):2675-84*) was a six month study with a six month extension comparing voclosporin directly against tacrolimus on a background of MMF and corticosteroids. Voclosporin was shown to be equivalent in efficacy, but superior to tacrolimus with respect the incidence of new onset diabetes after transplantation ("NODAT"). In 2010, tacrolimus lost its exclusivity in most world markets, as a result, the competitive pricing environment for voclosporin for this indication has come into question. Additionally, the longer and more expensive development timelines for this indication has made it a less attractive business proposition as compared to the LN indication, even when considering the fact that a Special Protocol Assessment has been agreed to by the FDA for this indication.

Uveitis: Multiple studies in various forms of non-infectious uveitis have been completed over the past several years by a licensee of the Company indicating mixed efficacy. In all but one of the studies, completed by the licensee, an impact on disease activity was shown in the voclosporin group. However achievement of the primary end-points in multiple studies could not be shown. Uveitis is a notoriously difficult disease to study due to the heterogeneity of the patient population and the lack of validated clinical end-points. However in all of the uveitis studies completed, the safety results were consistent and the drug was well tolerated as expected. The Company is awaiting news from its licensee regarding further development.

Scientific rational for treatment of LN with voclosporin

SLE including LN is a heterogeneous autoimmune disease with often multiple organ and immune system involvement. T-cell mediated immune response is an important feature of the pathogenesis of LN while the podocyte injury that occurs in conjunction with the ongoing immune insult in the kidney is an important factor in the clinical presentation of the disease.

The use of voclosporin in combination with the current standard of care for the treatment of LN provides a multi-targeted approach to treating this heterogenous disease (similar to the standard approach in preventing kidney transplant rejection). Voclosporin has shown to have potent effects on T-cell activation leading to its immunomodulatory effects. Additionally recent evidence suggests that inhibition of calcineurin has direct physical impacts on the podocytes within the kidney. Inhibition of calcineurin within the podocytes can prevent the dephosphorylation of synaptopodin which in turn inhibits the degradation of the actin cytoskeletion within the podocyte. This process is expected to have a direct impact on the levels of protein in the urine which is a key marker of LN disease activity.

Status of the Company's development program in LN

The Company's clinical strategy involves layering voclosporin on top of the current standard of care (CellCept®/MMF and steroids) as MTT to induce and maintain remission in patients suffering from active LN. In 2012, the Company gained alignment with both the Cardio-Renal and Pulmonary, Allergy, and Rheumatology Products divisions of the FDA on its proposed Phase 2b protocol. The Company has an active IND and plans to initiate this international multi-center study as soon as possible.

With the existing evidence that supports the utility of CNIs in combination with MMF in treating LN, the robust safety data base of voclosporin and the fact that CellCept®/MMF in combination with the other CNIs is the standard of care in transplant, it is reasonable to consider that voclosporin is a risk mitigated clinical asset for the treatment of LN.

Other voclosporin development programs

Transplant indication

The Company applied for, and received, positive Scientific Advice ("SA") from the European Medicines Agency ("EMA") in October, 2011 for a Phase 3 renal transplant protocol. Similarly, the FDA sent a Letter Agreement to the Company on a Special Protocol Assessment ("SPA") in March 2012. Receipt of the SA and SPA has cleared the regulatory pathway for the Phase 3 renal transplant protocol. The Phase 3 protocol contemplated a study of 1,200 renal transplant patients, divided into two separate Phase 3 trials. Each of the two studies would be comprised of 600 patients, of which half (n=300 patients) would be randomized to voclosporin and the other half (n=300 patients) would receive the market leading drug, tacrolimus . The primary endpoint of the studies would be driven primarily by BPAR. Secondary endpoints included NODAT and other measures of safety.

For a variety of reasons the Company has decided to pursue the LN indication as the lead indication, as voclosporin would be the only commercially approved CNI for this indication, outside Japan. However, the Company is willing to

exploit the transplant indication with a development and commercialization partner, should such a partner be interested in the entire nephrology franchise (i.e., both LN and renal transplantation). At this point, the Company feels that it is best not to split the drug's indications in order to offer shareholders the best value.

NICAMs

The Company has discovered a portfolio of non-immunosuppressive cyclophilin antagonist molecules ("NICAMs") that are macrocycles based on chemical modifications of CsA. Cyclophilin binding has garnered considerable attention as a novel therapy in the treatment of a wide range of diseases including, for example, human papillomavirus ("HPV"), hepatitis C virus ("HCV"), human immunodeficiency virus ("HIV"), and chronic neurological disorders including, for example, Parkinson's, Lou Gehrig's, and Alzheimer's disease. NICAMs also have utility in ischemia reperfusion injury (e.g., traumatic brain injury, stroke). The Company has developed NICAMs that are believed to bind to cyclophilin A and cyclophilin D. Cyclophilin A binding is more relevant to viral replication (HCV, HIV, HPV), whereas cyclophilin D binding and the permeability of the transition pore of mitochondria are linked (MI, traumatic brain injury).

In April 2012, the Company announced the signing of a three year Non-Clinical Evaluation Agreement with the National Institute of Allergy and Infectious Diseases ("NIAID"), part of the U.S. National Institutes of Health ("NIH"). The NIAID will test various NICAM molecules in viral assays including, for example, HCV, HIV, Herpes viruses, Corona viruses (including SARS), Poxviruses (cowpox), Yellow Fever, West Nile, Dengue and Papillomavirus. The NIAID has thus far tested some of the NICAMs in both primary and secondary screening through various contractors. Additional funding has also been received through the National Research Council (Canada)-Industrial Research Assistance Program ("NRC-IRAP"). The Company has received a total of four grants from NRC-IRAP to fund two NICAM projects; a virology project and one to investigate ischemia reperfusion injury. The NRC-IRAP funding carries through to March 2014. The goal of these funded programs is to identify a lead NICAM as an anti-viral drug. As the NICAM technology is a platform technology (a library of chemical analogues of CsA that are not immunosuppressive), the Company may decide that indications other than the anti-virals will be investigated further in collaboration with researchers that are focused on ischemia reperfusion injury.

The Company intends to provide minimal financial assistance to the NICAM program and, instead, rely more upon external funding through granting agencies, collaborative research programs, and possible future external funding.

Existing Partnerships:

Lux Biosciences

On May 24, 2006 the Company signed a Distribution and License Agreement ("DLA") with Lux Biosciences Inc. ("Lux") granting Lux worldwide rights to develop and commercialize voclosporin for the treatment and prophylaxis of all ophthalmic diseases. Under the terms of the agreement, Lux made an upfront payment, and will make further milestone payments, assuming development milestones are achieved. Lux will also pay royalties based on a percentage of net sales. Lux is responsible for the clinical development, registration, and marketing of voclosporin for all ophthalmic indications.

In February, 2010, Lux filed a New Drug Application ("NDA") with the FDA and a Marketing Authorization Application ("MAA") with the European Medicines Agency ("EMA") for voclosporin for the treatment of noninfectious uveitis. In August, 2010, Lux received a Complete Response Letter ("CRL") from the FDA regarding their NDA for voclosporin. A CRL is issued by the FDA when the review of a file is completed and questions remain that prevents the approval of the NDA in its current form. The FDA requested additional information and recommended that an additional clinical trial be conducted in order to consider future approval of voclosporin for this indication. In February, 2011, Lux commenced the required additional pivotal Phase 3 trial. The study was a six-month randomized trial of voclosporin versus placebo in 155 patients in North America and Europe with active non-infectious intermediate, posterior, or pan-uveitis. In January of 2013 Lux released results of this Phase 3 study. Unfortunately the study drug failed to achieve statistical significance vs. placebo. Lux is currently evaluating the next steps for their development program for voclosporin.

Paladin Labs

On June 18, 2009, the Company completed a Plan of Arrangement transaction with Paladin Labs Inc. ("Paladin"). Paladin has the rights to market, sell, and distribute voclosporin in the Paladin territories which include Canada, South Africa and Israel and is required to make payments to the Company equal to: (i) 20% of net sales, in the Paladin territories, less manufacturing costs until June 18, 2016; and (ii) 20% of net royalties received from third party sales, in the Paladin territories until June 18, 2016. In addition, Paladin will receive 2% of any milestone payments, development payments, royalties, and net profit splits paid to the Company, related to voclosporin outside the Paladin territories excluding any ophthalmic indications.

3SBio

On August 23rd, 2010, the Company and 3SBio Inc. ("3SBio"), a China-based biotechnology company focused on researching, developing, manufacturing and marketing biopharmaceutical products, completed a Development and License Agreement ("DDL") for voclosporin. Under the terms of the agreement the Company granted 3SBio exclusive rights to all transplant and autoimmune indications of voclosporin in China, including Hong Kong, Taiwan, excluding ophthalmic indications which were previously licensed to Lux. 3SBio will be responsible, including costs, for the clinical development, registration and commercialization of voclosporin in China. The Company will also receive ongoing royalties based on sales of voclosporin by 3SBio. The Company will also supply commercial supply to 3SBio on a cost-plus basis.

On June 28th, 2012 the Company announced that 3SBio received approval from the State Food and Drug Administration ("SFDA") to conduct a multi-center Phase 3 trial of voclosporin in China. According to the approved protocol this will be a Phase 3, randomized multi-center, concentration-controlled and comparison study in kidney transplant patients. Patient enrollment has been delayed by 3SBio and the Company is awaiting information from its licensee regarding further development.

RESULTS OF OPERATIONS

For the three months ended September 30, 2013, the Company reported a consolidated net loss of $2.44 million or $0.01 per common share, as compared to a consolidated net loss of $1.70 million or $0.01 per common share for the three months ended September 30, 2012. The increase in the loss was primarily the result of recording acquisition and restructuring costs of $1.46 million for the three months needed September 30, 2013, which is more fully discussed in the section "Acquisition and restructuring costs" later in this document.

For the nine months ended September 30, 2013, the Company reported a consolidated net loss of $4.23 million or $0.02 per common share, as compared to a consolidated net loss of $4.50 million or $0.03 per common share for the nine months ended September 30, 2012.

Revenue and deferred revenue

The Company recorded revenue of $87,000 for the three months ended September 30, 2013 compared to $86,000 for the comparable period in 2012.

Revenue for the nine months ended September 30, 2013 was $264,000 compared to $5.98 million for the nine months ended September 30, 2012.

The Company recorded licensing and R&D revenue of $262,000 for the nine months ended September 30, 2013 compared to $4.63 million for the nine months ended September 30, 2012. Licensing and R&D fee revenues represent the amortization of deferred revenue from fee payments received by the Company. The deferred revenue is recorded as revenue as the Company incurs the costs related to meeting its obligations under the terms of the applicable agreements. The significant decrease was the result of the Company recording the unamortized deferred revenue balance of $4.40 million related to the ILJIN payment fee as revenue for the three months ended March 31, 2012 on the basis that this agreement was terminated. The deferred revenue related to Lux, 3SBio and Paladin fee payments are being amortized on a straight line basis. The deferred revenue from the Aurinia license payment was amortized into revenue up to September 20, 2013 until the completion of the plan of arrangement.

Revenue for the nine months ended September 30, 2012 also included $1.3 million as other revenue which was related to the sale of API to Lux. There was no such item in 2013. The US$1.3 million amount is owed by Lux to the Company but the timing and collectability of the amount is uncertain, particularly as a result of Lux not meeting the primary endpoint in the Phase 3 uveitis clinical trial. Therefore, the Company recorded a provision for doubtful collection for the full amount in the year ended December 31, 2012.

(a) Licensing and Collaboration Agreement with Aurinia Pharma Corp.

The Company signed a global Licensing and Collaboration Agreement ("LCA") effective December 30, 2011 with Vifor. The agreement granted Vifor an exclusive license for voclosporin, for the treatment of lupus and all proteinuric nephrology indications (the "Vifor License"). The Vifor License was for the United States and other regions outside of Canada, South Africa, Israel, China, Taiwan and Hong Kong (the "Vifor Territory"). Under the terms of the Agreement, the Company was to receive milestone payments, as well as royalties on commercial sales. In connection with this agreement, Vifor was to purchase voclosporin active pharmaceutical ingredient ("API") from the Company. Vifor was to carry the burden of the costs associated with these clinical trials. On December 13, 2012, the LCA was assigned to Aurinia Development Corp. by Vifor. Aurinia Development Corp. is a subsidiary of Aurinia Pharma Corp.

ILJIN had provided a License Back for the field of lupus and proteinuric kidney diseases for the Territory defined in the ILJIN DDLA of certain rights to the Company in order for these rights to be licensed to Vifor specifically for the indications of lupus and proteinuric kidney disease, in return for certain milestones and royalties to be paid by Vifor.

On December 10, 2012 pursuant to this agreement, the Company received as a milestone payment, an investment in Aurinia Pharma Corp. Aurinia Pharma Corp. issued the Company a share certificate representing 10% of the common shares of Aurinia Pharma Corp. Aurinia Pharma Corp. had the option of granting the Company these shares or $592,000 in cash (US$600,000). The Company determined that the fair value of the shares in Aurinia Pharma Corp. approximated $592,000 and therefore recorded the value of the investment in Aurinia Pharma Corp. shares at $592,000. The Company has recorded this milestone payment as deferred revenue upon receipt. Under the LCA, the primary substantive obligations of the Company were to maintain the patent portfolio and pay for drug supply if costs exceed a certain amount. Until September 20, 2013 deferred revenue was being amortized into licensing revenue as the Company incurred the costs related to meeting its obligations under the LCA.

The Company's investment in Aurinia Pharma Corp. was carried at fair value, with changes in fair value recognized in other comprehensive income ("OCI"). These gains and losses may subsequently be reclassified into net loss in the statement of operations and comprehensive loss. Since Aurinia Pharma Corp.'s shares did not trade in a public market, the Company used a form of comparable company valuation approach to determine fair value, categorized as level 3 in the fair value hierarchy. Due to the unique nature of Aurinia Pharma Corp's primary assets, being its' license agreement with the Company and it's intellectual property related to lupus nephrology research, management does not believe there are any comparable companies that trade publicly for which an indicative value could be obtained. As a result, it compared the value of Aurinia Pharma Corp. to the value of the Company based on the merger of the entities and the relative valuation formula agreed to by the parties and approved by the shareholders. Without providing for any adjustments for lack of liquidity or non-controlling interests, this approach results in a fair value of the investment of $670,210 at September 20, 2013. Pursuant to the plan of arrangement as described in note 4 the Company transferred its ownership interest in Aurinia Pharma Corp. to ILJIN. The Company recorded a gain of $78,000 on the statement of operations upon disposal of this investment and reversed the $224,000 OCI loss outstanding at the time of the transaction.

Development, Distribution and License Agreement with ILJIN Life Science Co., Ltd.

Effective January 28, 2011 (the "Effective Date") the Company completed a Development, Distribution and License Agreement (the "DDLA") with ILJIN for the further clinical and commercial development of voclosporin for use in transplant indications applicable to voclosporin. The Company granted to ILJIN an exclusive license to voclosporin for transplant and autoimmune indications for the United States and other regions outside of Europe, Canada, Israel, South Africa, China, Taiwan and Hong Kong. The Company retained the rights over voclosporin in Europe for future development and commercialization.

Pursuant to the DDLA, the Company was to receive a total license fee of US$5.0 million. In addition, ILJIN was to purchase 90.7 million common shares of the Company for gross proceeds of US$19.87 million in three tranches.

The Company was obligated under the terms of the agreement to complete a single Phase 3 clinical trial for the prevention of kidney transplant rejection. A Joint Steering Committee ("JSC") with equal membership from the Company and ILJIN was to have been formed to oversee the development and commercialization of voclosporin in the ILJIN territories.

The Company received $4.5 million (US$4.5 million) of the license fee and the first private placement tranche of $2.38 million (US$2.37 million) on January 28, 2011 which was the Effective Date of the Agreement. The Company issued 11,500,000 common shares at a price of $0.207 per share (US$0.207) to ILJIN pursuant to the subscription agreement for securities. On or before January 28, 2012 ILJIN was to pay US$500,000 to the Company as the Second Development Payment and purchase 39.6 million common shares of the Company issued from treasury for an aggregate subscription price of US$8.5 million. On or before January 28, 2013, ILJIN was to purchase the final tranche of 39.6 million common shares of the Company issued from treasury for an aggregate subscription price of US$9.0 million.

Prior to the January 28, 2012 date, ILJIN verbally indicated their intent to alter the economics of the DDLA. Consequently, payment under the DDLA was not received as required per the agreement of January 28, 2011. The Company on January 30, 2012 notified ILJIN that it was terminating the DDLA. At that time the Company believed that the termination of the original DDLA was valid. As a result, the remaining deferred revenue balance of $4.4 million was recorded as licensing revenue on January 30, 2012.

The Company received notification in March, 2012 that ILJIN submitted a request for arbitration to the International Chamber of Commerce ("ICC") Court of Arbitration relating to Isotechnika's termination of the DDLA. The Arbitration hearing to determine the Company's right to terminate the agreement was held early in the fourth quarter of 2012.

In November, 2012 the Company received notification from the ICC that a Partial Award regarding its right to terminate the DDLA with ILJIN had been issued to the parties. In the result, the Partial Award provided that the DDLA had not been terminated and, therefore, the Company's contractual relationship with ILJIN still existed. As such the Partial Award rejected the Company's interpretation of the DDLA's termination provision. Since the DDLA was not considered to have been terminated, the Company assessed whether it had an onerous contract under the provisions guidance of IAS 37, and concluded that no provision was required.

In January of 2013, ILJIN formally notified the Company and the arbitral tribunal that ILJIN had withdrawn all claims for damages in the parties' pending arbitration.

On September 20, 2013, the Company, ILJIN and Aurinia Pharma Corp. completed a plan of arrangement whereby the DDLA was terminated as more fully described in the 'Recent Corporate Developments" section above.

Research and Development

The major components of research and development expenditures for the three and nine month periods ending September 30, 2013 and 2012 were as follows:

R&D Expenditures	Three Months Ended September 30			Nine Months Ended September 30		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
	$	$	$	$	$	$
Research and development, net						
Wages and employee benefits	246	336	(90)	595	1,284	(689)
Study contracts, drug supply and other	211	72	139	262	263	(1)
Rent, utilities and other facility costs	77	119	(42)	290	370	(80)
Gases, chemicals and lab supplies	—	15	(15)	(6)	63	(69)
Stock compensation expense	13	18	(5)	90	53	37
Patent annuities and legal fees	63	43	20	211	234	(23)
Insurance	1	10	(9)	3	30	(27)
Other	2	13	(11)	12	31	(19)
Subtotal	**613**	**626**	**(13)**	**1,457**	**2,328**	**(871)**
Less Refundable tax credits and other government assistance	(69)	(72)	3	(123)	(155)	32
Net research & development expenses	**544**	**554**	**(10)**	**1,334**	**2,173**	**(839)**

Net research and development expenses decreased to $544,000 and $1.33 million respectively for the three and nine month periods ended September 30, 2013, compared to $554,000 and $2.17 million respectively for the three and nine month periods ended September 30, 2012.

The decrease reflects a reduction in research and development activities as the Company focused its operational and financial resources on completing the plan of arrangement and Second Unit Offering in the third quarter of 2013. The Company has significantly reduced its research and development wage and benefit costs by a reduction in its staff numbers of R&D personnel through attrition and reduced work hours during the period.

The Company has continued to conduct research activities for the NICAM program on a reduced scale. Included in the above expenses were research and development costs of $117,000 and $225,000 for the three and nine month periods ended September 30, 2013 related to the NICAM program compared to $77,000 and $291,000 respectively for the three and nine month periods ended September 30, 2012. The Company received funding from the NRC of $66,000 and $110,000 for the three and nine month periods ended September 30, 2013 ($39,000 and $39,000 respectively for the three and nine month periods ended September 30, 2012).

Corporate and Administration

The components of corporate and administration for the three and nine month periods ended September 30, 2013, compared to the three and nine month periods ended September 30, 2012, were as follows:

Corporate and Administration Expenditures	Three months ended September 30			Nine months ended September 30		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
	$	$	$	$	$	$
Salaries, director fees and benefits	350	268	82	713	926	(213)
Professional and consulting fees	18	553	(535)	250	1,345	(1,095)
Travel and promotion	9	50	(41)	47	271	(224)
Stock compensation expense	17	20	(3)	127	73	54
Rent, utilities and other facility costs	32	13	19	74	44	30
Trustee fees, filing fees and other public company costs	53	13	40	116	91	25
Insurance	9	16	(7)	27	48	(21)
Office, data processing, telecommunications and other	23	41	(18)	78	153	(75)
Corporate and administration expenses	**511**	**974**	**(463)**	**1,432**	**2,951**	**(1,519)**

The Company significantly reduced corporate and administration expenditures for the three and nine month periods ended September 30, 2013 when compared to the same periods in 2012. The Company focused on completing the acquisition of Aurinia Pharma Corp. and the second Unit Offering private placement in the third quarter of 2013 while reducing costs as much as possible due to its financial condition.

The Company reduced its staff numbers of corporate and administration personnel through attrition and terminations during the period and reduced the hours worked and wages paid for the remaining personnel during the period.

Professional and consulting fees also significantly decreased as less legal costs were incurred in the three and nine month periods ended September 30, 2013 as a result of the Company signing a definitive settlement agreement with ILJIN and Aurinia in the first quarter of 2013. The Company incurred significant legal fees related to the arbitration process in 2012.

Stock-based Compensation

For a description of the Company's stock option plan and outstanding stock option details refer to note 9(c) of the interim condensed consolidated financial statements for the three and nine month periods ended September 30, 2013.

For the three and nine month periods ended September 30, 2013, the Company did not grant any stock options. The Company granted 325,000 stock options to directors at a weighted average exercise price of $0.07 in the nine months ended September 30, 2012.

Application of the fair value method resulted in charges to stock-based compensation expense of $30,000 and $217,000 for the three and nine months ended September 30, 2013 respectively, (2012 – $38,000 and $126,000) with corresponding credits to contributed surplus. For the three and nine month periods ended September 30, 2013, stock compensation expense has been allocated to research and development expense in the amounts of $13,000 and $90,000, respectively, (2012 – $18,000 and $53,000) and corporate and administration expense in the amounts of $17,000 and $127,000, respectively, (2012 – $20,000 and $73,000).

Acquisition and restructuring costs

Acquisition and restructuring related costs incurred by the Company have been expensed and are composed of the following:

	Three months ended		Nine months ended	
	September 30, 2013 $	September 30, 2012 $	September 30, 2013 $	September 30, 2012 $
Acquisition costs, including legal and filing fees	149	—	229	—
Restructuring costs composed of accrued severance	1,311	—	1,311	—
	1,460	—	1,540	—

As a result of the restructuring and rebranding of the Company following the plan of Arrangement, the Company eliminated five positions, including two executive officers, while the previous CEO was transitioned to a new role as Chief Scientific Officer. These changes resulted in the Company recording a severance provision of $1.31 million in the period ended September 30, 2013.

Amortization of property and equipment

Amortization expense for property and equipment decreased to $12,000 and $39,000 for the three and nine month periods ended September 30, 2013, compared to $147,000 and $442,000 for the three and nine month periods ended September 30, 2012. This decrease is the result of the majority of the leasehold improvements and equipment being fully amortized by the end of 2012.

Amortization of intangible assets

Amortization of intangible assets was consistent at $70,000 and $207,000 respectively for the three and nine month periods ended September 30, 2013, compared to $66,000 and $198,000 for the three and nine month periods ended September 30, 2012.

Other expense (income)

Other expense (income) on the statement of operations reflected income of $66,000 for the three months ended September 30, 2013 compared to an expense of $38,000 for the three months ended September 30, 2012. The change was primarily the result of the Company recording a gain of $78,000 on disposal of its investment in Aurinia Pharma Corp. upon completion of the plan of arrangement on September 20, 2013.

Other expense (income) for the nine months ended September 30, 2013 reflected income of $57,000 compared to an expense of $4.67 million for the nine months ended September 30, 2012. The 2012 comparative figure included a loss on derivative financial asset of $4.18 million. Pursuant to the DDLA with ILJIN, ILJIN was entitled to acquire a fixed number of common shares for a fixed US dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of operations and comprehensive loss as they arise. The Company recorded a $4.18 million non-cash loss on this derivative financial asset for the three months ended March 31, 2012.

As a result of completing the plan of arrangement on September 20, 2103 the DDLA with ILJIN has been terminated and accordingly the financial derivative asset which was assessed to be $Nil at June 30, 2013 has been extinguished.

LIQUIDITY AND CAPITAL RESOURCES

On September 20, 2013 the Company closed a Second Unit Offering private placement for gross proceeds of $6.0 million. At September 30, 2013 the Company had $4.6 million in cash and cash equivalents.

The Company is in the development stage and is devoting substantially all of its efforts towards the development activities for its drug, voclosporin.

The recoverability of amounts expended on research and development to date, including capitalized intellectual property, is dependent on the ability of the Company to complete these development activities. The Company is dependent on raising additional funds through the issuance of shares and/or attracting additional funding from either its current partners or new ones in order to undertake further development and commercialization of its intellectual property. While the Company has been successful in raising capital and in the past (most recently on September 20, 2013), there can be no assurance it be able to do so in the future.

Net cash used in operating activities for the three months ended September 30, 2013, was $1.51 million compared to cash used in operating activities of $1.07 for the three months ended September 30, 2012. Cash used in operating activities in the third quarter of 2013 and the corresponding period in 2012 was composed of net loss, add-backs or adjustments not involving cash and net change in non-cash working items. Cash used in investing activities for the three months ended September 30, 2013, was $31,000 compared to cash used in investing activities for the three months ended September 30, 2012 of $3,000.

Cash generated in financing activities for the three months ended September 30, 2013, was $5.74 million compared to cash used in financing activities of $11,000 for the three months ended September 31, 2012. The Company received net proceeds of $5.76 million from the Second Unit Offering private placement equity financing which closed on September 20, 2013.

CONTRACTUAL OBLIGATIONS

The following table presents contractual obligations and purchase obligations arising from these agreements other than amounts already recorded in accounts payable and accrued liabilities and drug supply payable currently in force as at September 30, 2013.

(in thousands of dollars)	Total	Less than one year	Two to three years	Greater than three years
	$	$	$	$
Operating lease obligation	20	20	—	—
Purchase obligations	201	128	71	2

Until September 30, 2013 the Company was leasing 25,318 square feet of lab and office space (6 bays) in Edmonton. On October 1, 2103, subsequent to quarter end, the Company significantly reduced its leased premises costs by entering into a three year sublease with the head lessee for approximately 9,000 square feet while vacating the remaining 16,318 square feet it had previously been leasing. The Sublease is $22,000 monthly and includs base rent, utilities and operating costs. In turn, the Company subleases out, on a month-to-month basis, a portion of the 9,000 square feet, and receives rental proceeds of approximately $10,000 per month. The Company continues to lease from the landlord two adjoining office bays on a month-to-month basis at $10,000 per month.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with IFRS often requires management to make estimates about and apply assumptions or subjective judgment to future events and other matters that affect the reported amounts of the Company's assets, liabilities, revenues, expenses and related disclosures. Assumptions, estimates and judgments are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's interim condensed consolidated financial statements are prepared. Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates and judgments in order to ensure that the interim condensed consolidated financial statements are presented fairly and in accordance with IFRS.

Critical accounting estimates and judgments are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustment.

Management considers the following areas to be those where critical accounting policies affect the significant judgments and estimates used in the preparation of the Company's interim condensed consolidated financial statements.

Critical judgments and estimates in applying the Company's accounting policies

Revenue recognition

Management's assessments related to the recognition of revenues for arrangements containing multiple elements are based on estimates and assumptions. Judgment is necessary to identify separate units of accounting and to allocate related consideration to each separate unit of accounting. Where deferral of upfront payments or license fees is deemed appropriate, subsequent revenue recognition is often determined based upon certain assumptions and estimates, the Company's continuing involvement in the arrangement, the benefits expected to be derived by the customer and expected patent lives. To the extent that any of the key assumptions or estimates change future operating results could be affected.

Impairment of financial assets

A financial asset is impaired, and an impairment loss recorded, if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset, and that event has an impact on estimated future cash flows of the financial asset.

Fair value of stock options

Determining the fair value of stock options, including performance based options, requires judgment related to the choice of a pricing model, the estimation of stock price volatility, expected term of the underlying instruments and the probability factors of success in achieving the objectives used for the performance based options. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results, liabilities or other components of shareholders' equity.

Intangible assets and impairment

The values associated with intellectual property with finite lives are determined by applying significant estimates and assumptions, including those related to cash flow projections, economic risk, discount rates and asset lives.

Valuations performed in connection with post-acquisition assessments of impairment of intellectual property are based on estimates that include risk-adjusted future cash flows, which are discounted using appropriate interest rates. Projected cash flows are based on business forecasts, trends and expectation and are therefore inherently judgmental. Future events could cause the assumptions utilized in impairment assessments to change, resulting in a potentially significant effect on the Company's future operating results due to increased impairment charges, or reversals thereof, or adjustments to amortization charges.

Goodwill and business combinations

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. Management makes judgments and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognized as goodwill and if negative, it is recognized in the Statement of Operations and Comprehensive Loss.

The amount of goodwill initially recognized as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of assets and liabilities is based, to a considerable extent, on management's judgment. Allocation of the purchase price affects the results of the Company as finite life intangible assets are amortized, whereas indefinite life intangible assets, including goodwill, are not amortized and could result in differing amortization charges based on the allocation to indefinite life and finite life intangible assets.

RISKS AND UNCERTAINTIES

The success of the Company and its ability to complete the development of its pharmaceutical products and, in particular, voclosporin, is directly related to the Company's ability to raise additional financial resources. Additional sources of capital include payments from potential new licensing partners, equity financings, debt financings and/or the monetization of certain of the Company's intangible assets. There is no assurance of obtaining additional financing through these arrangements or any arrangements on acceptable terms. Given the nature of the biotechnology sector, it may be difficult to raise significant new capital at a reasonable or at any cost. If the Company is not able to obtain additional funding from other sources, management may be required to reduce or terminate development programs or curtail certain or all of its operations. There can be no assurance that any financing efforts will be successful. It is possible that financing may not be available or not be on favourable terms.

The Company has invested a significant portion of its time and financial resources in the development of voclosporin. The Company anticipates that its ability to generate revenues and meet expectations will depend primarily on the successful development and commercialization of voclosporin. The successful development and commercialization of voclosporin will depend on several factors, including the following:

- successful completion of clinical programs;
- receipt of marketing approvals from the FDA and other regulatory authorities with a commercially viable label;
- securing and maintaining partners with sufficient expertise and resources to help in the continuing development and eventual commercialization of voclosporin;
- maintaining suitable manufacturing and supply agreements to ensure commercial quantities of the product through validated processes; and
- acceptance and adoption of the product by the medical community and third-party payors.

A detailed list of the risks and uncertainties affecting the Company can be found in the Company's Annual Information Form which is filed on SEDAR. Additional risks and uncertainties of which the Company is unaware, or that it currently deems to be immaterial, may also become important factors that affect the Company.

Capital management

The Company's objective in managing capital is to ensure a sufficient liquidity position to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company defines capital as net equity, comprised of issued common shares, warrants, contributed surplus and deficit.

The Company's objective with respect to its capital management is to ensure that it has sufficient cash resources to maintain its ongoing operations and finance its research and development activities, corporate and administration expenses, working capital and overall capital expenditures.

Since inception, the Company has primarily financed its liquidity needs through public offerings of common shares and private placements. The Company has also met its liquidity needs through non-dilutive sources, such as debt financings, licensing fees from its partners and research and development fees.

There have been no changes to the Company's objectives and what it manages as capital since the prior fiscal period. The Company is not subject to externally imposed capital requirements.

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. Risk management is carried out by management under policies approved by the board of directors. Management identifies and evaluates the financial risks. The Company's overall risk management program seeks to minimize adverse effects on the Company's financial performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through the management of its capital structure and financial leverage as discussed above. It also manages liquidity risk by continuously monitoring actual and projected cash flows. There are material uncertainties that may cast a significant doubt that the Company will be able to continue as a going concern without raising additional funds as more fully discussed in Note 2 of the interim condensed consolidated financial statements. See also *Recent Corporate Developments* for activities being conducted by the Company subsequent to the quarter end to raise working capital.

The Company's activities have been financed through a combination of the cash flows from licensing and development fees and the issuance of equity and/or debt.

Accounts payable and accrued liabilities of $3.52 million drug supply payable of $1.74 million and finance lease liability of $8,000 are due and payable within one year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's exposure to interest rate risk at September 30, 2013 is considered minimal.

Foreign currency risk

The Company is exposed to financial risk related to the fluctuation of foreign currency exchange rates.

Foreign currency risk is the risk that variations in exchange rates between the Canadian dollar and foreign currencies, primarily with the United States dollar, will affect the Company's operating and financial results. The Company's exposure to foreign currency risk at September 30, 2013 is considered minimal as no significant financial assets or liabilities are denominated in currencies other than the Canadian dollar.

Credit risk

The Company's cash is held at a major Canadian Bank. The Company has a credit risk of $1.31 million related to a Receivable from Lux in 2012. The Company provided in full for the receivable at December 31, 2012.

CONTINGENCIES

i) The Company may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes that the ultimate resolution of such contingencies will not have a material adverse effect on the interim condensed consolidated financial position of the Company.

ii) The Company entered into indemnification agreements with its officers and directors. The maximum potential amount of future payments required under these indemnification agreements is unlimited. However, the Company does maintain liability insurance to limit the exposure of the Company.

iii) The Company has entered into license and research and development agreements with third parties that include indemnification and obligation provisions that are customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of third party claims or damages arising from these transactions. These provisions may survive termination of the underlying agreement. The nature of the obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any payments under such agreements and no amount has been accrued in the accompanying interim condensed consolidated financial statements.

ADDITIONAL COMPANY INFORMATION

Additional information on the Company may be found in its regulatory filings including its Annual Information Form, quarterly reports and proxy circulars filed with the Canadian Securities Commissions through SEDAR at www.sedar.com or at the Company's Web site at www.auriniapharma.com.

UPDATED SHARE INFORMATION

As at November 20, 2013, the following class of shares and equity securities potentially convertible into common shares on *a post consolidated* basis were outstanding:

Common shares	12,373,623
Convertible equity securities	
Warrants outstanding	2,318,800
Stock options	293,400

Quarterly Information

(expressed in thousands of dollars except per share data)

Set forth below is the selected unaudited consolidated financial data for each of the last eight quarters:

	Three months ended							
	2013				2012			2011
	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31
Revenue	87	87	89	150	86	90	5,800	110
Research and development costs	544	452	338	3,308	554	817	802	917
Corporate and administration costs	511	423	498	935	974	991	986	755
Acquisition and restructuring costs	1,460	80	—	—	—	—	—	—
Other expense (income)	(66)	43	(38)	886	38	400	4,234	4,695
Net loss for the period	(2,444)	(993)	(793)	(5,188)	(1,702)	(2,343)	(454)	(6,530)
Per common share ($)								
Net loss – basic and diluted	(0.009)	(0.005)	(0.004)	(0.028)	(0.01)	(0.013)	(0.003)	(0.038)
Common Shares outstanding	618,681	215,527	192,871	192,871	173,921	173,921	173,921	173,921
Weighted average number of common shares outstanding	259,829	193,867	192,871	188,630	173,921	173,921	173,921	173,921

Summary of Quarterly Results

The primary factors affecting the magnitude of the Company's losses in the various quarters include the amortization of deferred revenue to revenues, research and development costs, timing associated with the clinical development programs and gains (losses) on financial instrument derivatives and fair value changes in these derivatives.

The net loss for the three months ended September 30, 2013 included a one-time acquisition and restructuring costs of $1.46 million as more fully discussed in the "acquisition and restructuring costs" section of this document.

The net loss for the three months ended December 31, 2012 included a provision on drug supply inventory of $2.74 million which was recorded in research and development costs and an additional provision of $860,000 on the Lux receivable related to the sale of API to Lux in 2012 (the Company had previously recorded a provision of $450,000 on this receivable in the second quarter of 2012).

The net loss for the three months ended March 31, 2012 reflected amortization of the remaining ILJIN deferred licensing revenue of $4.40 million as a result of the termination of the DDLA with ILJIN. Results for the same period also reflected revenue from the sale of API to Lux in the amount of $1.3 million.

The net loss for the three months ended March 31, 2012 also included a non-cash loss on the ILJIN related financial derivative asset of $4.18 million. The derivative financial asset fair value of $4.18 million at December 31, 2011 was adjusted to $nil in the first quarter of 2012 as a result of the notification of termination of the ILJIN DDLA by the Company on January 30, 2012.

OUTLOOK

On September 20, 2013 the Company completed the merger with Aurinia Pharma Corp. and related transactions that its shareholders approved on August 15, 2013.

Our leadership team has been enhanced due to the merger. In fact these new members were directly involved in generating the data that has caused CellCept® to become the current standard of care for the treatment of lupus nephritis. Through the merger the Company now has unique insights, experiences and access to the ALMS data base which will help in driving clinical decisions and design strategies within our target therapeutic area.

After six months and hundreds of hours of strategic and integration planning, we are ready to do business as a rebranded Company with a new name, Aurinia Pharmaceuticals Inc. Our primary focus is now clearly on the development of voclosporin as a therapy for the treatment of lupus nephritis. While there have been a number of advances in the treatment of this devastating disease, there is no question that significant unmet medical need remains. Almost 90% of lupus nephritis patients are not achieving optimal results from the current standard of care. It is our belief that layering voclosporin on top of the current standard of care for patients suffering from LN in a multi-target approach has the potential to rapidly and significantly improve patient outcomes in this devastating disease. To that end, we expect to launch a phase 2b study of voclosporin in lupus nephritis in first half of 2014.

Management believes that the consolidation of the intellectual property through the merger, and reaching a settlement agreement with ILJIN Life Science Co., Ltd. (“ILJIN”) increases the likelihood of being able to raise the necessary funding to continue the development of voclosporin for the lupus indication and more importantly unlock significant shareholder value. We believe we are well positioned to execute on our strategy.

Exhibit 99.28

Management's Discussion and Analysis

Aurinia Pharmaceuticals Inc.

YEAR END 13

For the year ended
December 31, 2013

Aurinia

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2013

The following Management's Discussion and Analysis of Financial Condition or MD&A and Results of Operations provides information on the activities of Aurinia Pharmaceuticals Inc. (formerly Isotechnika Pharma Inc. ("Aurinia" or the "Company") on a consolidated basis and should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the year ended December 31, 2013. All amounts are expressed in Canadian dollars unless otherwise stated. Dollar amounts in tabular columns expressed in thousands of Canadian dollars. On October 23, 2013 the outstanding common shares were consolidated on a 50:1 basis. Accordingly, all shares and per share references in this MD&A are on a post-conversion basis, unless otherwise noted. This document is current in all material respects as of March 27, 2014.

The Company prepares its consolidated financial statements in accordance with the CICA Handbook. Accordingly, the financial information contained in this MD&A and in the Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards or IFRS as issued by the International Accounting Standards Board or IASB. The audited consolidated financial statements and MD&A have been reviewed by our Audit Committee and approved by the Board of Directors.

Forward-looking Statements

The forward-looking statements and information contained in this document are subject to a number of significant risks and uncertainties that could cause actual results to differ materially from those anticipated including, among others, the Company's belief as to the potential of its product, voclosporin, both in clinical trials and in the market, its ability to protect its intellectual property rights, securing and maintaining corporate alliances and partnerships and the effect of capital market conditions and other factors on capital availability, the success and timely completion of clinical studies and trials, and the Company's and its partners' ability to successfully obtain regulatory approvals and commercialize voclosporin on a timely basis and have sufficient financial resources to complete the required development work.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements or information prove incorrect, actual results may vary materially from those described herein.

For additional information on risks and uncertainties please see the "Risks and Uncertainties" section of this MD&A. Although the Company believes that the expectations reflected in such forward-looking statements and information are reasonable, undue reliance should not be placed on forward-looking statements or information because the Company can give no assurance that such expectations will prove to be correct.

Forward-looking statements reflect current expectations regarding future events and speak only as of the date of this MD&A and represent the Company's expectations as of that date. Investors should also consult the Company's ongoing quarterly filings, annual reports and the Annual Information Form and other filings found on SEDAR at www.sedar.com.

OVERVIEW

THE COMPANY

Corporate Structure

Name, Address and Incorporation

Aurinia Pharmaceuticals Inc. (formerly Isotechnika Pharma Inc.) or the "Company" is a biopharmaceutical company with its registered office currently located at 5120 – 75 Street, Edmonton, Alberta T6E 6W2. The Company has its head office located at #1203-4464 Markham Street, Victoria, British Columbia which incorporates clinical, regulatory and business development functions of the Company.

Aurinia Pharmaceuticals Inc. is incorporated pursuant to the *Business Corporations Act* (Alberta). The Company's Common Shares are currently listed and traded on the TSX Venture Exchange ("**TSXV**") under the symbol "AUP". The Company's primary business is the development of a therapeutic drug to treat autoimmune diseases, in particular lupus nephritis.

The Company has the following wholly owned subsidiaries: Aurinia Pharma Corp. (formerly Aurinia Pharmaceuticals Inc.), Aurinia Pharmaceuticals, Inc. (Delaware incorporated) which was incorporated on November 4, 2013, and Aurinia Pharma Limited (UK incorporated). Aurinia Pharma Corp. has one wholly owned inactive subsidiary, Aurinia Holdings Corp. (Barbados) which in turn has one wholly owned inactive subsidiary Aurinia Development Corp. (Barbados).

Summary Description of Business

Aurinia is focused on the development of its novel therapeutic immunomodulating drug candidate, voclosporin, which is a next generation calcineurin inhibitor. It has been studied in kidney rejection following transplantation, psoriasis and in various forms of uveitis (an ophthalmic disease).

The Company has rebranded, restructured and refocused itself over the past year and modified its strategy to focus on the development of voclosporin for the treatment of lupus nephritis ("LN"). The mechanism of action of voclosporin, a calcineurin inhibitor (CNI), has been validated with certain first generation CNIs for the prevention of rejection in patients undergoing solid organ transplants and in several autoimmune indications, including dermatitis, keratoconjunctivitis sicca, psoriasis, rheumatoid arthritis, and for LN in Japan. The Company believes that voclosporin possesses pharmacologic properties with the potential to demonstrate best-in-class differentiation with first-in-class status for the treatment of LN outside of Japan.

RECENT CORPORATE DEVELOPMENTS

Private Placement Financing

On February 14, 2014 the Company completed a US$52 million (C$57.47 million) private placement (the "Offering"). The Company intends to use the net proceeds from the Offering to advance the clinical and nonclinical development of its lead drug candidate, voclosporin, as a therapy for lupus nephritis and for general corporate purposes.

The financing was led by venBio, New Enterprise Associates (NEA), Redmile Group, RA Capital Management, Great Point Partners, and Apple Tree Partners, with participation from various other institutional investors, including existing shareholders Lumira Capital, ILJIN Life Science Co., Ltd. and Difference Capital.

Under the terms of the Offering, the Company issued 18.92 million units (the "Units") at a subscription price per Unit of US$2.7485 (C$3.038), each Unit consisting of one common share and one-quarter (0.25) of a common share purchase warrant (a "Warrant"), exercisable for a period of five years from the date of issuance at an exercise price of

US$3.2204 (C$3.56). In addition, in the event that the Company does not reduce the size of its Board of Directors to seven directors within 90 days following closing of the Offering, an additional 0.1 Warrants will be issued for each Unit purchased by a subscriber for every additional 90-day period delay, up to a maximum of 0.35 Warrants per Unit. This represents a maximum of 6.62 million additional Warrants. If the Company does not obtain approval to list its common shares on NASDAQ within 12 months following the closing of the Offering, the Company has agreed to issue an additional 0.1 Warrants for each Unit purchased by a subscriber for every 90-day period delay, up to a maximum of 0.35 Warrants per Unit. This represents a maximum of 6.62 million additional Warrants. All securities issued in connection with the Offering will be subject to a four-month hold period from the date of issuance in accordance with applicable securities law, which expires on June 15, 2014 for the securities issued at closing.

Leerink Partners LLC acted as lead placement agent and Canaccord Genuity Inc. acted as co-placement agent for the Offering. The placement agents were paid a 7.5% cash commission on subscriptions excluding those from existing shareholders for a total commission of $3.86 million.

CORPORATE DEVELOPMENTS IN 2013

Plan of Arrangement and Acquisition of Aurinia Pharma Corp.

On February 5, 2013 the Company announced that it had signed a binding term sheet (the "Term Sheet") with Aurinia Pharma Corp. for the merger of the two companies, creating a clinical development stage pharmaceutical company focused on the global nephrology market. The Term Sheet set forth the main criteria to be incorporated into a definitive merger agreement under which the Company would acquire 100% of the outstanding securities of Aurinia Pharma Corp. The merger was expected to be effected by the exchange of shares in the Company for securities of Aurinia Pharma Corp. resulting in an estimated 65:35 post merger ownership split, on a warrant diluted basis, between the Company and Aurinia Pharma Corp. shareholders, respectively.

On April 3, 2013, the Company and Aurinia Pharma Corp. negotiated a tripartite settlement agreement (the "Settlement Agreement") with ILJIN Life Science Co., Ltd. ("ILJIN") pursuant to which, upon the successful completion of the proposed merger, the combined company would re-acquire the license previously granted to ILJIN and therefore obtain full rights to voclosporin for autoimmune indications including lupus, and transplantation in the United States, Europe and other regions of the world, outside of Canada, Israel, South Africa, China, Taiwan and Hong Kong. In return, ILJIN would be entitled to receive certain predefined future milestone payments and would also own approximately 25% of the issued and outstanding shares of the merged company on a warrant diluted basis, which is calculated to give effect to the dilution by the exercise of warrants but excluding the exercise of stock options. On June 11, 2013, a draft arrangement agreement was prepared implementing the arrangement (the "Arrangement Agreement"), the terms of which were subsequently negotiated by the parties. The Arrangement was intended to implement the terms of the Settlement Agreement, whereby ILJIN would receive a further ownership interest in the Company in exchange for:

(i) returning to the Company and terminating:

  (a) all of its rights, licenses and obligations under the DDLA; and

  (b) all other licenses and sublicenses between ILJIN and any of the Company, Aurinia Pharma Corp. or Vifor (International) AG ("Vifor"); and

(ii) suspending all of its current or contemplated legal or financial claims against the Company, Aurinia Pharma Corp. or Vifor.

Upon closing of the plan of arrangement on September 20, 2013 the Company issued common shares to ILJIN. In addition ILJIN is entitled to receive certain predefined future success based clinical and marketing milestone payments in the aggregate amount of up to US$10.0 million, plus up to US$1.6 million upon the merged company reaching certain financing milestones.

The Company also acquired all of the issued and outstanding common shares of Aurinia Pharma Corp. at a ratio of approximately 19.83 Common Shares for each Aurinia Pharma Corp. share held by an Aurinia Pharma Corp. shareholder.

a) Settlement with ILJIN

The estimated fair value of the contract settlement with ILJIN at September 20, 2013 was $8.88 million and has been determined to represent reacquired license rights in the amount of $4.40 million and a loss on contract settlement of $4.48 million. Consideration paid or payable to ILJIN is as follows: the Company's 10% interest in Aurinia Pharma Corp. of $670,000, $3.81 million in common shares (by issuance of 1.69 million common shares at a deemed price of $2.25 per share), $1.64 million in financial milestones payable and $2.75 million in clinical and sales milestones payable based on the estimated fair value of the pre-defined future milestone payments.

b) Acquisition of Aurinia Pharma Corp.

The Company determined that the transaction with Aurinia Pharma Corp. represented a business combination with the Company identified as the acquirer. The Company began consolidation of the operating results, cash flows and net assets of Aurinia Pharma Corp. on September 20, 2013. Had the Company consolidated the results of Aurinia Pharma Corp. from January 1, 2013, the revenue and net loss of the Company would have been $1.01 million and $2.90 million, respectively.

The table below presents the allocation of the purchase price to the assets and liabilities acquired, as well as the settlement of pre-existing balances between the parties to the Arrangement Agreement prior to acquisition.

	Carrying value $	Settle Pre-existing items $	Fair value adjustments $	Fair Value of Acquisition $
Cash	4	—	—	4
Prepaid expenses and deposits	123	—	—	123
Inventory	80	—	—	80
	207	—	—	207
Intangibles	2,448	(577)	13,629	15,500
	2,655	(577)	13,629	15,707
Accounts payable	185	(49)	—	136
Note payable	528	(528)	—	—
Deferred income taxes	—	—	4,106	4,106
	713	(577)	4,106	4,242
Net assets acquired	1,942	—	9,523	11,465

Consideration provided by the Company for the acquisition of Aurinia Pharma Corp. was 3.68 million common shares of the Company with a fair value of $8.28 million, less $495,000 of deferred revenue that was effectively settled as a result of the business combination. The fair value of the shares issued was determined by the trading price on September 20, 2013. The $3.67 million difference between the fair value of net consideration of $7.79 million and the fair value of net assets acquired of $11.46 million is recorded as a gain in other income.

The fair value of the reacquired rights and intellectual know-how, including the Aspreva Lupus Management Study (ALMS) database, was determined to be $15.5 million. The fair value was determined using a differential income approach, as described more fully in the section —critical accounting estimates and judgments – *Goodwill and business combinations*. Management attributes the gain recognized on the purchase to the fact that the consideration provided was determined by the trading price of the Company's shares on the measurement date, and that the share price would not have fully reflected the value of the transaction.

Second Unit Offering

Immediately following the completion of the acquisition described above, the Company completed a second private placement (the "Second Unit Offering") of 2.67 million Second Units at a price of $2.25 per Second Unit for gross proceeds of $6.0 million. Each Second Unit is comprised of one Common Share and one-half of a whole Second Offering Warrant, with each whole Second Offering Warrant exercisable for one Common Share at a price of $2.50 per Common Share for a period of three years from their date of issuance.

ILJIN participated in the Second Unit Offering for 667,000 Second Units.

Listing on the TSX Venture Exchange

The arrangement transaction described above was determined by the Toronto Stock Exchange ("TSX") to constitute a "backdoor listing" under the rules of the TSX due to the significant increase in the ownership position in the Company by ILJIN. The result of that determination was that the Company was required to meet the TSX's original listing requirements following completion of the arrangement. The Company did not meet the TSX's original listing requirements and, as a result, the Common Shares were delisted from the TSX as of the end of trading on September 27, 2013. The Company applied to the TSXV for listing of the Common Shares on that exchange and subsequently the Common Shares were listed on the TSXV as of the open of trading on September 30, 2013.

Share consolidation and name change

On October 23, 2013, the Company proceeded with a consolidation of its Common Shares on a 50:1 basis. In conjunction with the share consolidation, the Company changed its name from Isotechnika Pharma Inc. to Aurinia Pharmaceuticals Inc. Both the name change and the share consolidation were approved by the shareholders of the Company at its shareholder meeting held on August 15, 2013. In connection with its name change, the Company's trading symbol on the TSX Venture Exchange was changed to "AUP".

Management Change

On November 6, 2013 the Company announced the appointment of Stephen W. Zaruby as the Company's President and Chief Executive Officer. Mr. Zaruby has an accomplished history of strategic operations, sales and marketing, research and development, and general management success in the global biotechnology and pharmaceutical industries. Previously, he was President of Seattle-based ZymoGenetics Inc., which was acquired by Bristol-Myers Squibb for US$885 million in 2010. Mr. Zaruby joined ZymoGenetics from Bayer. There, his 20 years of progressive leadership experience included executive roles managing Bayer's domestic and international anti-infectives, quinolone and hospital/surgical business franchises.

STRATEGY

The Company's business strategy is to optimize the clinical and commercial value of voclosporin, its late stage clinical candidate. In particular, the Company is focused on the development of voclosporin as an add-on therapy to the current standard of care, CellCept®, which was developed by the Aurinia Pharma Corp. management team during its tenure at Aspreva Pharmaceuticals Inc.

- Focus the Company's resources on advancing voclosporin through a robust Phase 2b lupus nephritis study – There is currently an open Investigational New Drug ("IND") with the United States Federal Drug Administration (the "FDA") for the Company to begin treating patients with voclosporin for the treatment of lupus nephritis. Aurinia plans to execute on this clinical plan as soon as practicably possible.
- Mitigate development risk by leveraging the ALMS database and the new management team's experience – The Company has certain rights to utilize the ALMS database including its use in planning, designing and informing the Phase 2b lupus nephritis study.
- Evaluate future voclosporin indications – While the Company intends to deploy its operational and financial resources to develop voclosporin for LN, the Company believes that voclosporin has the potential to be of therapeutic value in a number of autoimmune indications and the prevention of transplant rejection.

- Further develop the Company as an attractive acquisition target – Management of the Company believes that should the planned clinical studies be successful, maintaining broad rights to the Company's technology through the completion of the clinical program will increase the Company's potential to be an attractive acquisition target.

About Lupus Nephritis

The Lupus Foundation of America ("LFA") estimates that approximately 1.5 million people in the United States of America and up to 5.0 million people worldwide suffer from systemic lupus erythematosus ("SLE"). Approximately 90% of patients suffering from SLE are women of child-bearing age. The disease causes severe impairments on quality of life and wellbeing. Of the patients suffering from SLE, 40-60% experience renal manifestations of the disease resulting in inflammation of the kidney. These patients are considered to have LN and have a high probability of advancing to end stage renal disease and dialysis if left untreated.

Based on the work performed by the former Aspreva team, ALMS data has been reported in several respected journals, including, the New England Journal of Medicine (*Dooley MA, Jayne D, Ginzler EM, Isenberg D, Olsen NJ, Wofsy D, Solomons, N et al; ALMS Group. Mycophenolate versus azathioprine as maintenance therapy for lupus nephritis. N Engl J Med. 2011 Nov 17;365(20):1886-95*) and the Journal of the American Society of Nephrology *(Appel GB, Contreras G, Dooley MA, Ginzler EM, Isenberg D, Jayne D, Solomons N et al; Aspreva Lupus Management Study Group. Mycophenolate mofetil versus cyclophosphamide for induction treatment of lupus nephritis. J Am Soc Nephrol. 2009 May;20(5):1103-12. Epub 2009 Apr 15.)* These publications and subsequent alterations in treatment strategies by physicians caring for patients suffering from LN have established CellCept® as the standard of care for the treatment of LN. This shift in the treatment paradigm for LN and the establishment of CellCept® use as a relatively uniform treatment approach for these patients has, in the view of the Company, caused the LN market to evolve into an attractive and mature market opportunity.

Despite CellCept® being the current standard of care for the treatment of LN, it remains far from adequate with fewer than 20% of patients on therapy actually achieving disease remission after six months of therapy. Data suggests that a LN patient who does not achieve rapid disease remission upon treatment is more likely to experience renal failure or require dialysis at 10 years *(Chen YE, Korbet SM, Katz RS, Schwartz MM, Lewis EJ; the Collaborative Study Group. Value of a complete or partial remission in severe lupus nephritis. Clin J Am Soc Nephrol. 2008;3:46-53*.). Therefore, it is critically important to achieve disease remission as quickly and as effectively as possible. The data suggests that the majority of patients in the United States suffering from lupus will not achieve complete remission and are not adequately treated. (BioTrends® Research Group In., ChartTrends® SLE, December 2010).

CNIs and Lupus Nephritis

Aurinia's lead drug, voclosporin, belongs to a class of drugs called calcineurin inhibitors ("CNIs"). There are only two other marketed CNIs available, cyclosporine and tacrolimus. Cyclosporine was introduced in the early 1980's and tacrolimus was first marketed in the mid-1990's. Both cyclosporine and tacrolimus have lost key patent protection and have not been approved for the treatment of lupus in Europe or North America. For the past 20 years these products, in combination with CellCept® (mycophenolate mofetil or "MMF") and steroids have been the cornerstone for the prevention of renal transplant rejection with greater than 90% of all renal transplant patients leaving hospital on lifelong CNI plus MMF therapy.

In 2008, the Japanese Health Authority became the first major jurisdiction in 50 years to approve a pharmaceutical agent for the treatment of LN. This product was the calcineurin inhibitor tacrolimus. In addition to this approval, a substantial amount of recent data has been generated, primarily from investigator initiated trials, that support the use of either cyclosporine or tacrolimus for the treatment of various forms of lupus including LN. The addition of tacrolimus, layered on top of MMF and steroids akin to the widely accepted and utilized transplantation regimen, appears to dramatically improve complete response/remission rates in LN (*Bao H, Liu ZH, Xie HL, Hu WX, Zhang HT, Li LS. Successful treatment of class V+IV lupus nephritis with multitarget therapy. J Am Soc Nephrol. 2008 Oct;19(10):2001-10. Epub 2008 Jul 2 and .Liu , Zhi-Hong et al., 2012 ASN Abstract SA-OR097).* This approach to treatment can be considered a multi-targeted therapeutic ("MTT") approach to treating LN as is routinely used in transplantation. Complete remission rates of up to 50% have been reported utilizing this approach. Long term follow-up

studies in LN suggest that the early reduction in proteinuria as seen in complete remission leads to improved renal outcome at ten years. *(Houssiau FA, Vasconcelos C, D'Cruz D, Sebastiani GD, de Ramon Garrido E, Danieli MG, et al. Early response to immunosuppressive therapy predicts good renal outcome in lupus nephritis. Lessons from long-term followup of patients in the Euro-lupus nephritis trial. Arthritis Rheum. 2004 Dec;50(12):3934-40.)*

The Company plans to utilize this MTT approach to treating LN patients with its novel CNI, voclosporin.

About voclosporin

Voclosporin is an oral drug, administered twice daily. It is structurally similar to cyclosporine A ("CsA"), but is chemically modified on the amino acid-1 residue. This modification leads to a number of advantages the Company believes offer relevant clinical benefits as compared to the older off-patent CNIs.

Voclosporin mechanism of action

Voclosporin reversibly inhibits immunocompetent lymphocytes, particularly T-Lymphocytes in the G0 and G1 phase of the cell-cycle, and also reversibly inhibits the production and release of lymphokines. Through a number of processes voclosporin inhibits and prevents the activation of various transcription factors necessary for the induction of cytokine genes during T-cell activation. It is believed that the inhibition of activation of T-cells will have a positive modulatory effect in the treatment of LN. In addition to these immunologic impacts recent data suggests that CNIs have another subtle but important impact on the structural integrity of the podocytes *(Faul C, et al. The actin cytoskeleton of kidney podocytes is a direct target of the antiproteinuric effect of cyclosporine A. Nat Med. 2008 Sep;14(9):931-8. doi: 10.1038/nm.1857).* This data suggests that inhibition of calcineurin in patients with autoimmune kidney diseases helps stabilize the cellular actin-cytoskeleton of the podocytes thus having a structural impact on the podocyte and the subsequent leakage of protein into the urine, which is a key marker of patients suffering from LN.

Potential voclosporin clinical benefits

The Company believes that voclosporin has shown a number of key clinical benefits over the existing commercially available CNIs (tacrolimus & cyclosporine). Firstly, CNI assay results have indicated that voclosporin is approximately four times more potent than its parent molecule cyclosporine, which would indicate an ability to give less drug and produce fewer potentially harmful metabolites. Secondly, cyclosporine inhibits the enterohepatic recirculation of mycophenolic acid ("MPA"), the active metabolite of MMF. The net effect of co-administration of CsA with MMF is reduced MPA systemic exposure by as much as 50% (*D. Cattaneo et al. American Journal of Transplantation, 2005:12(5);2937-2944.*). This drug interaction has not been observed with voclosporin and it is not expected that MPA blood exposure levels will be reduced with voclosporin co-administration. This is an extremely important fact to consider as most patients being treated with voclosporin for LN will already be taking MMF. Furthermore, pharmacokinetic and pharmacodynamics ("PK-PD") analysis indicate lower PK-PD variability for voclosporin versus tacrolimus or cyclosporine, to the extent that the Company believes flat-dosing can be achieved for voclosporin. The currently available CNIs require extensive therapeutic drug monitoring which can often be costly, confusing and time consuming for treating physicians.

In a head-to-head study comparing voclosporin against cyclosporine in the treatment of psoriasis, cyclosporine was shown to cause significant increases in lipid levels as compared to voclosporin. The difference was statistically significant. This is important considering the fact that most lupus patients die of cardiovascular disease. In another study comparing voclosporin against tacrolimus in patients undergoing renal transplantation, the voclosporin group experienced a statistically significantly lower incidence of glucose intolerance and diabetes than tacrolimus treated patients. Additionally, in the Japanese tacrolimus study that led to the approval of this drug in Japan, almost 15% of tacrolimus patients experienced glucose intolerance *(Miyasaka N, Kawai S, Hashimoto H. Efficacy and safety of tacrolimus for lupus nephritis: a placebo-controlled double-blind multicenter study. Mod Rheumatol. 2009;19(6):606-15. Epub 2009 Aug 18*). This is a major limitation for physicians wanting to use this agent in lupus and is a well described side effect of tacrolimus.

The Company believes that voclosporin can be differentiated from the older CNIs.

Voclosporin development history

More than 2,600 patients have been administered voclosporin. The safety and tolerability profile of the drug therefore is well characterized. Phase 2 or later clinical studies that have been completed include studies in the following indications:

Psoriasis: To date, two Phase 3 studies in patients with moderate to severe psoriasis have been completed. The primary efficacy endpoint in both studies was a reduction in Psoriasis Area and Severity Index ("PASI"), which is a common measure of psoriasis disease severity. The first study treatment with voclosporin resulted in statistically significantly greater success rates than treatment with placebo by the twelfth week. In a second study comparing voclosporin against cyclosporine, the drug was not shown to be statistically non-inferior to cyclosporine in terms of efficacy; however voclosporin proved superior in terms of limiting elevations in hyperlipidemia. Due to the evolving psoriasis market dynamics and the changing standard of care for the treatment of this disease the Company has decided not to pursue further Phase 3 development.

Renal Transplantation: A Phase 2b trial in de novo renal transplant recipients was completed. Study ISA05-01, the PROMISE Study *(Busque S, Cantarovich M, Mulgaonkar S, Gaston R, Gaber AO, Mayo PR, et al; PROMISE Investigators. The PROMISE study: a phase 2b multicenter study of voclosporin (ISA247) versus tacrolimus in de novo kidney transplantation. Am J Transplant. 2011 Dec;11(12):2675-84*) was a six month study with a six month extension comparing voclosporin directly against tacrolimus on a background of MMF and corticosteroids. Voclosporin was shown to be equivalent in efficacy, but superior to tacrolimus with respect to the incidence of new onset diabetes after transplantation ("NODAT"). In 2010, tacrolimus lost its exclusivity in most world markets and as a result, the competitive pricing environment for voclosporin for this indication has come into question. Additionally, the longer and more expensive development timelines for this indication has made it a less attractive business proposition as compared to the LN indication, even when considering the fact that a Special Protocol Assessment has been agreed to by the FDA for this indication.

Uveitis: Multiple studies in various forms of non-infectious uveitis have been completed over the past several years by a licensee of the Company indicating mixed efficacy. In all but one of the studies, completed by the licensee, an impact on disease activity was shown in the voclosporin group. However achievement of the primary end-points in multiple studies could not be shown. Uveitis is a notoriously difficult disease to study due to the heterogeneity of the patient population and the lack of validated clinical end-points. However in all of the uveitis studies completed, the safety results were consistent and the drug was well tolerated as expected. The Company has now successfully terminated its licensing agreement with Lux BioSciences, Inc. ("Lux"). In conjunction with this termination the Company has retained a portfolio of additional patents that Lux had been prosecuting that are focused on delivering effective concentrations of voclosporin to various ocular tissues. The Company will continue to evaluate these patents and make strategic recommendations on how they fit into the ongoing strategic directives of the Company.

Scientific Rationale for Treatment of LN with voclosporin

SLE including LN is a heterogeneous autoimmune disease with often multiple organ and immune system involvement. T-cell mediated immune response is an important feature of the pathogenesis of LN while the podocyte injury that occurs in conjunction with the ongoing immune insult in the kidney is an important factor in the clinical presentation of the disease.

The use of voclosporin in combination with the current standard of care for the treatment of LN provides a multi-targeted approach to treating this heterogenous disease (similar to the standard approach in preventing kidney transplant rejection). Voclosporin has shown to have potent effects on T-cell activation leading to its immunomodulatory effects. Additionally, recent evidence suggests that inhibition of calcineurin has direct physical impacts on the podocytes within the kidney. Inhibition of calcineurin within the podocytes can prevent the dephosphorylation of synaptopodin which in turn inhibits the degradation of the actin cytoskeletion within the podocyte. This process is expected to have a direct impact on the levels of protein in the urine which is a key marker of LN disease activity.

Status of the Company's Development Program in LN

The Company's clinical strategy involves layering voclosporin on top of the current standard of care (CellCept®/MMF and steroids) as MTT to induce and maintain remission in patients suffering from active LN. In 2012, the Company gained alignment with both the Cardio-Renal and Pulmonary, Allergy, and Rheumatology Products divisions of the FDA on its proposed Phase 2b protocol. The Company has an active IND and plans to initiate this international multi-center study as soon as practicably possible.

With the existing evidence that supports the utility of CNIs in combination with MMF in treating LN, the robust safety data base of voclosporin and the fact that CellCept®/MMF in combination with the other CNIs is the standard of care in transplant, it is reasonable to consider that voclosporin is a risk mitigated clinical asset for the treatment of LN.

Other voclosporin development programs

Transplant indication

The Company applied for, and received, positive Scientific Advice ("SA") from the European Medicines Agency ("EMA") in October, 2011 for a Phase 3 renal transplant protocol. Similarly, the FDA sent a Letter Agreement to the Company on a Special Protocol Assessment ("SPA") in March 2012. Receipt of the SA and SPA has cleared the regulatory pathway for the Phase 3 renal transplant protocol. The Phase 3 protocol contemplated a study of 1,200 renal transplant patients, divided into two separate Phase 3 trials. Each of the two studies would be comprised of 600 patients, of which half (n=300 patients) would be randomized to voclosporin and the other half (n=300 patients) would receive the market leading drug, tacrolimus. The primary endpoint of the studies would be driven primarily by biopsy proven acute rejection ("BPAR"). Secondary endpoints included New Onset Diabetes ("NODAT") and other measures of safety.

For a variety of reasons the Company has decided to pursue the LN indication as the lead indication, as voclosporin would be the only commercially approved CNI for this indication, outside Japan. However, the Company is willing to exploit the transplant indication with a development and commercialization partner, should such a partner be interested in the entire nephrology franchise (i.e., both LN and renal transplantation). At this point, the Company feels that it is best not to split the drug's indications in order to offer shareholders the best value.

Status of Other Partnerships:

Lux Biosciences, Inc.

On May 24, 2006 the Company signed a Distribution and License Agreement ("DLA") with Lux Biosciences, Inc. ("Lux") granting Lux worldwide rights to develop and commercialize voclosporin for the treatment and prophylaxis of all ophthalmic diseases. Under the terms of the agreement, Lux made an upfront payment, and was to make further milestone payments, assuming development milestones were achieved. Lux was also to pay royalties based on a percentage of net sales. Lux was responsible for the clinical development, registration, and marketing of voclosporin for all ophthalmic indications.

In February, 2010, Lux filed a New Drug Application ("NDA") with the FDA and a Marketing Authorization Application ("MAA") with the European Medicines Agency ("EMA") for voclosporin for the treatment of noninfectious uveitis. In August, 2010, Lux received a Complete Response Letter ("CRL") from the FDA regarding their NDA for voclosporin. A CRL is issued by the FDA when the review of a file is completed and questions remain that prevents the approval of the NDA in its current form. The FDA requested additional information and recommended that an additional clinical trial be conducted in order to consider future approval of voclosporin for this indication. In February, 2011, Lux commenced the required additional pivotal Phase 3 trial. The study was a six-month randomized trial of voclosporin versus placebo in 155 patients in North America and Europe with active non-infectious intermediate, posterior, or pan-uveitis. In January of 2013 Lux released results of this Phase 3 study whereby the study drug failed to achieve statistical significance vs. placebo.

During the fourth quarter of 2013 the Company received notification from Lux that it would be ceasing business activity and therefore returning the license to the Company. On February 27, 2014 the Company signed the Termination and Assignment Agreement with Lux which returned worldwide rights to develop and commercialize voclosporin for the treatment and prophylaxis of all ophthalmic diseases back to the Company. The return of this license further consolidates the intellectual property related to voclosporin which was a key consideration in the acquisition of Aurinia Pharma Corp. by the Company in 2013. Coincident with the termination of the Lux agreement the Company has retained a portfolio of patents focused around delivering voclosporin in high concentrations to various tissues of the eye. The Company will evaluate this intellectual property and define its role as it relates to the defined corporate strategy of the Company.

Paladin Labs Inc.

On June 18, 2009, the Company completed a plan of arrangement transaction with Paladin Labs Inc. ("Paladin"). Paladin has the rights to market, sell, and distribute voclosporin in the Paladin territories which include Canada, South Africa and Israel and is required to make payments to the Company equal to: (i) 20% of net sales, in the Paladin territories, less manufacturing costs until June 18, 2016; and (ii) 20% of net royalties received from third party sales, in the Paladin territories until June 18, 2016. In addition, Paladin will receive 2% of any milestone payments, development payments, royalties, and net profit splits paid to the Company, related to voclosporin outside the Paladin territories.

3SBio, Inc.

On August 23rd, 2010, the Company and 3SBio Inc. ("3SBio"), a China-based biotechnology company focused on researching, developing, manufacturing and marketing biopharmaceutical products, completed a Development and License Agreement ("DDL") for voclosporin. Under the terms of the agreement the Company granted 3SBio exclusive rights to all transplant and autoimmune indications of voclosporin in China, including Hong Kong, Taiwan, excluding ophthalmic indications which were previously licensed to Lux. 3SBio will be responsible, including costs, for the clinical development, registration and commercialization of voclosporin in China. The Company will also receive ongoing royalties based on sales of voclosporin by 3SBio. The Company will also supply commercial supply to 3SBio on a cost-plus basis.

On June 28th, 2012 the Company announced that 3SBio received approval from the State Food and Drug Administration ("SFDA") to conduct a multi-center Phase 3 trial of voclosporin in China. According to the approved protocol this will be a Phase 3, randomized multi-center, concentration-controlled and comparison study in kidney transplant patients. Patient enrollment has been delayed by 3SBio and the Company is awaiting information from its licensee regarding further development of voclosporin in this territory.

NICAMs

The Company had in previous years, discovered a portfolio of non-immunosuppressive cyclophilin antagonist molecules ("NICAMs") that are macrocycles based on chemical modifications of CsA.

The Company's reconstituted Board and management team strategically decided to focus the Company's financial and operational resources on its late stage asset, voclosporin and as result made a corporate decision to divest its NICAM asset, which was an early stage development project. On February 14, 2014 the Company entered into a Purchase and Sale Agreement with Ciclofilin Pharmaceuticals Corp. (in which the Company's former Chief Scientific Officer and Chief Executive Officer, Robert Foster has an equity ownership position) whereby the Company divested its ownership in the NICAMs asset for future contingent milestone payments and a royalty on net sales.

RESULTS OF OPERATIONS

For the year ended December 31, 2013, the Company reported a consolidated net loss of $2.71 million or $ 0.43 per common share, as compared to a consolidated net loss of $9.69 million or $2.73 per common share for the year ended December 31, 2012.

The decrease in the net loss in 2013 represented a change of $6.98 million over the previous year with the following items primarily responsible for the change in the net loss:

- The Company recorded a gain of $3.67 million on the acquisition of Aurinia Pharma Corp. and a loss on settlement of $4.48 million with ILJIN as described in the Plan of Arrangement section found earlier in this document.
- The Company also recorded a non-cash income tax recovery of $4.11 million for the year ended December 31, 2013. There was no similar item in 2012.
- The 2012 loss included a non-cash loss of $4.2 million on the ILJIN derivative financial instrument compared to a gain of $4.2 million on this instrument for the year ended December 31, 2011. The 2012 figure also included a provision for doubtful collection on the receivable of $1.3 million from Lux, as a result of Lux not meeting its primary endpoint in its Phase 3 uveitis clinical trial as previously announced by the Company in December of 2012. There were no similar items in 2013.
- The Company also recorded a reserve of $2.7 million in 2012 for the drug supply manufactured during the year due to uncertainty in determining its net realizable value. The cost of the reserve was recorded in research and development expense as future use would likely be related to clinical trials for voclosporin.
- The Company recorded licensing revenue of $4.40 million related to the ILJIN DDLA amortized from deferred revenue for the year ended December 31, 2012 as a result of the Company's notification of termination of the DDLA with ILJIN on January 20, 2012.
- The Company recorded the sale of active pharmaceutical ingredient ("API") to Lux, as more fully described in the revenue and deferred revenue section below, in the amount of $1.3 million, as other income for the year ended December 31, 2012. There was no similar item in 2013.

Revenue and deferred revenue

The Company recorded revenue of $1.01 million for the year ended December 31, 2013 compared to $6.13 million for the comparable period in 2012.

The Company recorded licensing and R&D revenue of $1.01 million for the year ended December 31, 2013 compared to $4.77 million for the year ended December 31, 2012. Licensing and R&D fee revenues represent the amortization of deferred revenue from fee payments received by the Company. The deferred revenue is recorded as revenue as the Company incurs the costs related to meeting its obligations under the terms of the applicable agreements. The significant decrease was the result of the Company recording the unamortized deferred revenue balance of $4.40 million related to the ILJIN payment fee as revenue in 2012 on the basis that this agreement was terminated.

In December, 2013 the Company received notice from Lux, that it would be ceasing operations and returning the license to the Company. As a result, at December 31, 2013 the Company determined it had no further obligations pursuant to DDLA and a result recorded the remaining balance of deferred revenue associated with the Lux DDLA as licensing income in the statement of operations and comprehensive loss and as a result recorded $732,000 of licensing revenue in 2013 related to the Lux DDLA.

The deferred revenue from the Aurinia license payment was amortized into revenue up to September 20, 2013 until the completion of the plan of arrangement as more fully discussed in (a) below. The deferred revenue related to the 3SBio and Paladin fee payments are being amortized on a straight line basis.

Revenue for the year ended December 31, 2012 also included $1.3 million as other revenue which was related to the sale of API to Lux. There was no such item in 2013. As the timing and collectability of the amount was previously uncertain, particularly as a result of Lux not meeting the primary endpoint in the Phase 3 uveitis clinical trial the Company recorded a provision for doubtful collection of the $1.3 million for the year ended December 31, 2012. As a result of Lux ceasing operations and not having sufficient funds to repay this amount, the Company wrote off this receivable as uncollectible in 2013.

(a) Licensing and Collaboration Agreement with Aurinia Pharma Corp.

The Company signed a global Licensing and Collaboration Agreement ("LCA") effective December 30, 2011 with Vifor. The agreement granted Vifor an exclusive license for voclosporin, for the treatment of lupus and all proteinuric nephrology indications (the "Vifor License"). The Vifor License was for the United States and other regions outside of Canada, South Africa, Israel, China, Taiwan and Hong Kong (the "Vifor Territory"). Under the terms of the Agreement, the Company was to receive milestone payments, as well as royalties on commercial sales. In connection with this agreement, Vifor was to purchase voclosporin API from the Company. Vifor was to carry the burden of the costs associated with these clinical trials. On December 13, 2012, the LCA was assigned to Aurinia Development Corp. by Vifor. Aurinia Development Corp. is a subsidiary of Aurinia Pharma Corp.

ILJIN had provided a License Back for the field of lupus and proteinuric kidney diseases for the Territory defined in the ILJIN DDLA of certain rights to the Company in order for these rights to be licensed to Vifor specifically for the indications of lupus and proteinuric kidney disease, in return for certain milestones and royalties to be paid by Vifor.

On December 10, 2012 pursuant to this agreement, the Company received as a milestone payment, an investment in Aurinia Pharma Corp. Aurinia Pharma Corp. issued the Company a share certificate representing 10% of the common shares of Aurinia Pharma Corp. Aurinia Pharma Corp. had the option of granting the Company these shares or $592,000 in cash (US$600,000). The Company determined that the fair value of the shares in Aurinia Pharma Corp. approximated $592,000 and therefore recorded the value of the investment in Aurinia Pharma Corp. shares at $592,000. The Company has recorded this milestone payment as deferred revenue upon receipt. Under the LCA, the primary substantive obligations of the Company were to maintain the patent portfolio and pay for drug supply if costs exceed a certain amount. Until September 20, 2013 deferred revenue was being amortized into licensing revenue as the Company incurred the costs related to meeting its obligations under the LCA.

The Company's investment in Aurinia Pharma Corp. was carried at fair value, with changes in fair value recognized in other comprehensive income ("OCI"). These gains and losses may subsequently be reclassified into net loss in the statement of operations and comprehensive loss. Since Aurinia Pharma Corp.'s shares did not trade in a public market, the Company used a form of comparable company valuation approach to determine fair value, categorized as level 3 in the fair value hierarchy. Due to the unique nature of Aurinia Pharma Corp's primary assets, being its license agreement with the Company and its intellectual property related to lupus nephrology research, management does not believe there are any comparable companies that trade publicly for which an indicative value could be obtained. As a result, it compared the value of Aurinia Pharma Corp. to the value of the Company based on the merger of the entities and the relative valuation formula agreed to by the parties and approved by the shareholders. Without providing for any adjustments for lack of liquidity or non-controlling interests, this approach results in a fair value of the investment of $670,000 at September 20, 2013. Pursuant to the plan of arrangement the Company transferred its ownership interest in Aurinia Pharma Corp. to ILJIN. The Company recorded a gain of $78,000 on the statement of operations and comprehensive loss upon disposal of this investment and reversed the $224,000 OCI loss outstanding at the time of the transaction.

Development, Distribution and License Agreement with ILJIN Life Science Co., Ltd.

Effective January 28, 2011 (the "Effective Date") the Company completed a Development, Distribution and License Agreement (the "DDLA") with ILJIN for the further clinical and commercial development of voclosporin for use in transplant indications applicable to voclosporin. The Company granted to ILJIN an exclusive license to voclosporin for transplant and autoimmune indications for the United States and other regions outside of Europe, Canada, Israel, South Africa, China, Taiwan and Hong Kong. The Company retained the rights over voclosporin in Europe for future development and commercialization.

Pursuant to the DDLA, the Company was to receive a total license fee of US$5.0 million. In addition, ILJIN was to purchase 90.7 million common shares (pre-consolidation) of the Company for gross proceeds of US$19.87 million in three tranches.

The Company was obligated under the terms of the agreement to complete a single Phase 3 clinical trial for the prevention of kidney transplant rejection. The Company received $4.5 million (US$4.5 million) of the license fee and the first private placement tranche of $2.38 million (US$2.37 million) on January 28, 2011 which was the Effective Date of the Agreement. The Company issued 11.5 million common shares (pre-consolidation) at a price of $.207 per share (US$.207) to ILJIN pursuant to the subscription agreement for securities. On or before January 28, 2012 ILJIN was to pay US$500,000 to the Company as the Second Development Payment and purchase 39.6 million common shares (pre-consolidation) of the Company issued from treasury for an aggregate subscription price of US$8.5 million. On or before January 28, 2013, ILJIN was to purchase the final tranche of 39.6 million common shares (pre-consolidation) of the Company issued from treasury for an aggregate subscription price of US$9.0 million.

Prior to the January 28, 2012 date, ILJIN verbally indicated their intent to alter the economics of the DDLA. Consequently, payment under the DDLA was not received as required per the agreement of January 28, 2011. The Company on January 30, 2012 notified ILJIN that it was terminating the DDLA. At that time the Company believed that the termination of the original DDLA was valid. As a result, the remaining deferred revenue balance of $4.4 million was recorded as licensing revenue on January 30, 2012.

The Company received notification in March, 2012 that ILJIN submitted a request for arbitration to the International Chamber of Commerce (“ICC”) Court of Arbitration relating to the Company’s termination of the DDLA. The Arbitration hearing to determine the Company’s right to terminate the agreement was held early in the fourth quarter of 2012. In November, 2012 the Company received notification from the ICC that a Partial Award regarding its right to terminate the DDLA with ILJIN had been issued to the parties. In the result, the Partial Award provided that the DDLA had not been terminated and, therefore, the Company’s contractual relationship with ILJIN still existed. As such the Partial Award rejected the Company’s interpretation of the DDLA’s termination provision. Since the DDLA was not considered to have been terminated, the Company assessed whether it had an onerous contract under the provisions guidance of IAS 37, and concluded that no provision was required. In January of 2013, ILJIN formally notified the Company and the arbitral tribunal that ILJIN had withdrawn all claims for damages in the parties’ pending arbitration.

On September 20, 2013, the Company, ILJIN and Aurinia Pharma Corp. completed a plan of arrangement whereby the DDLA was terminated as more fully described in the “ Corporate Developments in 2013” section above.

Research and Development

The major components of research and development (“R&D”) expenditures for the last two years were as follows:

R & D Expenditures (in thousands of dollars)	2013	2012	Increase (Decrease)
	$	$	$
Research and development, net			
Drug supply-API and capsules	388	3,080	(2,692)
Wages and employee benefits	884	1,546	(662)
Study contracts, consulting and other outside services	189	(14)	203
Rent, utilities and other facility costs	333	495	(162)
Stock compensation expense	100	104	(4)
Patent annuity and legal fees	317	318	(1)
Insurance	5	39	(34)
Other miscellaneous	33	107	(74)
Subtotal	**2,249**	**5,675**	**(3,426)**
Less Refundable tax credits and other government assistance	(190)	(194)	4
Net R&D expenditures	**2,059**	**5,481**	**(3,422)**

Net research and development expenses decreased to $2.06 million for the year ended December 31, 2013, compared to $5.48 million for the year ended December 31, 2012.

The decrease reflected a reduction in research and development activities as the Company focused its operational and financial resources on completing the plan of arrangement and obtaining equity financings in 2013 until the fourth quarter. The Company significantly reduced its research and development wage and benefit costs by a reduction in its staff numbers of R&D personnel through staff attrition and reduced hours of work while it completed the plan of arrangement and with staff terminations as discussed in the "Acquisition and restructuring costs" section below. The decrease also reflected that the Company recorded a reserve of $2.7 million in the fourth quarter of 2012 for drug supply that was manufactured in 2012 due to uncertainty in determining its net realizable value. This reserve was recorded in research and development expense as future use was determined to likely be for clinical trials for voclosporin.

In the fourth quarter of 2013, the Company incurred drug supply expenditures as it completed production of the capsules required for the planned Phase 2b lupus nephritis trial. The Company also commenced preparations internally for this trial commencing upon completion of the Plan of Arrangement, incurring wage and consulting services costs related to these preparations.

The Company incurred total R&D costs of $398,000 ($371,000 in 2012) related to the NICAM program in 2013. These costs were primarily related to wages and two studies conducted during the year. The Company received funding from the NRC of $170,000 in 2013 ($58,000 in 2012), which is reflected in refundable tax credits and government assistance, related to these costs.

Corporate and Administration

The components of corporate and administration for the year ended December 31, 2013, compared to the year ended December 31, 2012, are as follows:

Corporate and Administration (in thousands of dollars)	2013	2012	Increase (Decrease)
	$	$	$
Salaries and benefits	1,076	957	119
Professional and consulting fees	403	1,871	(1,468)
Director fees	196	177	19
Rent, utilities and other facility costs	172	59	113
Stock compensation expense	138	171	(33)
Trustee fees, filing fees and other public company costs	137	110	27
Travel and promotion	129	284	(155)
Office, data processing , telecommunications and other	87	188	(101)
Insurance	38	64	(26)
Corporate and administration expenses	**2,376**	**3,881**	**(1,505)**

The Company significantly reduced corporate and administration expenditures for the year ended December 31, 2013 when compared to the year ended December 31, 2012. The Company focused, in 2013, on completing the plan of arrangement with Aurinia Pharma Corp. and on financing activities while reducing costs as much as possible given its financial condition in 2013.

Professional and consulting fees significantly decreased as less legal costs were incurred in 2013 compared to 2012 as a result of the Company signing a definitive settlement agreement with ILJIN and Aurinia in the first quarter of 2013. The Company incurred significant legal fees and hearing costs related to the arbitration process with ILJIN in 2012.

Stock-based Compensation expense

For stock option plan information and outstanding stock option details refer to note 15(d) of the year end audited consolidated financial statements for December 31, 2013.

For the year ended December 31, 2013, the Company granted no stock options (2012 – 178,000) to the executives, directors and employees of the Company.

Application of the fair value method resulted in a charge to stock-based compensation expense of $238,000 (2012 – $275,000) with corresponding credits to contributed surplus. For the year ended December 31, 2013, stock compensation expense has been allocated to research and development expense in the amount of $100,000 (2012 – $104,000) and corporate administration expense in the amount of $138,000 (2012 – $171,000).

Amortization of property and equipment

Amortization expense for property and equipment decreased to $49,000 for the year ended December 31, 2013, compared to $580,000 for the year ended December 31, 2012 as the majority of the Company's equipment and leasehold improvements were fully amortized in 2012.

Amortization and impairment of intangible assets

Amortization and impairment of intangible assets was $817,000 for the year ended December 31, 2013, compared to $267,000 for the year ended December 31, 2012.

The increase reflected the amortization of the reacquired rights arising from the completion of the Plan of Arrangement. In addition, the Company recognized an impairment against the entire capitalized cost of the early-stage NICAM patent portfolio in the amount of $212,000 as a result of divesting this asset subsequent to year end.

Acquisition and restructuring costs

Acquisition and restructuring related costs incurred by the Company have been expensed and are composed of the following:

	December 31, 2013 $	December 31, 2012 $
Acquisition costs, including legal and filing fees	259	—
Restructuring costs composed of severance costs	1,311	—
	1,570	—

As a result of the restructuring and rebranding of the Company following the Plan of Arrangement, the Company eliminated five positions in 2013, including two executive officers, while the previous CEO was transitioned to a new role as Chief Scientific Officer. These changes resulted in the Company recording a severance provision of $1.31 million for the year ended December 31, 2013. At December 31, 2013, $815,000 of this provision remained outstanding and was recorded in Accounts Payable and Accrued Liabilities. Subsequent to the year end, this balance was paid.

Other expense (income), net composed of:

Finance income		
Interest income on short-term bank deposits	(3)	(7)
Finance costs		
Interest on drug supply loan	106	51
Interest on finance lease	1	5
Debt finance fee	—	45
	107	101
Financial assets at fair value through profit or loss		
Loss on derivative financial asset	—	4,178
Other		
Loss on contract settlement with ILJIN	4,479	—
Gain on acquisition of Aurinia Pharma Corp	(3,675)	—
Realized gain on disposal of investment in Aurinia Pharma Corp.	(78)	—
Foreign exchange loss (gain)	194	(16)
Gain on disposal of equipment	(69)	(8)
Provision for doubtful collection of receivable from Lux	—	1,310
	851	1,286
	955	5,558

Other expense (income) for the year ended December 31, 2013 reflected a net expense of $955,000 compared to a net expense of $5.59 million for the year ended December 31, 2012. The loss on contract settlement with ILJIN and the gain on acquisition of Aurinia Pharma Corp. are discussed in the Plan of Arrangement section earlier in this document.

The 2012 comparative figure included a loss on derivative financial asset of $4.18 million. Pursuant to the DDLA with ILJIN, ILJIN was entitled to acquire a fixed number of common shares for a fixed US dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of operations and comprehensive loss as they arise. The Company recorded a $4.18 million non-cash loss on this derivative financial asset in 2012. As a result of completing the plan of arrangement on September 20, 2013 the DDLA with ILJIN has been terminated and accordingly the financial derivative asset was extinguished.

The Company recorded a gain of $78,000 on disposal of its investment in Aurinia Pharma Corp. upon completion of the plan of arrangement on September 20, 2013 as more fully discussed in the "Licensing and Collaboration Agreement with Aurinia Pharma Corp." section earlier in this document.

Income Tax (Recovery)

The acquisition of Aurinia resulted in the recognition of a deferred tax liability of $4.1 million related to the fair values of the intangible assets. Since the Company had tax losses available to off-set the liability, a deferred tax recovery of $4.1 million was recognized in the Statement of Operations and Comprehensive Loss.

LIQUIDITY AND CAPITAL RESOURCES

The Company's operational activities during fiscal 2013 were financed mainly by the two private placement financings completed during the year. On September 20, 2013 the Company closed a Second Unit Offering private placement for gross proceeds of $6.0 million in conjunction with the successful completion of the Plan of Arrangement with Aurinia Pharma Corp. Earlier, on June 26, 2013 the Company had closed a private placement for $1.02 million which provided the Company with sufficient funding and time to complete the plan of arrangement.

At December 31, 2013, the Company had a working capital deficit of $4.20 million, compared to $3.21 million at December 31, 2012. The Company had cash of $1.9 million at December 31, 2013 compared to $184,000 at December 31, 2012.

Completing the Plan of Arrangement on September 20, 2013 consolidated the voclosporin asset which in turn provided the Company with the ability to complete the US$52 million private placement on February 14, 2014. The Company intends to use the net proceeds from the Offering to advance the development of its lead drug candidate, voclosporin, as a therapy for lupus nephritis by conducting a Phase 2b lupus nephritis clinical trial and for general corporate purposes. We believe that our cash position after completion of this financing will be sufficient to finance our operational and capital needs, including completion of the Phase 2b lupus nephritis trial, until at least the end of 2016.

The Company is in the development stage and is devoting substantially all of its financial and operational resources and efforts towards the development activities for its drug, voclosporin. The recoverability of amounts expended on research and development to date, including capitalized intellectual property, is dependent on the ability of the Company to complete the required development activities.

Sources and Uses of Cash

	2013 $	2012 $
Cash used in operating activities	(4,816)	(6,513)
Cash used in investing activities	(38)	(31)
Cash provided by financing activities	6,607	713
Effect of foreign exchange rate on cash and cash equivalents	—	(33)
Net increase in cash and cash equivalents	1,753	(5,864)

Net cash used in operating activities for the year ended December 31, 2013, was $4.82 million compared to cash used in operating activities of $6.51 million for the year ended December 31, 2012. Cash used in operating activities in 2013 and 2012 was composed of net loss, add-backs or adjustments not involving cash and net change in non-cash working items.

Cash used by investing activities for the year ended December 31, 2013, was $38,000 compared to $31,000 for the same period in 2012 related to incurrence of patent costs, less proceeds from the sale of equipment.

Cash generated in financing activities for the year ended December 31, 2013, was $6.61 million compared to cash generated in financing activities of $713,000 for the year ended December 31, 2013. In 2013, the Company received net proceeds of $6.64 million from the private placement equity financings, which included the conversion of $400,000 in promissory notes, compared to net proceeds of $758,000 in private placement financings in 2012.

CONTRACTUAL OBLIGATIONS

The following table presents contractual and purchase obligations arising from agreements other than amounts already recorded as liabilities currently in force as at December 31, 2013. The purchase obligations relate primarily to commitments for services and materials for the planned Phase 2b LN trial.

(in thousands of dollars)	Total	Less than one year	Two to three years	Greater than three years
	$	$	$	$
Operating lease obligation	743	283	460	—
Purchase obligations	520	405	93	22

Until September 30, 2013 the Company was leasing 25,318 square feet of lab and office space (6 bays) in Edmonton. On October 1, 2013 the Company significantly reduced its leased premises costs by entering into a three year sublease with the head lessee for approximately 9,000 square feet while vacating the remaining 16,318 square feet it had previously been leasing. The Sublease is $22,000 monthly and includes base rent, utilities and operating costs. The Company has paid the head lessee a deposit of $162,000 for the last 7.4 months of rent which has not been reflected in the operating lease obligation figures above. The Company in turn subleases out, on a month-to-month basis, a portion of the 9,000 square feet, and receives rental proceeds of approximately $10,000 per month. The Company entered into the sublease to avoid the substantial costs of converting the premises back to its original state if the premises had been turned back to the landlord. The Company is exploring options to sublease the remaining lab space as it no longer requires lab space after divesting the NICAM asset on February 14, 2014.

The Company also continues to lease from the landlord two adjoining office bays on a month-to-month short term basis at $10,000 per month as it transitions its remaining administrative operations from its Edmonton location to Victoria, British Columbia. Management is currently in negotiations regarding a lease for office premises in Victoria.

RELATED PARTY TRANSACTIONS

For details on related party transactions, refer to note 22 of the audited consolidated financial statements for December 31, 2013.

OFF-BALANCE SHEET ARRANGEMENTS

To date the Company has not had any relationships with unconsolidated entities or financial partnerships, such as entities referred to as structured finance or special purpose entities, which are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with IFRS often requires management to make estimates about and apply assumptions or subjective judgment to future events and other matters that affect the reported amounts of the Company's assets, liabilities, revenues, expenses and related disclosures. Assumptions, estimates and judgments are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's consolidated financial statements are prepared. Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates and judgments in order to ensure that the consolidated financial statements are presented fairly and in accordance with IFRS.

Critical accounting estimates and judgments are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustment.

Management considers the following areas to be those where critical accounting policies affect the significant judgments and estimates used in the preparation of the Company's consolidated financial statements.

Critical judgments and estimates in applying the Company's accounting policies

Revenue recognition

Management's assessments related to the recognition of revenues for arrangements containing multiple elements are based on estimates and assumptions. Judgment is necessary to identify separate units of accounting and to allocate related consideration to each separate unit of accounting. Where deferral of upfront payments or license fees is deemed appropriate, subsequent revenue recognition is often determined based upon certain assumptions and estimates, the Company's continuing involvement in the arrangement, the benefits expected to be derived by the customer and expected patent lives. To the extent that any of the key assumptions or estimates change future operating results could be affected (see also note 13 to the consolidated financial statements).

Impairment of intangible assets

The Company follows the guidance of IAS 36 to determine when impairment indicators exist for its intangible assets. When impairment indicators exist, the Company is required to make a formal estimate of the recoverable amount of its intangible assets. This determination requires significant judgment. In making this judgment, management evaluates external and internal factors, such as significant adverse changes in the technological, market, economic or legal environment in which the Company operates as well as the results of its ongoing development programs. Management also considers the carrying amount of the Company's net assets in relation to its market capitalization, as a key indicator. In making a judgment as to whether impairment indicators exist at December 31, 2013, management concluded that there were none.

Goodwill and business combinations

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. Management makes judgments and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognized as goodwill and if negative, it is recognized as a gain in the Statement of Operations.

The amount of goodwill initially recognized as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of assets and liabilities is based, to a considerable extent, on management's judgment. Allocation of the purchase price affects the results of the Company as finite life intangible assets are amortized, whereas indefinite life intangible assets, including goodwill, are not amortized and could result in differing amortization charges based on the allocation to indefinite life and finite life intangible assets.

The Company's acquisition of Aurinia Pharma Corp. has resulted in the recognition of a gain of $3.67 million. This is primarily as a result of the value allocated to the intangible property rights being reacquired from Aurinia Pharma Corp. as a result of the merger. The value of these rights was determined using a differential income approach; that is, the discounted cash flows that the Company is able to generate above and beyond what it was entitled to from the Vifor License, determined over the contract life to 2029. The determination of these cash flows is subject to significant estimates and assumptions, including:

- The amount and timing of projected future cash flows, adjusted for the probability of technical and marketing success;
- The amount and timing of projected costs to develop voclosporin into a commercially viable treatment for lupus nephritis;
- The discount rate selected to measure the risks inherent in the future cash flows; and
- An assessment of voclosporin's life-cycle and the competitive trends impacting the drug, including consideration of any technical, legal, regulatory, or economic barriers to entry.

Management believes the fair value assigned to the reacquired rights is based on reasonable assumptions, however these assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur.

The key assumptions used by management include the ultimate probability of successful product launch of 18%, after considering financial, clinical and regulatory risks, and a discount rate of 21%. If the probability for success were to increase to 20%, this would increase the reacquired right by approximately $2.3 million. If the probability for success were to decrease to 16%, this would decrease the reacquired right by approximately $1.3 million. If the discount rate were to increase to 22%, this would decrease the reacquired right by approximately $3.2 million. If the discount rate were to decrease to 20%, this would increase the reacquired right by approximately $3.6 million. A change in the reacquired right value would also impact the related deferred tax liability and purchase gain recorded on the date of acquisition.

Reacquired right from ILJIN

The recognition of a reacquired right recognized as an intangible asset should be measured on the basis of the remaining contractual term of the related contract regardless of whether market participants should consider potential contractual renewals when measuring its fair value. Management makes judgments and estimates in relation to the fair value of the reacquired right. If the terms of the contract giving rise to a reacquired right are favourable or unfavourable relative to the terms of current market transactions for the same or similar items, the difference is recognized as a gain or loss in the Statement of Operations.

The Company's tripartite settlement agreement with Aurinia Pharma Corp. and ILJIN Life Science Co., Ltd. has resulted in the recognition of a loss of contract settlement with ILJIN of $4.48 million. This is the result of a value allocated to the intangible property rights being reacquired from ILJIN Life Science Co., Ltd. due to the settlement. The value of these rights was determined using a differential income approach; that is, the discounted cash flows that the Company is able to generate above and beyond what it was entitled to under the original licensing agreement. The cash flows used to determine the value of these rights are derived from the same cash flows used to determine the reacquired right from Aurinia Pharma Corp. above. The determination of these cash flows is therefore subject to the same significant estimates and assumptions described above.

Management believes the fair value assigned to the reacquired rights is based on reasonable assumptions, however these assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur.

The key assumptions used by management include the ultimate probability of successful product launch of 18%, after considering financial, clinical and regulatory risks, and a discount rate of 21%. If the probability for success were to increase to 20%, this would increase the reacquired right by approximately $576,000. If the probability for success were to decrease to 16%, this would decrease the reacquired right by approximately $418,000. If the discount rate were to increase to 22%, this would decrease the reacquired right by approximately $707,000. If the discount rate were to decrease to 20%, this would increase the reacquired right by approximately $783,000.

Contingent consideration

Contingent consideration is a financial liability recorded at fair value. The amount of contingent consideration to be paid is based on the occurrence of future events, such as the achievement of certain development, regulatory and sales milestones. Accordingly, the estimate of fair value contains uncertainties as it involves judgment about the likelihood and timing of achieving these milestones as well as future foreign exchange rates and the discount rate used. Changes in fair value of the contingent consideration obligation result from changes to the assumptions used to estimate the probability of success for each milestone, the anticipated timing of achieving the milestones, and the discount period and rate to be applied. A change in any of these assumptions could produce a different fair value, which could have a material impact to the results from operations.

The key assumptions used by management include the probability of successful for each milestone (35% - 70%) and a discount rate of 15%. If the probability for success were to increase by a factor of 10% for each milestone this would increase the obligation by approximately $430,000 at December 31, 2013. If the probability for success were to decrease by a factor of 10% for each milestone this would decrease the obligation by approximately $500,000 at December 31, 2013. If the discount rate were to increase to 16%, this would decrease the obligation by approximately $105,000. If the discount rate were to decrease to 14%, this would increase the obligation by approximately $110,000.

RISKS AND UNCERTAINTIES

The Company has invested a significant portion of its time and financial resources in the development of voclosporin. The Company anticipates that its ability to generate revenues and meet expectations will depend primarily on the successful development and commercialization of voclosporin. The successful development and commercialization of voclosporin will depend on several factors, including the following:

- successful completion of clinical programs;
- receipt of marketing approvals from the FDA and other regulatory authorities with a commercially viable label;
- securing and maintaining partners with sufficient expertise and resources to help in the continuing development and eventual commercialization of voclosporin;
- maintaining suitable manufacturing and supply agreements to ensure commercial quantities of the product through validated processes;
- acceptance and adoption of the product by the medical community and third-party payors; and
- the Company's ability to raise future financial resources if and when required. Future additional sources of capital could include payments from potential new licensing partners, equity financings, debt financings and/or the monetization of the Company's intangible assets. There is no assurance of obtaining additional future financing through these arrangements or any arrangements on acceptable terms.

A detailed list of the risks and uncertainties affecting the Company can be found in the Company's Annual Information Form which is filed on SEDAR. Additional risks and uncertainties of which the Company is unaware, or that it currently deems to be immaterial, may also become important factors that affect the Company.

Capital management

The Company's objective in managing capital is to ensure a sufficient liquidity position to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company defines capital as net equity, comprised of issued common shares, warrants, contributed surplus and deficit.

The Company's objective with respect to its capital management is to ensure that it has sufficient cash resources to maintain its ongoing operations and finance its research and development activities, corporate and administration expenses, working capital and overall capital expenditures.

Since inception, the Company has primarily financed its liquidity needs through public offerings of common shares and private placements. The Company has also met its liquidity needs through non-dilutive sources, such as debt financings, licensing fees from its partners and research and development fees.

There have been no changes to the Company's objectives and what it manages as capital since the prior fiscal period. The Company is not subject to externally imposed capital requirements.

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. Risk management is carried out by management under policies approved by the board of directors. Management identifies and evaluates the financial risks. The Company's overall risk management program seeks to minimize adverse effects on the Company's financial performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through the management of its capital structure and financial leverage as discussed in note 24 to the consolidated financial statements. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors and/or the Audit Committee reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business. The Company invests its cash equivalents in bankers' acceptances and/or guaranteed investment certificates with 30 to 90 day maturities to ensure the Company's liquidity needs are met. See "Recent Corporate Developments" for the financing completed by the Company subsequent to the year end.

The Company's activities have been financed through a combination of the cash flows from licensing and development fees and the issuance of equity and/or debt. All of the Company's financial liabilities are due within one year except for part of the Contingent Consideration as described earlier in this document.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and cash equivalents are comprised of highly liquid investments that earn interest at market rates. Accounts receivable, accounts payable and accrued liabilities bear no interest. The drug supply loan bears interest at 10%. Subsequent to year end this loan was repaid.

The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. The Company's policy limits the investing of excess funds to liquid guaranteed investment certificates and bankers' acceptances. The Company's exposure to interest rate risk at December 31, 2013 is considered minimal.

Foreign currency risk

The Company is exposed to financial risk related to the fluctuation of foreign currency exchange rates. Foreign currency risk is the risk that variations in exchange rates between the Canadian dollar and foreign currencies, primarily with the United States dollar, will affect the Company's operating and financial results.

The following table presents the Company's exposure to the US dollar:

	2013 $	2012 $
Cash and cash equivalents	4	52
Accounts receivable	1	13
Accounts payable and accrued liabilities	(422)	(332)
Contingent consideration	(4,563)	—
Net exposure	(4,980)	(267)

	Reporting date rate 2013 $	 2012 $
$US - $CA	1.064	0.995

Based on the Company's foreign currency exposures noted above, varying the foreign exchange rates to reflect a 10 % strengthening of the Canadian dollar would have decreased the net loss by $497,000 (2012 - $27,000) assuming that all other variables remained constant. An assumed 10% weakening of the Canadian dollar would have had an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents. The Company's cash and cash equivalents were held at a major Canadian Bank. The Company regularly monitors the credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss.

CONTINGENCIES

i) The Company may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes that the ultimate resolution of such contingencies will not have a material adverse effect on the consolidated financial position of the Company.

ii) The Company entered into indemnification agreements with its officers and directors. The maximum potential amount of future payments required under these indemnification agreements is unlimited. However, the Company does maintain liability insurance to limit the exposure of the Company.

iii) The Company has entered into license and research and development agreements with third parties that include indemnification and obligation provisions that are customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of third party claims or damages arising from these transactions. These provisions may survive termination of the underlying agreement. The nature of the obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any payments under such agreements and no amount has been accrued in the accompanying consolidated financial statements.

ADDITIONAL COMPANY INFORMATION

Additional information on the Company may be found in its regulatory filings including its Annual Information Form, quarterly reports and proxy circulars filed with the Canadian Securities Commissions through SEDAR at www.sedar.com or at the Company's website at www.auriniapharma.com.

UPDATED SHARE INFORMATION

As at March 27, 2014, the following class of shares and equity securities potentially convertible into common shares were outstanding:

Common shares	
Convertible equity securities	31,354,000
Warrants outstanding	6,989,000
Stock options	1,468,000

On February 14, 2014 the Company completed a US$52 million private placement. Under the terms of the Offering, the Company issued 18.92 million units (the "Units") at a subscription price per Unit of US$2.7485 (C$3.038), each Unit consisting of one common share and one-quarter (0.25) of a common share purchase warrant (a "Warrant"), exercisable for a period of five years from the date of issuance at an exercise price of US$3.2204 (C$3.56). In addition, in the event that the Company does not reduce the size of its Board of Directors to seven directors within 90 days following closing of the Offering, an additional 0.1 Warrants will be issued for each Unit purchased by a subscriber for every additional 90 day period delay, up to a maximum of 0.35 Warrants per Unit. This represents a

maximum of 6.62 million additional Warrants. If the Company does not obtain approval to list its common shares on NASDAQ within 12 months following the closing of the Offering, the Company has agreed to issue an additional 0.1 Warrants for each Unit purchased by a subscriber for every 90 day period delay, up to a maximum of 0.35 Warrants per Unit. This represents a maximum of 6.62 million additional Warrants. All securities issued in connection with the Offering will be subject to a four month hold period from the date of issuance in accordance with applicable securities law, which expires on June 15, 2014 for the securities issued at closing.

On February 18, 2014 the Company issued 1.19 million stock options with a term of ten years at an exercise price of $3.50 per common share to certain directors and officers of the Company.

SUPPLEMENTAL INFORMATION

Selected Annual Information

(expressed in thousands of dollars, except per share data)

	2013	2012	2011
	$	$	$
Statement of Operations			
Revenues	1,010	6,126	947
Total expenses, net	(7,827)	(15,813)	(3,405)
Income tax recovery	4,106	—	—
Net loss for the year	(2,711)	(9,687)	(2,458)
Net loss per share	(0.43)	(2.73)	(0.71)
Weighted average number of common shares outstanding	6,344	3,552	3,459
Balance sheets			
Working capital (deficiency)	(4,203)	(3,211)	6,321
Total assets	24,641	4,138	14,622
Total non-current financial liabilities	2,861	—	36
Shareholder’s equity (deficit)	14,162	(2,108)	6,546
Common shares outstanding	12,375	3,857	3,478

Quarterly Information *(expressed in thousands of dollars except per share data)*

Set forth below is unaudited consolidated financial data for each of the last eight quarters:

	Q1	Q2	Q3	Q4	Annual
	$	$	$	$	$
2013					
Revenues	89	88	87	746	1,010
Research and development costs in total expenses	338	452	544	725	2,059
Corporate and administration costs in total expenses	498	423	511	944	2,376
Contract services	1	—	—	—	1
Acquisition and restructuring costs in total expenses	—	80	1,460	30	1,570
Amortization and write off of tangible and intangible assets	83	82	81	620	866
Other expense (income)	(38)	45	(65)	1,013	955
Income tax (recovery)	—	—	—	(4,106)	(4,106)
Net income (loss) for the period	(793)	(994)	(2,444)	1,520	(2,711)
Per common share ($)					
Net income (loss) per common share					
Basic and diluted	(0.21)	(0.26)	(0.47)	0.12	(0.43)
Common Shares outstanding	3,857	4,311	12,374	12,375	12,375
Weighted average number of common shares outstanding					
Basic	3,857	3,877	5,197	12,374	6,344
Diluted	3,857	3,877	5,197	12,798	6,352
2012					
Revenues	5,800	90	86	150	6,126
Research and development costs in total expenses	802	817	554	3,308	5,481
Corporate and administration costs in total expenses	986	991	974	930	3,881
Amortization of tangible and intangible assets	213	214	213	207	847
Contract services	19	11	9	7	46
Other expense	4,234	400	38	886	5,558
Net loss for the period	(454)	(2,343)	(1,702)	(5,188)	(9,687)
Per common share ($)					
Net loss – basic and diluted	(0.13)	(0.67)	(0.49)	(1.38)	(2.73)
Common Shares outstanding	3,478	3,478	3,478	3,857	3,857
Weighted average number of common shares outstanding	3,478	3,478	3,478	3,772	3,552

Summary of Quarterly Results

The primary factors affecting the magnitude of the Company's losses in the various quarters include the amortization of deferred revenue to revenues, research and development costs, timing associated with the clinical development programs and gains (losses) on financial instrument derivatives and fair value changes in these derivatives.

The net loss for the three months ended December 31, 2013 includes the gain on acquisition of Aurinia Pharma Corp. of $3.67 million and a loss on contract settlement with ILJIN of $4.48 million with both items described in the "Plan of Arrangement and Acquisition of Aurinia Pharma Corp." section found earlier in this document and a non-cash tax recovery of $4.11 million.

The net loss for the three months ended September 30, 2013 included one-time acquisition and restructuring costs of $1.46 million as more fully discussed in the "Acquisition and Restructuring Costs" section of this document.

The net loss for the three months ended December 31, 2012 included a provision on drug supply inventory of $2.74 million which was recorded in research and development costs and an additional provision of $860,000 on the Lux receivable related to the sale of API to Lux in 2012, (the Company had previously recorded a provision of $450,000 on this receivable in the second quarter of 2012).

The net loss for the three months ended March 31, 2012 reflected amortization of the remaining ILJIN deferred licensing revenue of $4.40 million as a result of the termination of the DDLA with ILJIN. Results for the same period also reflected revenue from the sale of API to Lux in the amount of $1.3 million.

The net loss for the three months ended March 31, 2012 also included a non-cash loss on the ILJIN related financial derivative asset of $4.18 million. The derivative financial asset fair value of $4.18 million at December 31, 2011 was adjusted to $nil in the first quarter of 2012 as a result of the notification of termination of the ILJIN DDLA by the Company on January 30, 2012.

OUTLOOK

On September 20, 2013 the Company completed the merger with Aurinia Pharma Corp. and the related transactions that its shareholders approved on August 15, 2013.

We have made substantial changes to our management team, including the retaining of a new President and Chief Executive Officer, Mr. Stephen W. Zaruby. The new leadership team has been involved on the sell-side in two of the largest pharmaceutical/biotechnology acquisitions in history (Aspreva & ZymoGenetics). Additionally members of the new management team were directly involved in generating the data that has enabled CellCept® to become the current standard of care for the treatment of lupus nephritis. Through the merger, the Company now has unique insights, experiences and know-how to execute upon our corporate strategy and unlock shareholder value.

After many months of strategic and integration planning we have made major changes to our Company and refined our focus. We are now doing business as a rebranded company, Aurinia Pharmaceuticals Inc. Our primary focus is now clearly on the development of voclosporin as a therapy for the treatment of lupus nephritis. While there have been a number of advances in the treatment of this devastating disease, there is no question that significant unmet medical need remains. Almost 90% of lupus nephritis patients are not achieving optimal results from the current standard of care. It is our belief that layering voclosporin on top of the current standard of care for patients suffering from LN in a multi-target approach has the potential to rapidly and significantly improve patient outcomes in this devastating disease. To that end, we expect to launch a Phase 2b study of voclosporin in lupus nephritis in the second quarter of 2014.

Management believed that the business manoeuvres executed in 2013 would increase the likelihood of being able to raise the necessary funding to continue the development of voclosporin for the lupus indication which has been borne out with completion on February 14, 2014 of a successful $US52 million financing. The Company’s focus moving forward is on the executional and tactical aspects of its strategic plan. We are now supported by a world class syndicate of investors and believe we have the team to complete the task at hand.

Exhibit 99.29

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE FIRST QUARTER ENDED MARCH 31, 2014

The following Management's Discussion and Analysis of Financial Condition or MD&A and Results of Operations provides information on the activities of Aurinia Pharmaceuticals Inc. ("Aurinia" or the "Company") on a consolidated basis and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and accompanying notes for the three months ended March 31, 2014. All amounts are expressed in United States (U.S.) dollars unless otherwise stated. Dollar amounts in tabular columns are expressed in thousands of U.S. dollars. On October 23, 2013 the outstanding common shares were consolidated on a 50:1 basis. Accordingly, all shares and per share references in this MD&A are on a post-conversion basis, unless otherwise noted. This document is current in all material respects as of May 14, 2014.

The Company prepares its consolidated financial statements in accordance with the CICA Handbook.

Accordingly, the financial information contained in this MD&A and in the Company's interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards or IFRS as issued by the International Accounting Standards Board or IASB. The interim condensed consolidated financial statements and MD&A have been reviewed by our Audit Committee and approved by the Board of Directors.

Forward-looking Statements

The forward-looking statements and information contained in this document are subject to a number of significant risks and uncertainties that could cause actual results to differ materially from those anticipated including, among others, the Company's belief as to the potential of its product, voclosporin, both in clinical trials and in the market, its ability to protect its intellectual property rights, securing and maintaining corporate alliances and partnerships and the effect of capital market conditions and other factors on capital availability, the success and timely completion of clinical studies and trials, and the Company's and its partners' ability to successfully obtain regulatory approvals and commercialize voclosporin on a timely basis and have sufficient financial resources to complete the required development work.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements or information prove incorrect, actual results may vary materially from those described herein.

For additional information on risks and uncertainties please see the "Risks and Uncertainties" section of this MD&A. Although the Company believes that the expectations reflected in such forward-looking statements and information are reasonable, undue reliance should not be placed on forward-looking statements or information because the Company can give no assurance that such expectations will prove to be correct.

Forward-looking statements reflect current expectations regarding future events and speak only as of the date of this MD&A and represent the Company's expectations as of that date. Investors should also consult the Company's ongoing quarterly filings, annual reports and the Annual Information Form and other filings found on SEDAR at www.sedar.com.

OVERVIEW

THE COMPANY

Corporate Structure

Name, Address and Incorporation

Aurinia Pharmaceuticals Inc. or the "Company" is a biopharmaceutical company with its registered and administration office currently located at 5120 – 75 Street, Edmonton, Alberta T6E 6W2. The Company has its head office now located at #1203-4464 Markham Street, Victoria, British Columbia V8Z 7X8 which incorporates clinical, regulatory and business development functions of the Company.

Aurinia Pharmaceuticals Inc. is incorporated pursuant to the *Business Corporations Act* (Alberta). The Company's Common Shares are currently listed and traded on the TSX Venture Exchange ("**TSXV**") under the symbol "AUP". The Company's primary business is the development of a therapeutic drug to treat autoimmune diseases, in particular lupus nephritis.

The Company has the following wholly-owned subsidiaries: Aurinia Pharma Corp. (formerly Aurinia Pharmaceuticals Inc.), Aurinia Pharmaceuticals, Inc. (Delaware incorporated) which was incorporated on November 4, 2013, and Aurinia Pharma Limited (UK incorporated). Aurinia Pharma Corp. has one wholly-owned inactive subsidiary, Aurinia Holdings Corp. (Barbados) which is in the process of being dissolved.

Summary Description of Business

Aurinia is focused on the development of its novel therapeutic immunomodulating drug candidate, voclosporin, which is a next generation calcineurin inhibitor. It has been studied in kidney rejection following transplantation, psoriasis and in various forms of Uveitis (an ophthalmic disease).

The Company has rebranded, restructured and refocused itself over the past year and modified its strategy to focus on the development of voclosporin for the treatment of lupus nephritis ("LN"). The mechanism of action of voclosporin, a calcineurin inhibitor (CNI), has been validated with certain first generation CNIs for the prevention of rejection in patients undergoing solid organ transplants and in several autoimmune indications, including dermatitis, Keratoconjunctivitis sicca, Psoriasis, Rheumatoid Arthritis, and even for LN in Japan. The Company believes that voclosporin possesses particular pharmacologic properties that have the potential to demonstrate best-in-class differentiation and first-in-class status for the treatment of LN outside of Japan.

CORPORATE DEVELOPMENTS

Private Placement Financing

On February 14, 2014 the Company completed a US$52 million private placement (the "Offering"). The Company intends to use the net proceeds from the Offering to advance the clinical and nonclinical development of its lead drug candidate, voclosporin, as a therapy for LN and for general corporate purposes.

The financing was led by venBio, New Enterprise Associates (NEA), Redmile Group, RA Capital Management, Great Point Partners, and Apple Tree Partners, with participation from various other institutional investors, including existing shareholders Lumira Capital, ILJIN Life Science Co. Ltd. and Difference Capital.

Under the terms of the Offering, the Company issued 18.92 million units (the "Units") at a subscription price per Unit of US$2.7485, each Unit consisting of one common share and one-quarter (0.25) of a common share purchase warrant (a "Warrant"), exercisable for a period of five years from the date of issuance at an exercise price of US$3.2204. In addition, in the event that the Company does not reduce the size of its Board of Directors to seven directors within 90 days following closing of the Offering, an additional 0.1 Warrants will be issued for each Unit purchased by a subscriber for every additional 90 day period delay, up to a maximum of 0.35 Warrants per Unit. This represents a

maximum of 6.62 million additional Warrants ("Board Warrants"). As noted in the "Board of Directors" section below, on May 7, 2014 the Company held its Annual and Special Shareholder Meeting at which the shareholders approved the composition of the Board at seven directors, therefore extinguishing the Board Warrant liability relating to this condition.

If the Company does not obtain approval to list its common shares on NASDAQ within 12 months following the closing of the Offering, the Company has agreed to issue an additional 0.1 Warrants for each Unit purchased by a subscriber for every 90 day period delay, up to a maximum of 0.35 Warrants per Unit. This represents a maximum of 6.62 million additional Warrants ("NASDAQ Warrants"). All securities issued in connection with the Offering are subject to a four month hold period from the date of issuance in accordance with applicable securities law, which expires on June 15, 2014 for the securities issued at closing.

Leerink Partners LLC acted as lead placement agent and Canaccord Genuity Inc. acted as co-placement agent for the Offering. The placement agents were paid a 7.5% cash commission on subscriptions excluding those from existing shareholders for a total commission of $3.49 million. The Company also incurred filing, legal and escrow fees of $198,000 directly related to the Offering.

The Company is using the net proceeds from the Offering to advance the development of its lead drug candidate, voclosporin, as a therapy for LN and for corporate and working capital purposes. The Company is actively engaged in the launch process of the LN Phase 2b clinical trial with first patient first visit expected in the second quarter of 2014.

Functional currency and change in presentation currency

Effective January 31, 2014, the Company changed its functional currency from the Canadian dollar ("CDN$") to the United States dollar ("US$"). The change in functional currency, which has been accounted for prospectively, better reflects the Company's current business activities which are primarily denominated in US$ and to improve investors' ability to compare the Company's financial results with other publicly traded entities in the biotech industry. In addition, the Company changed its presentation currency to US$ and followed the guidance in IAS21-*The Effects of Changes in Foreign Exchange Rates.* Accordingly, the Company has applied the change retrospectively as if the new presentation currency had always been the Company's presentation currency.

Board of Directors

On May 7, 2014 the Company held its Annual and Special Shareholders Meeting at which time the shareholders approved the composition of the Board at seven directors and elected the following seven directors to the Board for the following year; namely, Messrs. Richard Glickman, Stephen Zaruby, Michael Martin, Kurt von Emster, Benjamin Rovinski, Daniel Park and Chris Kim.

STRATEGY

The Company's business strategy is to optimize the clinical and commercial value of voclosporin, its late stage clinical candidate. In particular, the Company is focused on the development of voclosporin as an add-on therapy to the current standard of care, CellCept®, which was developed by the Aurinia Pharma Corp. management team during its tenure at Aspreva Pharmaceuticals Inc.

The key elements of the Company's corporate strategy include:

- Focusing the Company's resources on advancing voclosporin through a robust Phase 2b LN study – There is currently an open Investigational New Drug ("IND") with the United States Federal Drug Administration (the "FDA") for the Company to begin treating patients with voclosporin for the treatment of LN. Aurinia plans to execute on this clinical plan as soon as practicably possible.
- Mitigate development risk by leveraging the ALMS database and the new management team's experience – The Company has certain rights to utilize the ALMS database including its use in planning, designing and informing the Phase 2b LN study.

- Evaluate future voclosporin indications – While the Company intends to deploy its operational and financial resources to develop voclosporin for LN, the Company believes that voclosporin has the potential to be of therapeutic value in other autoimmune indications and the prevention of transplant rejection.
- Further develop the Company as an attractive acquisition target – Management of the Company believes that should the planned clinical studies be successful, maintaining broad rights to the Company's technology through the completion of the clinical program will increase the Company's potential to be an attractive acquisition target.

About Lupus Nephritis

The Lupus Foundation of America ("LFA") estimates that approximately 1.5 million people in the United States of America and up to 5.0 million people worldwide suffer from systemic lupus erythematosus ("SLE"). Approximately 90% of patients suffering from SLE are women of child-bearing age. The disease causes severe impairments on quality of life and wellbeing. Of the patients suffering from SLE, 40-60% experience renal manifestations of the disease resulting in inflammation of the kidney. These patients are considered to have LN and have a high probability of advancing to end stage renal disease and dialysis if left untreated.

Based on the work performed by the former Aspreva team, ALMS data has been reported in several respected journals, including, the New England Journal of Medicine (*Dooley MA, Jayne D, Ginzler EM, Isenberg D, Olsen NJ, Wofsy D, Solomons, N et al; ALMS Group. Mycophenolate versus azathioprine as maintenance therapy for lupus nephritis. N Engl J Med. 2011 Nov 17;365(20):1886-95*) and the Journal of the American Society of Nephrology *(Appel GB, Contreras G, Dooley MA, Ginzler EM, Isenberg D, Jayne D, Solomons N et al; Aspreva Lupus Management Study Group. Mycophenolate mofetil versus cyclophosphamide for induction treatment of lupus nephritis. J Am Soc Nephrol. 2009 May;20(5):1103-12. Epub 2009 Apr 15.)* These publications and subsequent alterations in treatment strategies by physicians caring for patients suffering from LN have established CellCept® as the standard of care for the treatment of LN. This shift in the treatment paradigm for LN and the establishment of CellCept® use as a relatively uniform treatment approach for these patients has, in the view of the Company, caused the LN market to evolve into an attractive and mature market opportunity.

Despite CellCept® being the current standard of care for the treatment of LN, it remains far from adequate with fewer than 20% of patients on therapy actually achieving disease remission after six months of therapy. Data suggests that a LN patient who does not achieve rapid disease remission upon treatment is more likely to experience renal failure or require dialysis at 10 years *(Chen YE, Korbet SM, Katz RS, Schwartz MM, Lewis EJ; the Collaborative Study Group. Value of a complete or partial remission in severe lupus nephritis. Clin J Am Soc Nephrol. 2008;3:46-53.*). Therefore, it is critically important to achieve disease remission as quickly and as effectively as possible. The data suggests that the majority of patients in the United States suffering from lupus will not achieve complete remission and are not adequately treated (BioTrends® Research Group In., ChartTrends® SLE, December 2010).

CNIs and Lupus Nephritis

Aurinia's lead drug, voclosporin, belongs to a class of drugs called calcineurin inhibitors ("CNIs"). There are only two other marketed CNIs available, cyclosporine and tacrolimus. Cyclosporine was introduced in the early 1980's and tacrolimus was first marketed in the mid-1990's. Both cyclosporine and tacrolimus have lost key patent protection and have not been approved for the treatment of lupus outside of Japan. For the past 20 years these products, in combination with CellCept® (mycophenolate mofetil or "MMF") and steroids have been the cornerstone for the prevention of renal transplant rejection with greater than 90% of all renal transplant patients leaving hospital on lifelong CNI plus MMF therapy.

In 2008, the Japanese Health Authority became the first major jurisdiction in 50 years to approve a pharmaceutical agent for the treatment of LN. This product was the calcineurin inhibitor tacrolimus. In addition to this approval, a substantial amount of recent data has been generated, primarily from investigator initiated trials, that support the use of either cyclosporine or tacrolimus for the treatment of various forms of lupus including LN. The addition of tacrolimus, layered on top of MMF and steroids akin to the widely accepted and utilized transplantation regimen, appears to dramatically improve complete response/remission rates in LN (*Bao H, Liu ZH, Xie HL, Hu WX, Zhang HT, Li LS. Successful treatment of class V+IV lupus nephritis with multitarget therapy. J Am Soc Nephrol. 2008*

Oct;19(10):2001-10. Epub 2008 Jul 2 and .Liu , Zhi-Hong et al., 2012 ASN Abstract SA-OR097). This approach to treatment can be considered a multi-targeted therapeutic ("MTT") approach to treating LN as is routinely used in transplantation. Complete remission rates of up to 50% have been reported utilizing this approach. Long term follow-up studies in LN suggest that the early reduction in proteinuria as seen in complete remission leads to improved renal outcome at ten years. *(Houssiau FA, Vasconcelos C, D'Cruz D, Sebastiani GD, de Ramon Garrido E, Danieli MG, et al. Early response to immunosuppressive therapy predicts good renal outcome in lupus nephritis. Lessons from long-term followup of patients in the Euro-lupus nephritis trial. Arthritis Rheum. 2004 Dec;50(12):3934-40).*

The Company plans to utilize this MTT approach to treating LN patients with its novel CNI, voclosporin.

About voclosporin

Voclosporin is an oral drug, administered twice daily. It is structurally similar to cyclosporine A ("CsA"), but is chemically modified on the amino acid-1 residue. This modification leads to a number of advantages the Company believes offer relevant clinical benefits as compared to the older off-patent CNIs.

Voclosporin mechanism of action

Voclosporin reversibly inhibits immunocompetent lymphocytes, particularly T-Lymphocytes in the G0 and G1 phase of the cell-cycle, and also reversibly inhibits the production and release of lymphokines. Through a number of processes voclosporin inhibits and prevents the activation of various transcription factors necessary for the induction of cytokine genes during T-cell activation. It is believed that the inhibition of activation of T-cells will have a positive modulatory effect in the treatment of LN. In addition to these immunologic impacts recent data suggests that CNIs have another subtle but important impact on the structural integrity of the podocytes *(Faul C, et al. The actin cytoskeleton of kidney podocytes is a direct target of the antiproteinuric effect of cyclosporine A. Nat Med. 2008 Sep;14(9):931-8. doi: 10.1038/nm.1857).* This data suggests that inhibition of calcineurin in patients with autoimmune kidney diseases helps stabilize the cellular actin-cytoskeleton of the podocytes thus having a structural impact on the podocyte and the subsequent leakage of protein into the urine, which is a key marker of patients suffering from LN.

Potential voclosporin clinical benefits

The Company believes that voclosporin has shown a number of key clinical benefits over the existing commercially available CNIs (tacrolimus & cyclosporine). Firstly, CNI assay results have indicated that voclosporin is approximately four times more potent than its parent molecule cyclosporine, which would indicate an ability to give less drug and produce fewer potentially harmful metabolites. Secondly, cyclosporine inhibits the enterohepatic recirculation of mycophenolic acid ("MPA"), the active metabolite of MMF. The net effect of co-administration of CsA with MMF is reduced MPA systemic exposure by as much as 50% (*D. Cattaneo et al. American Journal of Transplantation, 2005:12(5);2937-2944.*). This drug interaction has not been observed with voclosporin and it is not expected that MPA blood exposure levels will be reduced with voclosporin co-administration. This is an extremely important fact to consider as most patients being treated with voclosporin for LN will already be taking MMF. Furthermore, pharmacokinetic and pharmacodynamics ("PK-PD") analysis indicate lower PK-PD variability for voclosporin versus tacrolimus or cyclosporine, to the extent that the Company believes flat-dosing can be achieved for voclosporin. The currently available CNIs require extensive therapeutic drug monitoring which can often be costly, confusing and time consuming for treating physicians.

In a head-to-head study comparing voclosporin against cyclosporine in the treatment of psoriasis, cyclosporine was shown to cause significant increases in lipid levels as compared to voclosporin. The difference was statistically significant. This is important considering the fact that most lupus patients die of cardiovascular disease. In another study comparing voclosporin against tacrolimus in patients undergoing renal transplantation, the voclosporin group experienced a statistically significantly lower incidence of glucose intolerance and diabetes than tacrolimus treated patients. Additionally, in the Japanese tacrolimus study that led to the approval of this drug in Japan, almost 15% of tacrolimus patients experienced glucose intolerance *(Miyasaka N, Kawai S, Hashimoto H. Efficacy and safety of tacrolimus for lupus nephritis: a placebo-controlled double-blind multicenter study. Mod Rheumatol. 2009;19(6):606-15. Epub 2009 Aug 18*). This is a major limitation for physicians wanting to use this agent in lupus and is a well described side effect of tacrolimus.

The Company believes that voclosporin can be differentiated from the older CNIs and thus possess a unique position with the market.

Voclosporin development history

More than 2,600 patients have been administered voclosporin. The safety and tolerability profile of the drug therefore is well characterized. Phase 2 or later clinical studies that have been completed include studies in the following indications:

Psoriasis: To date, two Phase 3 studies in patients with moderate to severe psoriasis have been completed. The primary efficacy endpoint in both studies was a reduction in Psoriasis Area and Severity Index ("PASI"), which is a common measure of psoriasis disease severity. The first study treatment with voclosporin resulted in statistically significantly greater success rates than treatment with placebo by the twelfth week. In a second study comparing voclosporin against cyclosporine, the drug was not shown to be statistically non-inferior to cyclosporine in terms of efficacy; however voclosporin proved superior in terms of limiting elevations in hyperlipidemia. Due to the evolving psoriasis market dynamics and the changing standard of care for the treatment of this disease the Company has decided not to pursue further Phase 3 development.

Renal Transplantation: A Phase 2b trial in de novo renal transplant recipients was completed. Study ISA05-01, the PROMISE Study *(Busque S, Cantarovich M, Mulgaonkar S, Gaston R, Gaber AO, Mayo PR, et al; PROMISE Investigators. The PROMISE study: a phase 2b multicenter study of voclosporin (ISA247) versus tacrolimus in de novo kidney transplantation. Am J Transplant. 2011 Dec;11(12):2675-84*) was a six month study with a six month extension comparing voclosporin directly against tacrolimus on a background of MMF and corticosteroids. Voclosporin was shown to be equivalent in efficacy, but superior to tacrolimus with respect to the incidence of new onset diabetes after transplantation ("NODAT"). In 2010, tacrolimus lost its exclusivity in most world markets and as a result, the competitive pricing environment for voclosporin for this indication has come into question. Additionally, the longer and more expensive development timelines for this indication has made it a less attractive business proposition as compared to the LN indication, even when considering the fact that a Special Protocol Assessment has been agreed to by the FDA for this indication.

Uveitis: Multiple studies in various forms of non-infectious uveitis have been completed over the past several years by a licensee of the Company indicating mixed efficacy. In all but one of the studies, completed by the licensee, an impact on disease activity was shown in the voclosporin group. However achievement of the primary end-points in multiple studies could not be shown. Uveitis is a notoriously difficult disease to study due to the heterogeneity of the patient population and the lack of validated clinical end-points. However in all of the uveitis studies completed, the safety results were consistent and the drug was well tolerated as expected. The Company has now successfully terminated its licensing agreement with Lux BioSciences, Inc. ("Lux"). In conjunction with this termination the Company has retained a portfolio of additional patents that Lux had been prosecuting that are focused on delivering effective concentrations of voclosporin to various ocular tissues. The Company will continue to evaluate these patents and make strategic recommendations on how they fit into the ongoing strategic directives of the Company.

Scientific Rationale for Treatment of LN with voclosporin

SLE including LN is a heterogeneous autoimmune disease with often multiple organ and immune system involvement. T-cell mediated immune response is an important feature of the pathogenesis of LN while the podocyte injury that occurs in conjunction with the ongoing immune insult in the kidney is an important factor in the clinical presentation of the disease.

The use of voclosporin in combination with the current standard of care for the treatment of LN provides a multi-targeted approach to treating this heterogenous disease (similar to the standard approach in preventing kidney transplant rejection). Voclosporin has shown to have potent effects on T-cell activation leading to its immunomodulatory effects. Additionally, recent evidence suggests that inhibition of calcineurin has direct physical

impacts on the podocytes within the kidney. Inhibition of calcineurin within the podocytes can prevent the dephosphorylation of synaptopodin which in turn inhibits the degradation of the actin cytoskeletion within the podocyte. This process is expected to have a direct impact on the levels of protein in the urine which is a key marker of LN disease activity.

Status of the Company's Development Program in LN

The Company's clinical strategy involves layering voclosporin on top of the current standard of care (CellCept®/MMF and steroids) as MTT to induce and maintain remission in patients suffering from active LN. In 2012, the Company gained alignment with both the Cardio-Renal and Pulmonary, Allergy, and Rheumatology Products divisions of the FDA on its proposed Phase 2b protocol. The Company has an active IND and plans to commence enrolling patients in the trial by the end of the second quarter of 2014.

With the existing evidence that supports the utility of CNIs in combination with MMF in treating LN, the robust safety data base of voclosporin and the fact that CellCept®/MMF in combination with the other CNIs is the standard of care in transplant, it is reasonable to consider that voclosporin is a risk mitigated clinical asset for the treatment of LN.

RESULTS OF OPERATIONS

For the three months ended March 31, 2014, the Company reported a consolidated net loss of $5.19 million or $0.24 per common share, as compared to a consolidated net loss of $786,000 or $0.20 per common share for the three months ended March 31, 2013.

Revenue and deferred revenue

The Company recorded revenue of $67,000 for the three months ended March 31, 2014 compared to $88,000 for the comparable period in 2013. The deferred revenue related to the 3SBio Inc. and Paladin Labs Inc. fee payments is being amortized on a straight line basis. The deferred revenue is amortized as revenue as the Company incurs the costs related to meeting its obligations under the terms of the applicable agreements.

Research and Development

The major components of research and development ("R&D") expenditures for the three months ended March 31, 2014 and 2013 were as follows:

R & D Expenditures (in thousands of dollars)	March 31, 2014	March 31, 2013	Increase (Decrease)
Research and development, net		$	$
voclosporin			
Study contracts, consulting and outside services	526	10	516
Wages and employee benefits	304	134	170
Drug supply-API and capsules	105	—	105
Stock compensation expense	—	42	(42)
Patent annuity and legal fees	69	40	29
Other	36	95	(59)
Less Refundable scientific tax credits	—	(7)	7
Subtotal	**1,040**	**314**	**726**
NICAMs	—	21	(21)
Net R&D expenditures	**1,040**	**335**	**705**

Net research and development expenditures increased to $1.04 million for the three months ended March 31, 2014 compared to $335,000 for the three months ended March 31, 2013. The increase in expenditures reflects increased activity levels in the first quarter of 2014 related to pre-enrollment activities conducted for the Phase 2b LN clinical trial including Contract Research Organization ("CRO") and drug supply costs (primarily packaging and stability).

Wages and employee benefits also increased for the three month period ended March 31, 2014 reflecting the additions of the Chief Medical Officer and the Vice President of Regulatory Affairs from Aurinia Pharma Corp. and the accrual of bonuses for the research and development team. The comparable three month period ended March 31, 2013 reflected reduced wage and benefit costs as the Company had reduced salaries and hours of work/pay for the remaining staff due to its financial position during this time.

Corporate and Administration

The components of corporate and administration for the three months ended March 31, 2014 and 2013 were as follows:

Corporate and Administration (in thousands of dollars)	March 31, 2014	March 31, 2013	Increase (Decrease)
	$	$	$
Stock compensation expense	1,045	63	982
Salaries and benefits	615	149	466
Professional and consulting fees	315	126	189
Director fees	151	39	112
Rent, utilities and other facility costs	79	13	66
Travel and promotion	64	18	46
Trustee fees, filing fees and other public company costs	58	51	7
Office, data processing , telecommunications and other	36	26	10
Insurance	10	9	1
Corporate and administration expenses	**2,373**	**494**	**1,879**

Corporate and administration expenditures for the three months ended March 31, 2014 increased by $1.88 million to $2.37 million from $494,000 in the same period in 2013.

The largest change related to non-cash stock option expense which increased to $1.05 million in the first quarter ended March 31, 2014 from $63,000 in 2013. This increase reflected the grant of options to the new Chief Executive Officer and the Board of Directors. There were no options granted in 2013. Salaries and benefits also increased to $615,000 in for the three months ended March 31, 2014 compared to $149,000 for the same period in 2013. This increase reflected the salaries of the new Chief Executive Officer and Chief Operations Officer, and bonuses either paid or accrued in the first quarter of 2014. In addition, the Chief Financial Officer and existing administration staff were paid their full wages in 2014 whereas in the first quarter of 2013 the Company had reduced the hours of work and wages paid to the employees due to its weak financial position at the time. Director fees increased by $112,000 due to increase in the size of the Board to seven non-management Board members in the first quarter of 2014 compared three non-management Board members for the same period in 2013.

Professional and consulting fees increased due to higher audit and other advisory fees incurred for the 2013 audit resulting from the Plan of Arrangement and merger with Aurinia and ILJIN, the timing of audit fees incurred and higher legal fees related to the divestiture of the NICAMs assets, termination of the Lux license agreement, public disclosure documents such as the Annual Information Form and general legal advice requirements.

Stock-based Compensation expense

For stock option plan information and outstanding stock option details refer to note 8 of the interim condensed consolidated financial statements for the three months ended March 31, 2014.

For the three months ended March 31, 2014, the Company granted 1.19 million stock options to certain Directors and Officers of the Company at $3.19 per share. The Company had not granted any stock options for the comparable period in 2013.

Application of the fair value method resulted in a charge to stock-based compensation expense of $1.30 million (2013 – $105,000) with corresponding credits to contributed surplus. For the three months ended March 31, 2014, stock compensation expense has been allocated to research and development expense in the amount of $nil (2013 – $42,000), corporate administration expense in the amount of $1.05 million (2013 – $63,000) and $253,000 (2013-$Nil) to restructuring costs.

Amortization of property and equipment

Amortization expense for property and equipment decreased to $10,000 for the three months ended March 31, 2014, compared to $14,000 for the three months ended March 31, 2013.

Amortization of intangible assets

Amortization of intangible assets of $359,000 for the three months ended March 31, 2014 increased compared to $68,000 recorded in the comparable period in 2013. The increase reflects the higher balance of intangible assets in 2014 compared to the same period in 2013.

Restructuring costs

Restructuring costs were $569,000 for the three months ended March 1, 2014 compared to $nil for the three months ended March 31, 2013 and included the following:

The Company recorded as restructuring costs, stock compensation expense of $253,000 related to stock options granted in February 2014 to the former Chief Executive Officer and Chief Scientific Officer pursuant to his termination agreement.

On February 14, 2014 the Company signed a NICAMs Purchase and Sale Agreement with Ciclofilin Pharmaceuticals Corp. (“Ciclofilin”), a company controlled by the former Chief Executive Officer and Chief Scientific Officer, whereby it divested its early stage research and development Non-Immunosuppressive Cyclosporine Analogue Molecules (“NICAMs”) assets, consisting of intellectual property, including patent applications and know-how to Ciclofilin. There was no upfront consideration received by the Company and future consideration will consist of milestones relating to the clinical and marketing success of NICAMs and a royalty. Due to NICAMs early stage of development, the Company has estimated the fair value of the consideration to be $nil at this time.

The Company recorded $216,000 of restructuring costs related to the NICAMs. These restructuring costs consisted of severances of $115,000 paid to the three employees working on the NICAMs and $101,000 of other NICAMs related expenses, including wage and patent costs incurred from January 1, 2014 to the divestiture date.

Other expense (income)

Other expense (income) reflected a net expense of $899,000 for the first quarter ended March 31, 2014 compared to other income of $38,000 for the same period in 2013. The Company recorded a revaluation adjustment on long term contingent consideration to ILJIN of $533,000 and expensed $203,000 of share issue costs allocated on a pro-rata basis to the warrant liability arising from the February 14, 2014 private placement. There were no similar items for the comparable period in 2013. In addition, a foreign exchange loss of $144,000 for the three months ended March 31, 2014 was recorded compared to a foreign exchange loss of $3,000 in 2013.

LIQUIDITY AND CAPITAL RESOURCES

The Company completed a private placement on February 14, 2014 for gross proceeds of $52 million. The Company intends to use the net proceeds from the Offering to advance the development of its lead drug candidate, voclosporin, as a therapy for LN by conducting a Phase 2b LN clinical trial and for general corporate and working capital purposes.

At March 31, 2014, the Company had cash and cash equivalents of $43.29 million, compared to $1.82 million at December 31, 2013.

We believe that our cash position after completion of this financing will be sufficient to finance our operational and capital needs, including completion of the Phase 2b LN trial, until at least the end of 2016.

The Company is in the development stage and is devoting substantially all of its financial and operational resources and efforts towards the development activities for its drug, voclosporin. The recoverability of amounts expended on research and development to date, including capitalized intellectual property, is dependent on the ability of the Company to complete the required development activities.

Sources and Uses of Cash for the three month periods ended March 31, 2014 and March 31, 2013

	2014 $	2013 $
Cash used in operating activities	(5,354)	(201)
Cash provided by (used in) investing activities	—	60
Cash provided by financing activities	46,837	(8)
Effect of foreign exchange rate on cash and cash equivalents	(15)	(3)
Net increase (decrease) in cash and cash equivalents	41,468	(152)

Net cash used in operating activities for the three months ended March 31, 2014, was $5.35 million compared to cash used in operating activities of $201,000 for the three months ended March 31, 2013. Cash used in operating activities in 2014 and 2013 was composed of net loss, add-backs or adjustments not involving cash and net change in non-cash working items, which for 2014 included repayment of the drug supply loan in the amount of $1.20 million and a reduction in the accounts payable and accrued liabilities balance of $1.34 million.

Cash generated in financing activities for the three months ended March 31, 2014, was $46.84 million compared to cash used in financing activities of $8,000 for the three months ended March 31, 2013. In 2014, the Company received net proceeds of $48.31 million from the private placement equity financing and $130,000 from the exercise of warrants and in turn paid out the financing milestone to ILJIN (contingent consideration) of $1.6 million.

CONTRACTUAL OBLIGATIONS

The following table presents contractual and purchase obligations arising from agreements other than amounts already recorded as liabilities currently in force as at March 31, 2014. The purchase obligations relate primarily to contractual commitments for services and materials for the planned Phase 2b LN trial.

(in thousands of dollars)	Total	Less than one year	Two to three years	Greater than three years
	$	$	$	$
Operating lease obligation	613	256	357	—
Purchase obligations	378	303	47	28

On October 1, 2013 the Company reduced its leased premises costs in Edmonton, Alberta by entering into a three year sublease with the head lessee for approximately 9,000 square feet while vacating the remaining 16,318 square feet it had previously been leasing. The Sublease cost is $20,000 monthly and includes base rent, utilities and operating costs. The Company has paid the head lessee a deposit of $145,000 for the last 7.4 months of rent which has not been reflected in the operating lease obligation figures above. The Company in turn subleases out, on a month-to-month basis, a portion of the space, and currently receives rental proceeds of approximately $12,000 per month. The Company is exploring options to sublease the remaining lab space as it no longer requires lab space after divesting the NICAMs assets on February 14, 2014. The Operating lease obligation noted above is before any sublease recoveries.

The Company provided the required two-month notice to the landlord that it would be vacating the two adjoining office bays on June 30, 2014. The Company has been leasing this space on a short term month-to-month basis at $9,000 per month.

The Company, subsequent to the quarter end, has entered into a verbal agreement to sublease, effective June 1, 2014, 4,418 square feet of office and storage space at its current location in Victoria, British Columbia. The sublease is expected to be for a term of five years commencing May 1, 2014 at a base rent cost of approximately $7,500 per month with the first two months free. The Company will have the right to terminate the lease after the third year. The sublease is expected to be signed in the second quarter ended June 30, 2014.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with IFRS often requires management to make estimates about and apply assumptions or subjective judgment to future events and other matters that affect the reported amounts of the Company's assets, liabilities, revenues, expenses and related disclosures. Assumptions, estimates and judgments are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's interim condensed consolidated financial statements are prepared. Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates and judgments in order to ensure that the interim condensed consolidated financial statements are presented fairly and in accordance with IFRS.

Critical accounting estimates and judgments are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustment.

Management considers the following areas to be those where critical accounting policies affect the significant judgments and estimates used in the preparation of the Company's interim condensed consolidated financial statements.

Critical judgments in applying the Company's accounting policies

Revenue recognition

Management's assessments related to the recognition of revenues for arrangements containing multiple elements are based on estimates and assumptions. Judgment is necessary to identify separate units of accounting and to allocate related consideration to each separate unit of accounting. Where deferral of upfront payments or license fees is deemed appropriate, subsequent revenue recognition is often determined based upon certain assumptions and estimates, the Company's continuing involvement in the arrangement, the benefits expected to be derived by the customer and expected patent lives. To the extent that any of the key assumptions or estimates change future operating results could be affected.

Contingent consideration

Contingent consideration is a financial liability recorded at fair value. The amount of contingent consideration to be paid is based on the occurrence of future events, such as the achievement of certain development, regulatory and sales milestones. Accordingly, the estimate of fair value contains uncertainties as it involves judgment about the likelihood and timing of achieving these milestones as well as future foreign exchange rates and the discount rate used. Changes in fair value of the contingent consideration obligation result from changes to the assumptions used to estimate the probability of success for each milestone, the anticipated timing of achieving the milestones, and the discount period and rate to be applied. A change in any of these assumptions could produce a different fair value, which could have a material impact to the results from operations.

The key assumptions used by management include the probability of success for each milestone (35% - 70%) and a discount rate change to 10% as at March 31, 2014 from 15% used in 2013 which reflects the Company's reduced credit risk. If the probability for success were to increase by a factor of 10% for each milestone this would increase the obligation by approximately $316,000 at March 31, 2014. If the probability for success were to decrease by a

factor of 10% for each milestone this would decrease the obligation by approximately $316,000 at March 31, 2014. If the discount rate were to increase to 12%, this would decrease the obligation by approximately $245,000. If the discount rate were to decrease to 8%, this would increase the obligation by approximately $274,000.

Fair value of stock options

Determining the fair value of stock options, including performance based options, requires judgment related to the choice of a pricing model, the estimation of stock price volatility, expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's reported operating results, liabilities or other components of shareholders' equity. The key assumption used by management is the stock price volatility. If the stock price volatility were to increase by a factor of 10% this would increase stock compensation expense at March 31, 2014 by approximately $72,000. If the stock price volatility were to decrease by a factor of 10% this would decrease stock compensation expense at March 31, 2014 by approximately $70,000.

Fair value of warrants

Determining the fair value of warrants requires judgment related to the choice of a pricing model, the estimation of stock price volatility, expected term of the underlying instruments and the probability factors of success in achieving the objectives for contingently issuable warrants. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results, liabilities or other components of shareholders' equity. If the stock price volatility were to increase by a factor of 10% this would have increased the value of the warrants (equity component) at March 31, 2014 by approximately $680,000 and the value of the warrant liability component by approximately $185,000. If the stock price volatility were to decrease by a factor of 10% this would decrease the value of the warrants (equity component at March 31, 2014 by approximately $674,000 and the value of the warrant liability component by approximately $183,000.

Management used weighted average probability factors of 3% for Board Warrants and 16% for NASDAQ Warrants in determining the fair value of the warrant liability related to the contingently issuable warrants as described in Note 9).

If the weighted average probability factors were to increase by a factor of 10% this would have increased the value of the warrant liability component at March 31, 2014 by approximately $284,000. If the weighted average probability factors were to decrease by a factor of 10% this would have decreased the value of the warrant liability component at March 31, 2014 by approximately $257,000.

RISKS AND UNCERTAINTIES

The Company has invested a significant portion of its time and financial resources in the development of voclosporin. The Company anticipates that its ability to generate revenues and meet expectations will depend primarily on the successful development and commercialization of voclosporin. The successful development and commercialization of voclosporin will depend on several factors, including the following:

- successful completion of its clinical programs;
- receipt of marketing approvals from the FDA and other regulatory authorities with a commercially viable label;
- securing and maintaining partners with sufficient expertise and resources to help in the continuing development and eventual commercialization of voclosporin;
- maintaining suitable manufacturing and supply agreements to ensure commercial quantities of the product through validated processes;
- acceptance and adoption of the product by the medical community and third-party payors; and
- the Company's ability to raise future financial resources if and when required. Future additional sources of capital could include payments from potential new licensing partners, equity financings, debt financings and/or the monetization of the Company's intangible assets. There is no assurance of obtaining additional future financing through these arrangements or any arrangements on acceptable terms.

A detailed list of the risks and uncertainties affecting the Company can be found in the Company's Annual Information Form which is filed on SEDAR. Additional risks and uncertainties of which the Company is unaware, or that it currently deems to be immaterial, may also become important factors that affect the Company.

Capital management

The Company's objective in managing capital is to ensure a sufficient liquidity position to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company defines capital as net equity, comprised of issued common shares, warrants, contributed surplus and deficit.

The Company's objective with respect to its capital management is to ensure that it has sufficient cash resources to maintain its ongoing operations and finance its research and development activities, corporate and administration expenses, working capital and overall capital expenditures.

Since inception, the Company has primarily financed its liquidity needs through public offerings of common shares and private placements. The Company has also met its liquidity needs through non-dilutive sources, such as debt financings, licensing fees from its partners and research and development fees.

There have been no changes to the Company's objectives and what it manages as capital since the prior fiscal period. The Company is not subject to externally imposed capital requirements.

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. Risk management is carried out by management under policies approved by the board of directors. Management identifies and evaluates the financial risks. The Company's overall risk management program seeks to minimize adverse effects on the Company's financial performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through the management of its capital structure and financial leverage. The Company, as discussed earlier in this document, successfully completed a $52 million US private placement during the quarter which provides it with sufficient financial capital to complete the Phase 2b LN trial and conduct required business activities until the trial is completed. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors and/or the Audit Committee reviews and approves the Company's operating budgets, as well as any material transactions out of the ordinary course of business. The Company invests its cash equivalents in bankers' acceptances and/or guaranteed investments certificates with 30 to 90 day maturities to ensure the Company's liquidity needs are met.

The Company's activities have been financed through a combination of the cash flows from licensing and development fees and the issuance of equity and/or debt. All of the Company's financial liabilities are due within one year except for the long term Contingent Consideration.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and cash equivalents are comprised of highly liquid investments that earn interest at market rates. Accounts receivable, accounts payable and accrued liabilities bear no interest.

The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. The Company's policy limits the investing of excess funds to liquid guaranteed investment certificates and bankers acceptances.

Foreign currency risk

The Company is exposed to financial risk related to the fluctuation of foreign currency exchange rates. Foreign currency risk is the risk that variations in exchange rates between the Company's functional currency and foreign currencies will affect the Company's operating and financial results.

As a result of the change in the functional currency to U.S. dollars as of January 31, 2014, the Company has foreign exchange exposure to the CDN$.

The following table presents the Company's exposure to the CDN$:

	March 31, 2014 $
Cash and cash equivalents	300
Accounts receivable	58
Accounts payable and accrued liabilities	(1,275)
Net exposure	(917)

	Reporting date rate March 31, 2014 $
$CA - $US	0.904

Based on the Company's foreign currency exposures noted above, varying the foreign exchange rates to reflect a ten percent strengthening of the U.S. dollar would have decreased the net loss by $91,000 assuming that all other variables remained constant. An assumed 10 percent weakening of the U.S. dollar would have had an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents. The Company's cash and cash equivalents were held at a major Canadian Bank. The Company regularly monitors the credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss.

CONTINGENCIES

i) The Company may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes that the ultimate resolution of such contingencies will not have a material adverse effect on the interim condensed consolidated financial position of the Company.

ii) The Company entered into indemnification agreements with its officers and directors. The maximum potential amount of future payments required under these indemnification agreements is unlimited. However, the Company does maintain liability insurance to limit the exposure of the Company.

iii) The Company has entered into license and research and development agreements with third parties that include indemnification and obligation provisions that are customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of third party claims or damages arising from these transactions. These provisions may survive termination of the underlying agreement. The nature of the obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any payments under such agreements and no amount has been accrued in the accompanying interim condensed consolidated financial statements.

ADDITIONAL COMPANY INFORMATION

Additional information on the Company may be found in its regulatory filings including its Annual Information Form, quarterly reports and proxy circulars filed with the Canadian Securities Commissions through SEDAR at www.sedar.com or at the Company's Web site at www.auriniapharma.com.

UPDATED SHARE INFORMATION

As at May 14, 2014, the following class of shares and equity securities potentially convertible into common shares were outstanding:

Common shares	31,357,000
Convertible equity securities	
Warrants	6,985,000
Stock options	1,468,000

Quarterly Information

(expressed in thousands except per share data)

Set forth below is selected unaudited consolidated financial data for each of the last eight quarters:

	Three months ended							
	2014	2013			2012			
	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30
Revenue	67	713	84	85	89	151	86	90
Research and development costs	1,040	690	524	442	335	3,337	557	809
Corporate and administration costs	2,373	899	492	413	494	938	979	981
Acquisition and restructuring costs	569	29	1,406	78	—	—	—	—
Other expense (income)	899	965	(64)	43	(38)	894	38	396
Net income (loss) for the period	(5,191)	1,447	(2,353)	(970)	(786)	(5,233)	(1,711)	(2,319)
Per common share ($)								
Net income (loss) – basic and diluted	(0.24)	0.12	(0.45)	(0.25)	(0.20)	(1.39)	(0.49)	(0.67)
Common Shares outstanding	31,354	12,375	12,374	4,311	3,857	3,857	3,478	3,478
Weighted average number of common shares outstanding-basic	21,848	12,374	5,197	3,877	3,857	3,772	3,478	3,478

Summary of Quarterly Results

The primary factors affecting the magnitude of the Company's losses in the various quarters include the amortization of deferred revenue to revenues, research and development costs, timing of stock compensation expense and timing associated with the clinical development programs and gains (losses) on financial instrument derivatives and fair value changes in these derivatives.

The net loss for the three months ended March 31, 2014 included a non-cash stock option compensation expense of $1.27 million related to the issuance of 1.19 million stock options in the first quarter of 2014.

Net income for the three months ended December 31, 2013 included a gain on acquisition of Aurinia Pharma Corp. of $3.50 million, a loss on contract settlement with ILJIN of $4.27 million and a non-cash deferred income tax recovery of $4.11 million.

The net loss for the three months ended September 30, 2013 included acquisition and restructuring costs of $1.41 million.

The net loss for the three months ended December 31, 2012 included a provision on drug supply inventory of $2.76 million which was recorded in research and development costs and an additional provision of $867,000 on the Lux receivable related to the sale of API to Lux in 2012 (the Company had previously recorded a provision of $445,000 on this receivable in the second quarter of 2012).

OUTLOOK

Our focus in the early part of the first quarter of 2014 was on completing a private placement financing that would provide the Company with sufficient funding to allow us to carry out our strategic plan of developing voclosporin as a therapy for the treatment of LN. We achieved that objective upon the closing of the private placement on February 14, 2014 for gross proceeds of $52 million.

Upon completion of the financing our primary focus has now clearly shifted to the development of voclosporin as a therapy for the treatment of LN. While there have been a number of advances in the treatment of this devastating disease, there is no question that significant unmet medical need remains. Almost 90% of LN patients are not achieving optimal results from the current standard of care. It is our belief that layering voclosporin on top of the current standard of care for patients suffering from LN in a multi-target approach has the potential to rapidly and significantly improve patient outcomes in this devastating disease. To that end, we expect to begin enrollment of patients in the phase 2b study of voclosporin in LN in the second quarter of 2014.

The Company’s focus moving forward is on the executional and tactical aspects of its strategic plan. We are now supported by a world class syndicate of investors and believe we have the team to complete the task at hand.

AURINIA PHARMACEUTICALS INC.

(formerly Isotechnika Pharma Inc.)

FORM 51-102F4

BUSINESS ACQUISITION REPORT

ITEM 1 IDENTITY OF COMPANY

1.1 Name and Address of Company

AURINIA PHARMACEUTICALS INC. (the "**Company**")
(formerly Isotechnika Pharma Inc.)
5120 – 75 Street
Edmonton, Alberta T6E 6W2

1.2 Executive Officer

Dennis Bourgeault
Chief Financial Officer
Telephone: 780.487.1600

ITEM 2 DETAILS OF ACQUISITION

2.1 Nature of Business Acquired

Aurinia Pharma Corp. (formerlyAurinia Pharmaceuticals Inc.) (the "**Business**") is engaged in the business of holding rights of various medical technologies.

2.2 Date of Acquisition

September 20, 2013.

2.3 Consideration

Pursuant to a plan of arrangement under section 195 of the *Business Corporations Act* (British Columbia) (the "**Arrangement**"), the Company acquired all of the outstanding common shares of the Business in exchange for 19.82974808 common shares of the Company per common share of the Business.

2.4 Effect on Financial Position

As a result of the Arrangement, the Company appointed new officers, being:

- Michael Martin, Chief Business Officer
- Dr. Neil Solomons, Chief Medical Officer
- Lawrence Mandt, Vice President of Regulatory Affairs and Quality
- Dr. Richard Glickman, Executive Chairman

2.5 Prior Valuations

Not applicable.

2.6 Parties to Transaction

The Arrangement was conducted pursuant to an arrangement agreement dated August 6, 2013 among the Company, the Business and ILJIN Life Science Co. Ltd. ("**ILJIN**"). ILJIN is an insider of the Company.

2.7 Date of Report

November 14, 2013.

ITEM 3 FINANCIAL STATEMENTS

The financial statements of the Company listed below form part of this Business Acquisition Report, and are attached hereto as Schedule "A":

- **Unaudited pro forma Consolidated Financial statements** as at June 30, 2013.

The financial statements of the Business listed below form part of this Business Acquisition Report, and are attached hereto as Schedule "B":

- Audited financial statements as at December 31, 2012 and 2011 and for the years then ended.
- Unaudited interim financial statements as at June 30, 2013 and 2012 and for the periods then ended.

DATED at Edmonton, Alberta this 14th day of November, 2013.

By (signed) "Dennis Bourgeault"
Name: Dennis Bourgeault
Title: Chief Financial Officer

SCHEDULE “A”

Unaudited Pro Forma Financial Statements

(see attached)

SCHEDULE “B”

Historical Financial Statements of Aurinia Pharma Corp (formerly Aurinia Pharmaceuticals Inc.)

(see attached)

Aurinia Pharmaceuticals Inc.
(formerly Isotechnika Pharma Inc.)

Unaudited Pro-Forma Consolidated Financial Statements

As at June 30, 2013

UNAUDITED PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS OF
AURINIA PHARMACEUTICALS INC.
(formerly ISOTECHNIKA PHARMA INC.)

PRO-FORMA FINANCIAL INFORMATION

Overview

These following unaudited pro-forma consolidated financial statements of Aurinia Pharmaceuticals Inc. (formerly Isotechnika Pharma Inc.) have been prepared on the basis of assumptions described in the notes thereto. The unaudited pro-forma consolidated balance sheet was prepared as at June 30, 2013 as if the Arrangement had occurred on June 30, 2013 and the unaudited pro-forma consolidated statements of operations and comprehensive loss were prepared for the year ended December 31, 2012 and the six months ended June 30, 2013 as if the Arrangement had occurred as of January 1, 2012. As described in note 1, these pro-forma consolidated financial statements have been prepared on the basis of accounting principles in effect at the date of announcement of the Arrangement and are based on management's assumptions as at June 30, 2013. These statements are not necessarily indicative on what the financial position or results of operations would have been had the Arrangement occurred on the dates or for the periods indicated and do not purport to indicate future results of operations. In addition, they do not reflect any cost savings or other synergies that may result from the Arrangement.

These unaudited pro-forma consolidated financial statements should be read in conjunction with the historical consolidated financial statements and related notes of Aurinia Pharmaceuticals Inc. (formerly Isotechnika Pharma Inc.) filed on SEDAR and Aurinia Pharma Corp. (formerly Aurinia Pharmaceuticals Inc.) which are included in this Business Acquisition Report.

Aurinia Pharmaceuticals Inc.
Pro-Forma Consolidated Balance Sheet
(unaudited)
As at June 30, 2013

(in thousands of Canadian dollars)

	Aurinia Pharmaceuticals Inc. $	Aurinia Pharma Corp. $	Pro Forma Adjustments (Notes 2 and 3) $	Combined Pro forma Consolidated $
Assets				
Current assets				
Cash and cash equivalents	478	15	—	493
Accounts receivable	188	—	—	188
Inventory	—	80	—	80
Prepaid expenses and deposits	49	124	—	173
	715	219	—	934
Non-current assets				
Property and equipment	61	—	—	61
Intangible assets	2,932	2,448	12,503(a)(b)(c)	17,883
Investment	368	—	(368)(a)	—
Total assets	4,076	2,667	10,929	18,878
Liabilities and Shareholders' Equity (Deficit)				
Current liabilities				
Accounts payable and accrued liabilities	2,642	21	(49)(b)	2,614
Drug supply payable	1,698	—	—	1,698
Note payable	—	528	(528)(b)	—
Finance lease liability	24	—	—	24
Current portion of deferred revenue	340	—	(36)(b)	304
Financing milestones payable to ILJIN	—	—	1,600(a)	1,600
	4,704	549	987	6,240
Non-current liabilities				
Deferred revenue	2,417	—	(470)(b)	1,947
Clinical and marketing milestones payable to ILJIN	—	—	2,410(a)	2,410
	7,121	549	2,927	10,597
Shareholders' equity (deficit)				
Share capital				
Common shares	204,531	660	10,752(a)(c)	215,943
Class A common share		1,500	(1,500)(c)	—
Warrants	415	—		415
Contributed surplus	9,981	13	(13)(c)	9,981
Deficit	(217,748)	(55)	(255)(a)(b)(c)	(218,058)
Accumulated other comprehensive loss	(224)	—	224(a)	—
Total shareholders' equity (deficit)	(3,045)	2,118	9,208	8,281
Total liabilities and shareholders' equity	4,076	2,667	11,338	18,878

The accompanying notes are an integral part of these pro-forma consolidated financial statements.

Aurinia Pharmaceuticals Inc.
Pro-Forma Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)
For the six months ended June 30, 2013

(in thousands of Canadian dollars, except per share data)

	Aurinia Pharmaceuticals Inc. $	Aurinia Pharma Corp. $	Pro Forma Adjustments (Notes 2 and 3) $	Combined pro-forma Consolidated $
Revenue				
Licensing revenue	119	—	(24)(c)	95
Research and development revenue	55	—	—	55
Contract services	2	—	—	2
	176	—	(24)	152
Expenses				
Research and development	790	—		790
Corporate and administration	1,001	17	—	1,018
Amortization of property and equipment	27	—	—	27
Amortization of intangible assets	138	—	—	138
Contract services	1	—	—	1
Other expense, net	5	8		13
	1,962	25		1,987
Net loss for the period	(1,786)	(25)	(24)	(1,835)
Other comprehensive income (loss)				
Net change in fair value of investment	(224)	—	224(a)	—
Comprehensive loss for the period	(2,010)	(25)	200	(1,835)
Loss per share *(expressed in $ per share)*				
Basic and diluted net loss per common share	(0.009)			(0.009)
Weighted average number of common shares outstanding	193,867			193,867

The accompanying notes are an integral part of these unaudited pro-forma consolidated financial statements.

Aurinia Pharmaceuticals Inc.
Pro-Forma Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)
For the year ended December 31, 2012

(in thousands of Canadian dollars, except per share data)

	Aurinia Pharmaceuticals Inc. $	Aurinia Pharma Corp. From incorporation on April 3, 2012 to December 31, 2012 $	Pro Forma Adjustments $ (Notes 2 and 3)	Combined pro-forma Consolidated $
Revenue				
Licensing revenue	4,656	—	(62)(c)	4,594
Research and development revenue	111	—	—	111
Contract services	59	—	—	59
Other	1,300			1,300
	6,126	—	(62)	6,064
Expenses				
Research and development	5,481	—	—	5,481
Corporate and administration	3,881	30	—	3,911
Amortization of property and equipment	580	—	—	580
Amortization of intangible assets	267	—	—	267
Contract services	46	—	—	46
Other expense (income), net	5,558	8	—	5,566
	15,813	38	—	15,851
Net loss for the period	(9,687)	(38)	(62)	(9,787)
Other comprehensive income (loss)				
Net change in fair value of investment	—	—	—	—
Comprehensive loss for the period	(9,687)	(38)	(62)	(9,787)
Loss per share *(expressed in $ per share)*				
Basic and diluted net loss per common share	(0.05)			(0.05)
Weighted average number of common shares outstanding	177,619			177,619

The accompanying notes are an integral part of these unaudited pro-forma consolidated financial statements.

1. Basis of presentation:

On October 23, 2013, privately-held Aurinia Pharmaceuticals Inc. changed its name to Aurinia Pharma Corp. and Isotechnika Pharma Inc. changed its name to Aurinia Pharmaceuticals Inc. Therefore, for these pro-forma statements, Aurinia Pharmaceuticals Inc. refers to Isotechnika Pharma Inc. prior to the name change, while Aurinia Pharma Corp. refers to privately-held Aurinia Pharmaceuticals Inc. prior to the name change.

These unaudited pro-forma consolidated financial statements are prepared by management of Aurinia Pharmaceuticals Inc. (the "Company") in accordance with the principles of International Financial Reporting Standards ("IFRS") in effect as at June 30, 2013, and using the accounting principles disclosed in the consolidated financial statements of the Company. However, these unaudited pro-forma consolidated financial statements are not in compliance with IFRS as certain notes and information have been omitted or condensed for the purpose of the pro-forma financial statements. These unaudited pro-forma consolidated financial statements include:

- an unaudited pro-forma consolidated balance sheet as at June 30, 2013, prepared from the unaudited interim condensed consolidated balance sheet of the Company as at June 30, 2013, which reflects the Arrangement (as defined in note 2 below) as if it had occurred on June 30, 2013;
- an unaudited pro-forma consolidated statement of operations and comprehensive loss for the six months ended June 30, 2013, prepared from the unaudited interim condensed consolidated statement of operations of the Company for the six months ended June 30, 2013, which reflects the Arrangement as if it occurred on January 1, 2012; and
- an unaudited pro-forma consolidated statement of operations for the year ended December 31, 2012, prepared from the audited consolidated statement of operations and consolidated loss of the Company for the year ended December 31, 2012, which reflects the Arrangement as if it occurred on January 1, 2012.

These unaudited pro-forma consolidated statements of operations do not include any non-recurring charges or credits resulting from the Arrangement as described in note 2.

These unaudited pro-forma consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company. In the opinion of management, these unaudited pro-forma consolidated financial statements include all adjustments necessary for a fair presentation and are based on reasonable assumptions as at November 14, 2013.

These unaudited pro-forma consolidated financial statements may not necessarily be indicative of the financial position and results of operations that would have been achieved if the Arrangement had occurred on the dates noted above and actual results may differ materially. In preparing these unaudited pro-forma consolidated financial statements, no adjustments have been made to reflect ongoing costs or savings that may result from the Arrangement.

2. Plan of Arrangement

The Company and privately-held Aurinia Pharma Corp., on February 5, 2013, signed a binding term sheet ("Term Sheet") for the acquisition of Aurinia Pharma Corp. by the Company, resulting in a clinical stage pharmaceutical company focused on the global nephrology market.

Aurinia Pharma Corp. is a spin-out from Vifor Pharma. The Company signed a global Licensing and Collaboration Agreement effective December 30, 2011 with Vifor (International) AG ("Vifor"), the specialty pharma company of Switzerland based Galenica Group. The agreement granted Vifor an exclusive license for voclosporin, for the treatment of lupus and all proteinuric nephrology indications (the "Vifor License"). The Vifor License is for the United States and other regions outside of Canada, South Africa, Israel, China, Taiwan and Hong Kong (the "Vifor Territory"). Aurinia Pharma Corp's leadership team was comprised primarily of former senior managers, directors and officers of Aspreva Pharmaceuticals ("Aspreva"), which Galenica acquired in 2008. While at Aspreva, this management team executed a significant lupus nephritis study, called the Aspreva Lupus Management Study ("ALMS"), which resulted in the emergence of mycophenolate mofetil as a new standard treatment for patients suffering from this devastating and potentially fatal disease. Aurinia Pharma Corp. held certain rights to this large ALMS database and held the license for voclosporin in lupus nephritis, which was assigned to Aurinia Pharma Corp. from Vifor as part of the spin-out. Aurinia Pharma Corp's lupus rights and database will be combined in the newly merged company with the transplantation and autoimmune rights, and the database held by the Company.

The Term Sheet sets forth the main criteria to be incorporated into a definitive merger agreement under which the Company will acquire 100% of the outstanding securities of Aurinia Pharma Corp. The merger will be effected by an exchange of the Company's shares for securities of Aurinia Pharma Corp., resulting in an estimated 65:35 post-merger ownership split on a warrant diluted basis which is calculated to give effect to the dilution by the exercise of warrants but excluding the exercise of stock options, between the Company and Aurinia Pharma Corp., respectively. It is expected that the merger will be accounted for as a business combination with the Company being the acquirer.

In addition, the Company and Aurinia Pharma Corp. have negotiated a definitive tripartite settlement with ILJIN Life Science Co. Ltd. ("ILJIN") pursuant to which, upon the successful completion of the proposed merger, the combined company will re-acquire full rights to voclosporin for autoimmune indications including lupus, and transplantation in the United States, Europe and other regions of the world, outside of Canada, Israel, South Africa, China, Taiwan and Hong Kong. In return, ILJIN will be entitled to receive pre-defined future clinical and marketing milestone payments in the aggregate amount of $10,000,000, plus up to $1,600,000 upon the new company reaching certain financing milestones. ILJIN also received a total of common shares from treasury 126,223,583 pursuant to the plan of arrangement (the Arrangement) on September 20, 2013.

3. Basis of accounting and pro-forma adjustments

As the merger will be accounted for as a business combination with the Company being the acquirer of Aurinia Pharma Corp., the Company will apply the acquisition method to account for the transaction. These unaudited pro-forma consolidated financial statements recognize separately from goodwill and other intangible assets, the identifiable assets acquired and the liabilities assumed from Aurinia Pharma Corp. The increase in the fair value of the assets less assumed liabilities over their carrying values, have been reflected as goodwill and intangible assets in these unaudited pro-forma consolidated financial statements, and is based on management's preliminary estimate of fair value.

The following assumptions and adjustments have been made to reflect the Arrangement. The Arrangement comprised the settlement with ILJIN and the acquisition of Aurinia Pharma Corp. by the Company.

(a) Adjustment to record the contract settlement with ILJIN pursuant to the Definitive Settlement Agreement signed between ILJIN, Aurinia Pharma Corp. and the Company on April 3, 2013. ILJIN will be entitled to receive pre-defined future clinical and marketing milestone payments in the aggregate amount of $10,000,000, plus up to $1,600,000 upon the combined company reaching certain financing milestones. ILJIN will also receive shares issued from treasury and the 10% investment in Aurinia Pharma Corp. that the Company received as a license fee payment as compensation, such that ILJIN will own approximately 25% of the issued and outstanding shares of the merged company on a warrant diluted basis. The estimated fair value of this contract settlement at June 30, 2013 is $8,190,000 and has been determined to represent reacquired license rights, which has been reflected in the pro-forma balance sheet as an increase in intangible assets. Consideration is comprised of $3,812,000 in common shares, $1,600,000 to liability for financial milestones payable to ILJIN and $2,410,000 to liability for clinical and marketing milestones payable to ILJIN, based on the estimated fair value of the pre-defined future milestone payments. In addition, the investment in Aurinia Pharma Corp. of $368,000 has been transferred to ILJIN. As a result, the $224,000 change in the fair value of the investment for the six months ended June 30, 2013 has been eliminated on the pro forma statements of operations and comprehensive loss.

(b) Adjustments to remove license fee revenue and deferred revenue from the Vifor License, and the corresponding entries recorded by Aurinia Pharma Corp., as if the Arrangement had occurred January 1, 2012. This has the effect of reducing intangible assets recorded by Aurinia Pharma Corp. in the amount of $1,169,000, and reducing note payable to ILJIN of $528,000, accounts payable of $49,000 and deferred revenue of $592,000. The licensing revenue earned from the Vifor license has also been eliminated in the pro-forma statements of operations and comprehensive loss.

(c) The estimated impact of acquiring the net assets of Aurinia Pharma Corp., after considering the elimination of the pre-existing relationship between the Company and Aurinia Pharma Corp. as noted in (b) above, is as follows:

Net assets acquired	
Working capital, net	$ 198,000
Intangibles	2,448,000
Note payable	(528,000)
Net assets at carrying value	2,118,000
Fair value adjustment-intangibles and goodwill	5,482,000
Consideration to Aurinia – Common shares	**$7,600,000**

The actual net assets acquired by the Company and the value of the consideration paid will be based on the net assets and liabilities assumed at the effective date of the acquisition and other information available at that time. Accordingly, the actual amounts that will ultimately be recorded to reflect the acquisition will vary from the pro-forma amounts and the variations may be material.

Aurinia Pharmaceuticals Inc.
Consolidated Balance Sheet

(in thousands of Canadian dollars)

	December 31, 2012	June 30, 2013 (unaudited)
Assets		
Current assets		
Cash	$ 61	$ 15
Prepaid expenses	127	124
Inventory	80	80
	268	219
Intangible assets	1,920	2,448
Total assets	$ 2,188	$ 2,667
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	$ 66	$ 21
Note payable (note 6)	—	528
Total current liabilities	66	549
Shareholders' equity		
Share capital (note 7)		
Class A common share	1,500	1,500
Common shares	660	660
Contributed surplus	—	13
Deficit	(38)	(55)
	2,122	2,118
Total liabilities and shareholders' equity	$ 2,188	$ 2,667

Subsequent events (note 11)

The accompanying notes are an integral part of the consolidated financial statements.

Approved by the Board

Aurinia Pharmaceuticals Inc.
Consolidated Statement of Operations
For the three and six month periods ended June 30, 2013

(in thousands of Canadian dollars)

	Three months ended June 30, 2013 (unaudited)	Six months ended June 30, 2013 (unaudited)
Expenses		
General and administration	$ 3	17
Foreign exchange loss	7	8
Net loss for the period	$ 10	$ 25
Basic and diluted loss per common share	$ (0.00)	$ (0.00)

The accompanying notes are an integral part of these consolidated financial statements.

Aurinia Pharmaceuticals Inc.
Consolidated Statement of Changes in Shareholders' Equity
For the three and six month periods ended March 31, 2013 and June 30, 2013 respectively

(in thousands of Canadian dollars)

	Class A common share	Common shares	Contributed surplus	Deficit	Shareholders' equity
Balance December 31, 2012	$ 1,500	$ 660	—	(38)	$ 2,122
Contributed surplus	—	—	13	—	13
Net loss for the quarter	—	—	—	(7)	(7)
Balance March 31, 2013 (unaudited)	$ 1,500	$ 660	13	(45)	$ 2,128
Net loss for the quarter	—	—	—	(10)	(10)
Balance June 30, 2013 (unaudited)	$ 1,500	$ 660	13	(55)	$ 2,118

The accompanying notes are an integral part of these consolidated financial statements.

Aurinia Pharmaceuticals Inc.
Consolidated Statement of Cash Flows
For the three and six month periods ended June 30, 2013

(in thousands of Canadian dollars)

	Three months ended June 30, 2013 (unaudited)	Six months ended June 30, 2013 (unaudited)
Cash flows from operating activities		
Net loss for the period	(10)	(25)
Items not affecting cash:		
Unrealized foreign exchange loss	7	8
Changes in operating assets and liabilities:		
Accounts payable and accrued liabilities	1	(45)
Net cash used in operating activities	(2)	(62)
Cash flows from financing activities:		
Increase in contributed surplus	—	13
Net cash provided by financing activities	—	13
Effect of foreign exchange rate changes on cash	—	3
Decrease in cash	(2)	(46)
Cash - Beginning of period	17	61
Cash - End of period	15	15
Non-cash transactions:		
Acquisition of intangible assets through the issuance of a note payable	—	528

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of Canadian dollars)

1. Nature of operations:

Aurinia Pharmaceuticals Corp. (the Company) was incorporated under the Company Act (British Columbia) on April 3, 2012. The company began operations on September 12, 2012 and is a biopharmaceutical company dedicated to the development and commercialization of voclosporin for the area of Lupus and proteinuric kidney diseases. The Company has two subsidiaries Aurinia Holdings Corp. and Aurinia Development Corp.

2. Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business. At June 30, 2013 and December 31, 2012 as described below, there exist material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern without raising additional funds.

For the six month period ended June 30, 2013, the Company reported a loss of $25 (unaudited) (three month period ended December 31, 2012 – loss of $38), a cash outflow from operating activities of $62 (unaudited) (period ended December 31, 2012 – inflow of $38), and as at June 30, 2013 had an accumulated deficit of $55 (unaudited) (December 31, 2012 - $38).

In order to undertake development and commercialization of voclosporin and continue operating, the Company needs to raise funds in the immediate future.

On August 15, 2013, the Company and Isotechnika Pharma Inc. ("Isotechnika") completed an agreement to merge the two companies, as described in note 11. Management believes the consolidation of intellectual property through the merger, and reaching a settlement with ILJIN Life Science Co., Ltd ("ILJIN"). provides the combined entity with an opportunity to raise funding to continue the development of voclosporin for the lupus indication.

The outcome of these matters is dependent on a number of factors outside the Company's control. Given the nature of the biotechnology sector there is no assurance that any new financings or partnerships will materialize on a timely basis or be obtained on favourable terms.

The success of the Company and recoverability of the amounts expensed on development to date, including capitalized intangible assets, is dependent on the ability of the Company and its partners to raise additional cash, to complete development activities, receive regulatory approval and successfully commercialize voclosporin in the key markets and indications, whereby the Company can achieve future profitable operations. Depending on the results of the development programs and availability of financial resources, the Company may accelerate, terminate, cut back on certain areas of development, commence new areas of development, or curtail certain or all of the Company's operations.

(in thousands of Canadian dollars)

2. Going concern (continued)

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and reported revenues and expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

3. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian Accounting Standards for Private Enterprises ("ASPE"). These consolidated financial statements have been prepared on a going concern and historical cost basis. These consolidate financial statements are presented in Canadian dollars, which is the Company's functional currency. The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements:

a) Principles of consolidation:

These consolidated financial statements include the accounts of Aurinia Pharmaceuticals Inc. and its wholly-owned subsidiaries, Aurinia Holdings Corp. (incorporated in Barbados) and Aurinia Development Corp. (incorporated in Barbados). Intercompany accounts and transactions have been eliminated on consolidation.

b) Use of estimates:

The preparation of the consolidated financial statements in conformity with ASPE requires management to make estimates and assumptions that affect the amounts recorded in the consolidated financial statements. A significant area requiring the use of estimates relate to the assessment fair market value of intangible assets. The reported amounts and note disclosure are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned course of action. Actual results could differ from those estimates.

c) Foreign currency translation:

Monetary items denominated in a foreign currency and non-monetary items carried at market are adjusted at the balance sheet date to reflect the exchange rate in effect at that date. Exchange gains and losses are included in the determination of net income for the period.

Financial statements of integrated foreign operations are translated as follows: monetary items at the exchange rate at the balance sheet date; non-monetary items, including amortization thereon, at historical exchange rates and; revenue and expense at the average rates of exchange in effect for the period. Exchange gains and losses are included in the determination of net income for the period.

(in thousands of Canadian dollars)

3. Significant accounting policies (continued)

d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Company has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Company determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Company expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

e) Intangible assets:

Intangible assets are comprised of licenses and intellectual property which will be used in the development of voclosporin. If the estimated net recoverable value, calculated based on undiscounted estimated future cash flows, is less than the carrying value of the underlying technology, then the carrying value is written down to its fair value. The amounts shown for intangible assets do not necessarily reflect present or future values and the ultimate amount recoverable will be dependent upon the successful development and commercialization of products based on these rights.

(in thousands of Canadian dollars)

3. Significant accounting policies (continued)

f) Income taxes:

The Company uses the future income taxes method of accounting for income taxes. Under the future income taxes method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment. Refundable taxes that will be recovered on the payment of qualifying dividends are recognized as a future income tax asset.

A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized. Income tax expense or benefit is the sum of the Company's provision for the current income taxes and the difference between the opening and ending balances of the future income tax assets and liabilities.

g) Basic and diluted loss per share:

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period.

Diluted loss per share is calculated using the weighted average number of common shares outstanding during the period, adjusted to include the numbers of incremental common shares that would have been outstanding if all dilutive potential common shares had been issued.

4. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, and accounts payable and accrued liabilities. The Company's financial instruments are exposed to certain financial risks, including liquidity risk, credit risk and currency risk.

a) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through the management of its capital structure. It also manages liquidity risk by continuously monitoring actual and projected cash flows. There are material uncertainties that may cast a significant doubt that the Company will be able to continue as a going concern without raising additional funds as more fully disclosed in note 2 going concern. See also subsequent events (note 11) for activities being conducted by the Company subsequent to year end.

The Company's activities have been financed through the issuance of equity. The Company completed a $60 private placement in the fourth quarter of 2012.

(in thousands of Canadian dollars)

4. Financial instruments (continued)

Accounts payable and accrued liabilities of $21 are payable within one year of June 30, 2013.

b) Credit risk:

Credit risk is the risk of financial loss to the Company if a partner or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents. The carrying amount of the financial assets represents the maximum credit exposure.

The Company limits its exposure to credit risk on cash and cash equivalents by placing these financial instruments with high-credit quality financial institutions.

c) Currency risk:

The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Company incurs certain expenses denominated in U.S. dollars. The Company does not currently enter into forward contracts to mitigate this risk.

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise of:

	December 31, 2012	June 30, 2013 (unaudited)
Trade accounts payable	$ 6	$ 3
Other payables	50	—
Other accrued liabilities	10	18
	$ 66	$ 21

6. Note Payable

The Company's licence agreement with Isotechnika requires various payments to Isotechnika to be made upon the achievement of certain milestones. During the six month period ending June 30, 2013, the Company received certain documentation which caused $520 USD to be payable to Isotechnika. The Company has completed an agreement to merge with the licensee (see note 11) which will result in the forgiveness of this liability.

7. Shareholders' Equity

a) Common Shares:

Authorized:

Unlimited number of participating voting common shares without par value.

One Class A participating voting common share without par value (note 7(c)).

Unlimited number of preferred shares without par value.

(in thousands of Canadian dollars)

7. Shareholders' Equity (continued)

Issued:

Common shares:

	Number of common shares (in thousands)	
Balance December 31, 2012	6,079	$660
Balance June 30, 2013 (unaudited)	6,079	$660

Class A common share:

	Number of Class A shares	
Balance December 31, 2012	1	$1,500
Balance June 30, 2013 (unaudited)	1	$1,500

b) Warrants:

During the period from incorporation on April 3, 2012 to December 31, 2012, the Company, pursuant to a private placement raised proceeds of $60 by the issuance of 70,588 units at a price of $0.85 cents per unit. Each unit consisted of one common share and one half non-transferable common share purchase warrant exercisable at $0.85 up to December 31, 2018. At December 31, 2012, a total of 35,294 warrants were outstanding.

c) Class A common shares

During the period from incorporation on April 3, 2012 to December 31, 2012, the Company issued one class A common share to Vifor (International) AG in exchange for assignment and assumption of the agreement between Vifor (International) AG and Isotechnika. The estimate of fair value for this transaction was $1,500. Prior to the merger (note 11), the Class A common share is convertible into the number of fully paid common shares necessary to issue such that the holder owns 19.9% of the fully diluted common shares of the company.

d) Contributed surplus:

During the six months ended June 30, 2013, the Company received a contribution of $13 from a shareholder.

(in thousands of Canadian dollars)

8. Basic and diluted loss per share

Reconciliation of the loss and weighted average number of common shares used in the calculations are set forth below:

	Six months ended June 30, 2013 (unaudited)	Three months ended June 30, 2013 (unaudited)
Net loss	$ (25)	$ (10)
Weighted average number of common shares outstanding	7,598,854	7,598,854
Basic and diluted loss per share	$ (0.00)	$ (0.00)

Weighted average number of common shares for basic loss per share includes the assumed conversion of the one class A common share for 1,519,695 common shares. In each of the periods the Company excluded 35,294 share purchase warrants as the effect of these options would be anti-dilutive.

9. Commitments

Pursuant to a licence agreement with Isotechnika, the Company is responsible for additional near term milestone payments of up to $720 USD based on the receipt of certain data and documentation. During the six month period June 30, 2013, the Company received certain documentation which caused $520 USD to be payable to Isotechnika. This amount was included in a note payable (note 6). On September 20, 2013, the Company completed an agreement to merge with Isotechnika which will remove these commitments (see note 11).

The Company is also responsible for milestones of up to $6.28 million USD for first patient in Phase II study, first patient in Phase III study, U.S. Food and Drug Administration's (the FDA's) filing for approval and the FDA's approval for marketing and commercialization of voclosporin in the lupus indication. The Company is also responsible for milestone payments of up to $6 million USD based on first commercial sale of the product for an indication in the field. The Company also has an obligation to pay royalties based on future net sales. On September 20, 2013, the Company completed an agreement to merge with the licensee (see note 11) which will remove these commitments.

See note 11 for future commitments as a result of the completed agreement to merge with Isotechnika.

10. Income taxes

The Company is subject to taxes in Canada and Barbados.

At December 31, 2012 the company has a total loss carryforward of approximately $35 available to offset future taxable income in Canada and Barbados. These losses will expire in 2032. As utilization of such operating losses for tax purposes is uncertain, the future income tax benefit has been fully offset by a valuation allowance.

(in thousands of Canadian dollars)

11. Subsequent events

On February 5, 2013, the Company and Isotechnika signed a Binding Term Sheet ("Term Sheet") for the merger of the two companies, resulting in a clinical stage pharmaceutical company focused on the global nephrology market. The Term sheet set forth the main criteria under which Isotechnika will acquire 100% of the outstanding securities of the Company resulting in Isotechnika shareholders owning 65% of the merged company and Aurinia shareholders owning 35% of the merged company.

On August 15, 2013, the transaction was approved by Isotechnika shareholders. On September 20, 2013, all merger and related transactions were complete and the merged entity adopted Aurinia Pharmaceuticals Inc. as its new corporate name. The new entity expects to transition from the Toronto Stock Exchange to the TSX Venture Exchange for the listing of its common shares and intends to proceed with a consolidation of shares on a 50:1 basis, which was also approved by shareholders on August 15, 2013.

As part of the completed transaction, the merged entity is responsible for a funding payment of $1.6 million USD to ILJIN upon securing Phase IIB financing. The merged entity is also responsible for additional payments to ILJIN of up to $10 million USD upon the achievement of certain milestones.

Aurinia Pharmaceuticals Inc.

Consolidated Financial Statements

As at and for the period from incorporation on April 3, 2012 to December 31, 2012 and the three months ended March 31, 2013

KPMG LLP
Chartered Accountants
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Telefax (250) 480-3539
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Aurinia Pharmaceuticals Inc.

We have audited the accompanying consolidated financial statements of Aurinia Pharmaceuticals Inc., which comprise the consolidated balance sheet as at December 31, 2012, the consolidated statements of operations, changes in shareholders' equity and cash flows from incorporation on April 3, 2012 to December 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Aurinia Pharmaceuticals Inc. as at December 31, 2012, and its consolidated results of operations and its consolidated cash flows from incorporation on April 3, 2012 to December 31, 2012 in accordance with Canadian accounting standards for private enterprises.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates Aurinia Pharmaceuticals Inc. has a deficit and the ability to continue as a going concern is dependent on the continued support from its shareholders. These conditions, along with other matters as set forth in Note 2 in the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about Aurinia Pharmaceuticals Inc.‘s ability to continue as a going concern.

Chartered Accountants

May 30, 2013

Victoria, Canada

Aurinia Pharmaceuticals Inc.
Consolidated Balance Sheet

(in thousands of Canadian dollars)

	December 31 2012	March 31 2013 (unaudited)
Assets		
Current assets		
Cash	$ 61	$ 17
Prepaid expenses	127	124
Inventory	80	80
	268	221
Intangible assets	1,920	2,448
Total assets	$ 2,188	$ 2,669
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	$ 66	$ 20
Note payable (note 6)	—	528
Total current liabilities	66	548
Shareholders' equity		
Share capital (note 7)		
Class A common share	1,500	1,500
Common shares	660	660
Contributed surplus	—	13
Deficit	(38)	(52)
	2,122	2,121
Total liabilities and shareholders' equity	$ 2,188	$ 2,669

Subsequent events (note 11)

The accompanying notes are an integral part of the consolidated financial statements.

Approved by the Board

Signed: "Richard Glickman" Director

Signed: "Michael Martin" Director

Aurinia Pharmaceuticals Inc.
Consolidated Statement of Operations
For the nine month period from incorporation on April 3, 2012 to December 31, 2012 and the three month period ended March 31, 2013

(in thousands of Canadian dollars)

	December 31 2012	March 31 2013 (unaudited)
Expenses		
General and administration	$ 30	$ 13
Foreign exchange loss	8	1
Net loss for the period	$ 38	$ 14
Basic and diluted loss per common share	$ (0.01)	$ (0.00)

The accompanying notes are an integral part of these consolidated financial statements.

Aurinia Pharmaceuticals Inc.
Consolidated Statement of Changes in Shareholders' Equity
For the nine month period from incorporation on April 3, 2012 to December 31, 2012 and the three month period ended March 31, 2013

(in thousands of Canadian dollars)

	Class A Common Share	Common Shares	Contributed surplus	Deficit	Shareholders' Equity
Issue of shares	$ 1,500	$ 660	—	—	$ 2,160
Net loss for the period	—	—	—	(38)	(38)
Balance December 31, 2012	1,500	660		(38)	2,122
Contributed surplus	—	—	13	—	13
Net loss for the quarter	—	—	—	(14)	(14)
Balance March 31, 2013 (unaudited)	$ 1,500	$ 660	13	(52)	$ 2,121

The accompanying notes are an integral part of these consolidated financial statements.

Aurinia Pharmaceuticals Inc.
Consolidated Statement of Cash Flows
For the nine month period from incorporation on April 3, 2012 to December 31, 2012 and the three month period ended March 31, 2013

(in thousands of Canadian dollars)

	December 31 2012	March 31 2013 (unaudited)
Cash flows from operating activities		
Net loss for the period	$ (38)	(14)
Items not affecting cash:		
Unrealized foreign exchange loss	8	1
Changes in operating assets and liabilities:		
Prepaid expenses	(7)	—
Inventory	—	—
Accounts payable and accrued liabilities	66	(46)
Note payable	—	—
Net cash used in operating activities	29	(59)
Cash flows from investing activities		
Purchase of intangible assets	(50)	—
Net cash used in investing activities	(50)	—
Cash flows from financing activities:		
Increase in contributed surplus	—	13
Issuance of Class A common share	21	—
Issuance of common shares	60	—
Net cash provided by financing activities	81	13
Effect of foreign exchange rate changes on cash	1	2
Increase (decrease) in cash	61	(44)
Cash - Beginning of period	—	61
Cash - End of period	$ 61	17
Non-cash transactions:		
Acquisition of intangible assets ($1,279), inventory ($80) and prepaid expenses ($120) through the issuance of 1 Class A common share	1,479	—
Acquisition of intangible assets through the issuance of 751,071common shares	600	—
Acquisition of intangible assets through the issuance of a note payable	—	528

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of Canadian dollars)

1. Nature of operations:

Aurinia Pharmaceuticals Corp. (the Company) was incorporated under the Company Act (British Columbia) on April 3, 2012. The company began operations on September 12, 2012 and is a biopharmaceutical company dedicated to the development and commercalization of voclosporin for the area of Lupus and proteinuric kidney diseases. The Company has two subsidiaries Aurinia Holdings Corp. and Aurinia Development Corp.

2. Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business. At March 31, 2013 and December 31, 2012 as described below, there exist material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern without raising additional funds.

For the three month period ended March 31, 2013, the Company reported a loss of $14 (unaudited) (period ended December 31, 2012 – loss of $38), a cash outflow from operating activities of $59 (unaudited) (period ended December 31, 2012 – inflow of $38), and as at March 31, 2013 had an accumulated deficit of $52 (unaudited) (December 31, 2012 - $38).

In order to undertake development and commercialization of voclosporin and continue operating, the Company needs to raise funds in the immediate future.

The Company and Isotechnika Pharma Inc. ("Isotechnika") are in the process of merging the two companies, as described in note 11. The transaction is subject to certain closing conditions including, among others, the acceptance and approval by the Toronto Stock Exchange and the approval of Isotechnika's shareholders.

Management believes the consolidation of intellectual property through the merger, and reaching a settlement with ILJIN Life Science Co., Ltd. provides the combined entity with an opportunity to raise funding to continue the development of voclosporin for the lupus indication.

The outcome of these matters is dependent on a number of factors outside the Company's control. Given the nature of the biotechnology sector there is no assurance that any new financings or partnerships will materialize on a timely basis or be obtained on favourable terms.

The success of the Company and recoverability of the amounts expensed on development to date, including capitalized intangible assets, is dependent on the ability of the Company and its partners to raise additional cash, to complete development activities, receive regulatory approval and successfully commercialize voclosporin in the key markets and indications, whereby the Company can achieve future profitable operations. Depending on the results of the development programs and availability of financial resources, the Company may accelerate, terminate, cut back on certain areas of development, commence new areas of development, or curtail certain or all of the Company's operations.

(in thousands of Canadian dollars)

2. Going concern (continued)

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and reported revenues and expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

3. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian Accounting Standards for Private Enterprises ("ASPE"). These consolidated financial statements have been prepared on a going concern and historical cost basis. These consolidate financial statements are presented in Canadian dollars, which is the Company's functional currency. The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements:

a) Principles of consolidation:

These consolidated financial statements include the accounts of Aurinia Pharmaceuticals Inc. and its wholly-owned subsidiaries, Aurinia Holdings Corp. (incorporated in Barbados) and Aurinia Development Corp. (incorporated in Barbados). Intercompany accounts and transactions have been eliminated on consolidation.

b) Use of estimates:

The preparation of the consolidated financial statements in conformity with ASPE often requires management to make estimates and assumptions that affect the amounts recorded in the consolidated financial statements. A significant area requiring the use of estimates relate to the assessment fair market value of intangible assets. The reported amounts and note disclosure are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned course of action. Actual results could differ from those estimates.

c) Foreign currency translation:

Monetary items denominated in a foreign currency and non-monetary items carried at market are adjusted at the balance sheet date to reflect the exchange rate in effect at that date. Exchange gains and losses are included in the determination of net income for the period.

Financial statements of integrated foreign operations are translated as follows: monetary items at the exchange rate at the balance sheet date; non-monetary items, including amortization thereon, at historical exchange rates and; revenue and expense at the average rates of exchange in effect for the period. Exchange gains and losses are included in the determination of net income for the period.

(in thousands of Canadian dollars)

3. Significant accounting policies (continued)

d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Company has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Company determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Company expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

e) Intangible assets:

Intangible assets are comprised of licenses and intellectual property which will be used in the development of voclosporin. If the estimated net recoverable value, calculated based on undiscounted estimated future cash flows, is less than the carrying value of the underlying technology, then the carrying value is written down to its fair value. The amounts shown for intangible assets do not necessarily reflect present or future values and the ultimate amount recoverable will be dependent upon the successful development and commercialization of products based on these rights.

(in thousands of Canadian dollars)

3. Significant accounting policies (continued)

f) Income taxes:

The Company uses the future income taxes method of accounting for income taxes. Under the future income taxes method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment. Refundable taxes that will be recovered on the payment of qualifying dividends are recognized as a future income tax asset.

A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized. Income tax expense or benefit is the sum of the Company's provision for the current income taxes and the difference between the opening and ending balances of the future income tax assets and liabilities.

g) Basic and diluted loss per share:

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period.

Diluted loss per share is calculated using the weighted average number of common shares outstanding during the period, adjusted to include the numbers of incremental common shares that would have been outstanding if all dilutive potential common shares had been issued.

(in thousands of Canadian dollars)

4. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, and accounts payable and accrued liabilities. The Company's financial instruments are exposed to certain financial risks, including liquidity risk, credit risk and currency risk.

a) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through the management of its capital structure. It also manages liquidity risk by continuously monitoring actual and projected cash flows. There are material uncertainties that may cast a significant doubt that the Company will be able to continue as a going concern without raising additional funds as more fully disclosed in note 2 going concern. See also subsequent events (Note 11) for activities being conducted by the Company subsequent to year end.

The Company's activities have been financed through the issuance of equity. The Company completed a $60 private placement in the fourth quarter of 2012.

Accounts payable and accrued liabilities of $66 are payable within one year of December 31, 2012.

b) Credit risk:

Credit risk is the risk of financial loss to the Company if a partner or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents. The carrying amount of the financial assets represents the maximum credit exposure.

The Company limits its exposure to credit risk on cash and cash equivalents by placing these financial instruments with high-credit quality financial institutions.

c) Currency risk:

The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Company incurs certain expenses denominated in U.S. dollars. The Company does not currently enter into forward contracts to mitigate this risk.

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise of:

	December 31 2012	March 31 2013 (unaudited)
Trade accounts payable	$ 6	$ 3
Other payables	50	—
Other accrued liabilities	10	17
	$ 66	$ 20

(in thousands of Canadian dollars)

6. Note Payable

The Company's licence agreement with Isotechnika requires various payments to Isotechnika to be made upon the achievement of certain milestones. During the three month period March 31, 2013, the Company received certain documentation which caused $520 USD to be payable to Isotechnika. The Company has entered into an agreement to merge with the licensee (see note 11) which would remove this liability.

7. Shareholders' Equity

a) Common Shares:

Authorized:

Unlimited number of participating voting common shares without par value.
One Class A participating voting common share without par value (note 7(c))
Unlimited number of preferred shares without par value.

Issued:

Common shares:

	Number of common shares (in thousands)	
Issued as founder stock	5,258	—
Issued pursuant to private placement (note 7(b))	70	$ 60
Issued for Isotechnika agreement (note 9)	751	600
Balance December 31, 2012	6,079	660
Balance March 31, 2013 (unaudited)	6,079	$660

Class A common share:

	Number of Class A shares	
Issued for Voclosporin license (note 7(c))	1	$1,500
Balance December 31, 2012	1	1,500
Balance March 31, 2013 (unaudited)	1	$1,500

b) Warrants:

The Company, pursuant to a private placement raised proceeds of $60 by the issuance of 70,588 units at a price of $0.85 cents per unit. Each unit consisted of one common share and one half non-transferable common share purchase warrant exercisable at $0.85 up to December 31, 2018. At December 31, 2012, a total of a total of 35,294 warrants were outstanding.

(in thousands of Canadian dollars)

7. Shareholders' Equity (continued)

c) Class A common shares

During the period ended December 31, 2012, the Company issued one class A common share to Vifor (International) AG in exchange for assignment and assumption of the agreement between Vifor (International) AG and Isotechnika. The estimate of fair value for this transaction was $1,500. Prior to the merger (note 11), the Class A common share is convertible into the number of fully paid common shares necessary to issue such that the holder owns 19.9% of the fully diluted common shares of the company.

d) Contributed surplus:

During the three months ended March 31, 2013, the Company received a contribution of $13 from a shareholder.

8. Basic and diluted loss per share

Reconciliation of the loss and weighted average number of common shares used in the calculations are set forth below:

	December 31 2012	March 31 2013 (unaudited)
Net loss	$ (38)	$ (14)
Weighted average number of common shares outstanding	6,829,883	7,598,854
Basic and diluted loss per share	$ (0.01)	$ (0.00)

Weighted average number of common shares for basic loss per share is calculated based on the commencement of active operations on September 12, 2012. In addition, it includes the assumed conversion of the one class A common share for 1,519,695 common shares. In each of the periods ended December 31, 2012 and March 31, 2013, the Company excluded 35,294 share purchase warrants as the effect of these options would be anti-dilutive.

9. Commitments

Pursuant to a licence agreement with Isotechnika, at December 31, 2012, the Company was responsible for additional near term milestone payments of up to $720 USD based on the receipt of certain data and documentation. During the three month period March 31, 2013, the Company received certain documentation which caused $520 USD to be payable to Isotechnika. This amount was included in a note payable (note 6).

(in thousands of Canadian dollars)

9. Commitments (continued)

The Company is also responsible for milestones of up to $6.28 million USD for first patient in Phase II study, first patient in Phase III study, U.S. Food and Drug Administration's (the FDA's) filing for approval and the FDA's approval for marketing and commercialization of voclosporin in the lupus indication. The Company is also responsible for milestone payments of up to $6 million USD based on first commercial sale of the product for an indication in the field. The Company also has an obligation to pay royalties based on future net sales. The Company has entered into an agreement to merge with the licensee (see note 11) which would remove these commitments.

10. Income taxes

The Company is subject to taxes in Canada and Barbados.

At December 31, 2012 the company has a total loss carryforward of approximately $35 available to offset future taxable income in Canada and Barbados. These losses will expire in 2032. As utilization of such operating losses for tax purposes is uncertain, the future income tax benefit has been fully offset by a valuation allowance.

11. Subsequent events

On February 5, 2013, the Company and Isotechnika signed a Binding Term Sheet ("Term Sheet") for the merger of the two companies, resulting in a clinical stage pharmaceutical company focused on the global nephrology market. The Term sheet sets forth the main criteria under which Isotechnika will acquire 100% of the outstanding securities of the Company resulting in Isotechnika shareholders owning 65% of the merged company and Aurinia shareholders owning 35% of the merged company.

The transaction is subject to certain closing conditions including, among others, the approval by the Toronto Stock Exchange (the "TSX") and the approval of Isotechnika's shareholders. The merged entity is expected to adopt Aurinia Pharmaceuticals Inc. as its new corporate name.

EVANS & EVANS, INC.

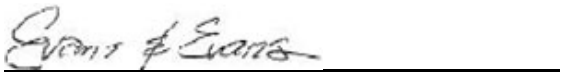
400 BURRARD STREET
SUITE 1610
VANCOUVER, BRITISH COLUMBIA
CANADA, V6C 3A6

Tel: (604) 408-2222
Fax: (604) 408-2303
www.evansevans.com

CONSENT OF EVANS & EVANS, INC.

We refer to the fairness opinion dated June 26, 2013 (the "**Fairness Opinion**") which we prepared for the board of directors of Isotechnika Pharma Inc. ("**Isotechnika**") in connection with the financings and the statutory arrangement (the "Arrangement") under Section 288 of the Business Corporations Act (British Columbia) (the "BCBCA") involving Aurinia Pharmaceuticals Inc. ("Aurinia") and ILJIN Life Science Co. Ltd. ("ILJIN") described in the management information circular of Isotechnika dated July 19, 2013 (the "**Information Circular**"). We consent to the filing of the Fairness Opinion with the securities regulatory authorities in each of the provinces of British Columbia and Alberta, to the inclusion of the Fairness Opinion and a summary thereof in the Information Circular and to the use of our name in the Information Circular. In providing our consent, we do not intend or permit that any person other than the board of directors of Isotechnika shall rely upon the Fairness Opinion which remains subject to the analyses, assumptions, limitations and qualifications contained therein.

EVANS & EVANS, INC.



July 19, 2013
Vancouver, Canada

Exhibit 99.32

KPMG LLP
Chartered Accountants
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7

Telephone (250)480-3500
Telefax (250)480-3539
Internet www.kpmg.ca

Alberta – Alberta Securities Commission
British Columbia – British Columbia Securities Commission
Manitoba – The Manitoba Securities Commission
New Brunswick – New Brunswick Securities Commission
Newfoundland and Labrador- Securities Commission of Newfoundland and Labrador
Northwest Territories – Registrar of Securities, Northwest Territories
Nova Scotia – Nova Scotia Securities Commission
Nunavut – Registrar of Securities, Nunavut
Ontario – Ontario Securities Commission
Prince Edward Island – Prince Edward Island Securities Office
Quebec – Autorité des marchés financiers
Saskatchewan – Financial and Consumer Affairs Authority of Saskatchewan – Securities Division
Yukon Territory – Registrar of Securities, Government of the Yukon Territory

Dear Sirs/Mesdames:

Re: Isotechnika Pharma Inc.

We refer to the information circular dated July 19, 2013 relating to the proposed statutory arrangement under Section 288 of the *Business Corporations Act* (British Columbia) involving Aurinia Pharmaceuticals Inc. and ILJIN Life Science Co. Ltd. pursuant to which the Isotechnika Pharma Inc. will acquire all of the issued and outstanding securities of Aurinia.

We consent to being named and to the use in the information circular of our report dated May 30, 2013 to the shareholders of Aurinia Pharmaceuticals Inc. on the following consolidated financial statements:

- consolidated balance sheet as at December 31, 2012,
- consolidated statements of operations, changes in shareholders' equity and cash flows from incorporation on April 3, 2012 to December 31, 2012, and
- notes, comprising a summary of significant accounting policies and other explanatory information.

Yours very truly,

KPMG LLP

July 19, 2013
Victoria, Canada

Exhibit 99.33

Aurinia Pharmaceuticals Inc.

April 1, 2014

Re: Aurinia Pharmaceuticals Inc. (the "Company")
Amended 2013 Annual Consolidated Financial Statements

The Table in Note 5b to the Annual Consolidated Financial Statements for the year ended December 31, 2013 has been amended to correct certain typographical errors. The financial position of the Company at December 31, 2013 and results of operations for the year ended December 31, 2013 were not affected by these corrections.

Should you have any questions, please contact Dennis Bourgeault.

Yours truly,

Signed: *"Dennis Bourgeault"*

Name: Dennis Bourgeault
Title: Chief Financial Officer

ISOTECHNIKA PHARMA INC.

Computershare
8th Floor, 100 University Avenue
Toronto, Ontario M5J 2Y1
www.computershare.com

MR SAM SAMPLE
123 SAMPLES STREET
SAMPLETOWN SS X9X 9X9

Security Class 123

Holder Account Number
C1234567890 XXX

Fold

Form of Proxy - Annual General and Special Meeting to be held on August 15, 2013

This Form of Proxy is solicited by and on behalf of Management.

Notes to proxy

1. **Every holder has the right to appoint some other person or company of their choice, who need not be a holder, to attend and act on their behalf at the meeting or any adjournment or postponement thereof. If you wish to appoint a person or company other than the persons whose names are printed herein, please insert the name of your chosen proxyholder in the space provided (see reverse).**
2. If the securities are registered in the name of more than one owner (for example, joint ownership, trustees, executors, etc.), then all those registered should sign this proxy. If you are voting on behalf of a corporation or another individual you must sign this proxy with signing capacity stated, and you may be required to provide documentation evidencing your power to sign this proxy.
3. This proxy should be signed in the exact manner as the name(s) appear(s) on the proxy.
4. If this proxy is not dated, it will be deemed to bear the date on which it is mailed by Management to the holder.
5. **The securities represented by this proxy will be voted as directed by the holder, however, if such a direction is not made in respect of any matter, this proxy will be voted as recommended by Management.**
6. The securities represented by this proxy will be voted in favour or withheld from voting or voted against each of the matters described herein, as applicable, in accordance with the instructions of the holder, on any ballot that may be called for and, if the holder has specified a choice with respect to any matter to be acted on, the securities will be voted accordingly.
7. This proxy confers discretionary authority in respect of amendments or variations to matters identified in the Notice of Meeting or other matters that may properly come before the meeting or any adjournment or postponement thereof.
8. This proxy should be read in conjunction with the accompanying documentation provided by Management.

Fold

Proxies submitted must be received by 2:00 pm, Pacific Time, on Tuesday, August 13, 2013.

VOTE USING THE TELEPHONE OR INTERNET 24 HOURS A DAY 7 DAYS A WEEK!

To Vote Using the Telephone

- Call the number listed BELOW from a touch tone telephone.

1-866-732-VOTE (8683) Toll Free

To Vote Using the Internet

- Go to the following web site: www.investorvote.com
- **Smartphone?** Scan the QR code to vote now.

To Receive Documents Electronically

- You can enroll to receive future securityholder communications electronically by visiting www.computershare.com/eDelivery and clicking on "eDelivery Signup".

If you vote by telephone or the Internet, DO NOT mail back this proxy.

Voting by mail may be the only method for securities held in the name of a corporation or securities being voted on behalf of another individual.
Voting by mail or by Internet are the only methods by which a holder may appoint a person as proxyholder other than the Management nominees named on the reverse of this proxy. Instead of mailing this proxy, you may choose one of the two voting methods outlined above to vote this proxy.

To vote by telephone or the Internet, you will need to provide your CONTROL NUMBER listed below.

CONTROL NUMBER 123456789012345

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CPUQC01.E.INT/000001/i1234

+ MR SAM SAMPLE C1234567890 XXX 123 +

Appointment of Proxyholder

I/We, being holder(s) of Isotechnika Pharma Inc. hereby appoint:
Robert Foster or, failing him, Dennis Bourgeault

OR

Print the name of the person you are appointing if this person is someone other than the Management Nominees listed herein.

as my/our proxyholder with full power of substitution and to attend, act and to vote for and on behalf of the shareholder in accordance with the following direction (or if no directions have been given, as the proxyholder sees fit) and all other matters that may properly come before the Annual General and Special Meeting of shareholders of **Isotechnika Pharma Inc.** to be held at 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia on Thursday, August 15, 2013 at 2:00 PM (Pacific time) and at any adjournment or postponement thereof.

VOTING RECOMMENDATIONS ARE INDICATED BY HIGHLIGHTED TEXT OVER THE BOXES.

1. Election of Directors - To elect the following individuals as directors until the later of the ensuing year or the completion of the arrangement:

	For	Withhold		For	Withhold		For	Withhold
01. Peter Wijngaard	☐	☐	02. Robert Foster	☐	☐	03. Prakash Gowd	☐	☐
04. Donald W. Wyatt	☐	☐						

Fold

	For	Withhold
2. Appointment of Auditors – To re-appoint **Pricewaterhouse Coopers LLP**, Chartered Accountants, as auditors of the Company and to authorize the directors to fix the auditors' remuneration.	☐	☐

	For	Against
3. First Offering Approval Resolution – To consider and, if deemed appropriate, approve, by ordinary resolution, the issuance of up to 44,445,000 common share purchase warrants of the Company and the securities underlying such common share purchase warrants, with the full text of the First Offering Approval Resolution set out in Appendix C to the accompanying information circular for the Meeting (the "Information Circular").	☐	☐
4. Second Offering Approval Resolution – To consider and, if deemed appropriate, approve, by ordinary resolution, the issuance of up to 133,333,332 units of the Company and the securities underlying such units, with the full text of the Second Offering Approval Resolution set out in Appendix C to the Information Circular.	☐	☐
5. Share Issuance Resolution – To consider, and if deemed appropriate, approve by ordinary resolution, the issuance of up to 300,000,000 common shares of the Company in connection with the proposed statutory arrangement under Section 288 of the Business Corporations Act (British Columbia) involving Aurinia Pharmaceuticals Inc. and ILJIN Life Science Co. Ltd. pursuant to which the Company will acquire all of the issued and outstanding securities of Aurinia, with the full text of the Share Issuance Resolution set out in Appendix C to the Information Circular.	☐	☐
6. Constating Document Amendment Resolution – To consider, and if deemed appropriate, approve by special resolution, amendments to the constating documents of the Company to change its name from "Isotechnika Pharma Inc." to "Aurinia Pharmaceuticals Inc." and to adopt an advance notice provision into the Company's by-laws, with the full text of the proposed Constating Document Amendment Resolution set out in Appendix C to the Information Circular.	☐	☐
7. Share Consolidation Resolution – To consider, and if deemed appropriate, approve by special resolution, a share consolidation of the Company's common shares on a 50:1 ratio, with the full text of the Share Consolidation Resolution set out in Appendix C to the Information Circular.	☐	☐
8. Conditional Number of Directors – To set the number of directors of the Company at seven, conditional on the closing of the arrangement.	☐	☐

9. Conditional Election of Directors – To elect the following individuals as directors of the Company, conditional on the closing of the arrangement:

	For	Withhold		For	Withhold		For	Withhold
01. Peter Wijngaard	☐	☐	02. Robert Foster	☐	☐	03. Donald W. Wyatt	☐	☐
04. Daniel Park	☐	☐	05. Richard Glickman	☐	☐	06. Michael Martin	☐	☐
07. Chris Kim	☐	☐						

Fold

Authorized Signature(s) – This section must be completed for your instructions to be executed.

I/We authorize you to act in accordance with my/our instructions set out above. I/We hereby revoke any proxy previously given with respect to the Meeting. **If no voting instructions are indicated above, this Proxy will be voted as recommended by Management.**

Signature(s)

Date

DD / MM / YY

Interim Financial Statements – Mark this box if you would like to receive Interim Financial Statements and accompanying Management's Discussion and Analysis by mail. ☐

Annual Financial Statements – Mark this box if you would NOT like to receive the Annual Financial Statements and accompanying Management's Discussion and Analysis by mail. ☐

If you are not mailing back your proxy, you may register online to receive the above financial report(s) by mail at www.computershare.com/mailinglist.

■ 999999999999 047315 AR2 ISAQ +

00ZGSC

Aurinia

Computershare

8th Floor, 100 University Avenue
Toronto, Ontario M5J 2Y1
www.computershare.com

Security Class

Holder Account Number

Form of Proxy - Annual General and Special Meeting to be held on May 7, 2014

This Form of Proxy is solicited by and on behalf of Management.

Notes to proxy

1. **Every holder has the right to appoint some other person or company of their choice, who need not be a holder, to attend and act on their behalf at the meeting or any adjournment or postponement thereof. If you wish to appoint a person or company other than the persons whose names are printed herein, please insert the name of your chosen proxyholder in the space provided (see reverse).**
2. If the securities are registered in the name of more than one owner (for example, joint ownership, trustees, executors, etc.), then all those registered should sign this proxy. If you are voting on behalf of a corporation or another individual you must sign this proxy with signing capacity stated, and you may be required to provide documentation evidencing your power to sign this proxy.
3. This proxy should be signed in the exact manner as the name(s) appear(s) on the proxy.
4. If this proxy is not dated, it will be deemed to bear the date on which it is mailed by Management to the holder.
5. **The securities represented by this proxy will be voted as directed by the holder, however, if such a direction is not made in respect of any matter, this proxy will be voted as recommended by Management. Management is not making any recommendation with respect to the election of directors.**
6. The securities represented by this proxy will be voted in favour or withheld from voting or voted against each of the matters described herein, as applicable, in accordance with the instructions of the holder, on any ballot that may be called for and, if the holder has specified a choice with respect to any matter to be acted on, the securities will be voted accordingly.
7. This proxy confers discretionary authority in respect of amendments or variations to matters identified in the Notice of Meeting or other matters that may properly come before the meeting or any adjournment or postponement thereof.
8. This proxy should be read in conjunction with the accompanying documentation provided by Management.

Proxies submitted must be received by 2:00 p.m., Pacific Time, on Monday, May 5, 2014.

VOTE USING THE TELEPHONE OR INTERNET 24 HOURS A DAY 7 DAYS A WEEK!

To Vote Using the Telephone

- Call the number listed BELOW from a touch tone telephone.

1-866-732-VOTE (8683) Toll Free

To Vote Using the Internet

- Go to the following web site: www.investorvote.com
- **Smartphone?** Scan the QR code to vote now.

To Receive Documents Electronically

- You can enroll to receive future securityholder communications electronically by visiting www.computershare.com/eDelivery and clicking on "eDelivery Signup".

If you vote by telephone or the Internet, DO NOT mail back this proxy.

Voting by mail may be the only method for securities held in the name of a corporation or securities being voted on behalf of another individual.
Voting by mail or by Internet are the only methods by which a holder may appoint a person as proxyholder other than the Management nominees named on the reverse of this proxy. Instead of mailing this proxy, you may choose one of the two voting methods outlined above to vote this proxy..

To vote by telephone or the Internet, you will need to provide your CONTROL NUMBER listed below.

CONTROL NUMBER

06MA14081_011EGD

Appointment of Proxyholder

I/We, (the "Company") being holder(s) of Aurinia Pharmaceuticals Inc. hereby appoint: Stephen Zaruby, the Chief Executive Officer and a director of the Company, or failing him, Richard Glickman, the Chairman of the Company

OR

Print the name of the person you are appointing if this person is someone other than the Management Nominees listed herein.

as my/our proxyholder with full power of substitution and to attend, act and to vote for and on behalf of the shareholder in accordance with the following direction (or if no directions have been given, as recommended by management) and all other matters that may properly come before the Annual General and Special Meeting of shareholders of the Company to be held at 1300 – 200 Burrard Street, Vancouver, British Columbia, on Wednesday, May 7, 2014 at 2:00 p.m. (Pacific time) and at any adjournment or postponement thereof.

VOTING RECOMMENDATIONS ARE INDICATED BY HIGHLIGHTED TEXT OVER THE BOXES.

	For	Against
1. Setting Number of Directors To set the number of Directors at 7.	☐	☐

2. Election of Directors - Shareholders are cautioned to only vote for 7 nominees for the election to the Board. In the event that this form of proxy includes a vote for more than 7 nominees, this form of proxy will not be counted with respect to the vote on the election of directors.

	For	Withhold		For	Withhold		For	Withhold
01. Richard Glickman	☐	☐	02. Stephen Zaruby	☐	☐	03. Kurt von Emster	☐	☐
04. Daniel Park	☐	☐	05. Benjamin Rovinski	☐	☐	06. Chris Kim	☐	☐
07. Peter Wijngaard	☐	☐	08. Donald Wyatt	☐	☐	09. Michael Martin	☐	☐

	For	Withhold
3. Appointment of Auditors Reappointment of PricewaterhouseCoopers LLP as auditors of the Company for the ensuing year and authorizing the directors to fix their remuneration.	☐	☐

	For	Against
4. Re-approval of Stock Option Plan To pass an ordinary resolution re-approving the Company's stock option plan, the full text of which is set out in the accompanying information circular.	☐	☐

Authorized Signature(s) – This section must be completed for your instructions to be executed.

I/We authorize you to act in accordance with my/our instructions set out above. I/We hereby revoke any proxy previously given with respect to the Meeting. **If no voting instructions are indicated above, this Proxy will be voted as recommended by Management.**

Signature(s)

Date

MM / DD / YY

Interim Financial Statements – Mark this box if you would like to receive Interim Financial Statements and accompanying Management's Discussion and Analysis by mail. ☐

Annual Financial Statements – Mark this box if you would NOT like to receive the Annual Financial Statements and accompanying Management's Discussion and Analysis by mail. ☐

If you are not mailing back your proxy, you may register online to receive the above financial report(s) by mail at www.computershare.com/mailinglist.

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06MA14081_011EHC

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Exhibit 99.36

ISOTECHNIKA PHARMA INC.

NOTICE OF ANNUAL & SPECIAL MEETING

OF SHAREHOLDERS

TO BE HELD ON

August 15, 2013

and

MANAGEMENT INFORMATION CIRCULAR

Dated July 19, 2013

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ISOTECHNIKA PHARMA INC.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that the Annual and Special Meeting (the "**Meeting**") of Shareholders of Isotechnika Pharma Inc. (the "**Company**") will be held at 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia on August 15, 2013, at 2:00 PM, Pacific Time, for the following purposes:

1. To elect the directors for the ensuing year (or until the closing of the Arrangement, as defined below, whichever is earlier);
2. To receive the financial statements of the Company for the financial year ended December 31, 2012, and the report of the auditors thereon;
3. To re-appoint PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Company and to authorize the Audit Committee to fix the auditors' remuneration;
4. To consider and, if deemed appropriate, approve, by ordinary resolution (the "**First Offering Approval Resolution**"), the issuance of up to 44,445,000 common share purchase warrants of the Company and the securities underlying such common share purchase warrants (see "The First Unit Offering" for more details). The full text of the First Offering Approval Resolution is set out in Appendix C to the accompanying information circular for the Meeting (the "**Information Circular**");
5. To consider and, if deemed appropriate, approve, by ordinary resolution (the "**Second Offering Approval Resolution**"), the issuance of up to 133,333,332 units of the Company (see "The Second Unit Offering" for more details). The full text of the Second Offering Approval Resolution is set out in Appendix C to the Information Circular;
6. To consider, and if deemed appropriate, approve by ordinary resolution (the "**Share Issuance Resolution**"), the issuance of up to 300,000,000 common shares of the Company in connection with the proposed statutory arrangement (the "**Arrangement**") under Section 288 of the *Business Corporations Act* (British Columbia) (the "**BCBCA**") involving Aurinia Pharmaceuticals Inc. ("**Aurinia**") and ILJIN Life Science Co. Ltd. ("**ILJIN**") pursuant to which the Company will acquire all of the issued and outstanding securities of Aurinia, as more fully described in the accompanying Information Circular (see "The Share Issuance Resolution" for more details). The full text of the Share Issuance Resolution is set out in Appendix C to the Information Circular;
7. To consider, and if deemed appropriate, approve by special resolution (the "**Constating Document Amendment Resolution**"), amendments to the constating documents of the Company to change its name from "Isotechnika Pharma Inc." to "Aurinia Pharmaceuticals Inc." and to adopt an advance notice provision into the Company's by-laws (see "Amendments to the Constating Documents of the Company" for more details). The full text of the proposed Constating Document Amendment Resolution is set out in Appendix C to the Information Circular;
8. To consider, and if deemed appropriate, approve by special resolution (the "**Share Consolidation Resolution**"), a share consolidation of the Company's common shares on a 50:1 ratio (see "The Share Consolidation" for more details). The full text of the Share Consolidation Resolution is set out in Appendix C to the Information Circular;
9. To consider, and if deemed appropriate, conditionally approve by ordinary resolution (the "**Post-Merger Director Resolutions**"), (i) increasing the size of the board of directors to seven; and (ii) the election of certain individuals as directors of the Company following the Arrangement (see "The Post-Merger Directors" for more details); and
10. To transact such further and other business as may properly be brought before the Meeting or any adjournment thereof.

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Management of the Company is soliciting proxies on the accompanying form of proxy. Shareholders who are unable to attend the Meeting are requested to complete, date, sign and return the enclosed form of proxy so that as large a representation of shareholders as possible may be had at the Meeting. Specific details of the matters being put before the Meeting, in particular with respect to the election of the directors nominated by Management, are set forth in more detail in the accompanying Management Information Circular.

A copy of the Management Information Circular, a Supplemental Mailing List Reply Form, a form of proxy and a return envelope accompany this Notice of Meeting.

The Board of Directors (the "**Board**") has determined that only holders of record of the Common Shares at the close of business on June 26, 2013 will be entitled to vote in respect of the items set out in this Notice of Meeting at the Meeting. The Board has also determined that 2:00 PM, Pacific Time, on August 13, 2013 as the time before which proxies to be used or acted upon at the Meeting or any adjournment thereof shall be deposited with the Company's transfer agent. Failure to properly complete or deposit a proxy may result in its invalidation.

DATED at Edmonton, Alberta, Canada, July 19, 2013.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "Robert T. Foster"
Dr. Robert T. Foster
President and Chief Executive Officer

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MANAGEMENT INFORMATION CIRCULAR

FORWARD-LOOKING STATEMENTS

This Information Circular contains forward looking statements that are based on beliefs of the management of Isotechnika Pharma Inc. (the "**Company**") as well as assumptions made by and information currently available to the Company. When used in this Information Circular, the words "estimate", "project", "believe", "anticipate", "intend", "expect", "plan", "predict", "may", "should", "will", the negative thereof or other variations thereon or comparable terminology are intended to identify forward looking statements.

Forward-looking information in this Information Circular includes, but is not limited to:

- statements related to the completion of the Arrangement, the First Unit Offering and the Second Unit Offering and the events related thereto and contingent thereon;
- information with respect to the Company's future financial and operating performance and that of the Company's affiliates and subsidiaries;
- future development activities, and the costs and timing of those activities;
- timing and receipt of approvals, consents and permits under applicable legislation;
- the Company's assessment of potential market factors;
- adequacy of financial resources;
- forward-looking information attributed to third party industry sources; and
- statements related to expected executive compensation.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. The Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable. Assumptions have been made regarding, among other things: the ability to create synergies between the Company and Aurinia Pharmaceuticals Inc. ("**Aurinia**"), the timely receipt of required approvals, the Company's ability to operate in an efficient and effective manner and the Company's ability to obtain financing as and when required and on reasonable terms. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond the control of the Company that could influence actual results include, but are not limited to: the failure to consummate the Arrangement, First Unit Offering or Second Unit Offering, operating losses and future capital needs, reliance on short term financing, risks associated with the Company's evolving business model, development and acceptance of new products, managing growth, dependence on key personnel, dependence on key customers and suppliers, infringing intellectual property rights of third parties, dependence on intellectual property, dependence on third party manufacturers, design defects, errors or "bugs", competition, price volatility of public stock, control of significant shareholders, conflicts of interest, dividends, compliance with government regulation, tax risks, geopolitical risks, and other factors beyond the control of the Company.

Our forward-looking statements are based on the reasonable beliefs, expectations and opinions of management on the date of this Information Circular. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except as, and to the extent required by, applicable securities laws.

PART 1
VOTING INFORMATION

This information circular is furnished in connection with the solicitation by the management of the Company of proxies to be voted at the Annual and Special Meeting of Shareholders of the Company (the "**Meeting**"), to be held at 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia, on August 15, 2013, at 2:00 PM, Pacific Time, for the purposes set forth in the accompanying Notice of Meeting, and at any adjournment thereof. Except as otherwise stated, the information contained herein is given as at June 26, 2013, and all dollar amounts and references to $ or to CDN$ are to Canadian dollars, unless otherwise indicated.

1.1. SOLICITATION OF PROXIES

The enclosed proxy is being solicited by the management of the Company and the expenses of solicitation of proxies will be borne by the Company. The solicitation will be made primarily by mail; however, officers and regular employees of the Company may also solicit proxies by telephone, telecopier, electronic mail or in person.

1.2 APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors or officers of the Company. Each shareholder is entitled to appoint any other person to represent him at the Meeting, and at any adjournment thereof.

A shareholder desiring to appoint another person (who need not be a shareholder) to represent him at the Meeting, and at any adjournment thereof, may do so either by striking out the names of the management nominees set forth in the form of proxy and inserting such person's name therein or by completing another proper form of proxy and, in either case, sending the completed proxy in the enclosed reply envelope for delivery before the Meeting, or any adjournment thereof, or by depositing such proxy with the Chairman on the day of the Meeting, at the Meeting or any adjournment thereof.

A shareholder giving a proxy pursuant to this solicitation may revoke any such proxy by an instrument in writing executed by the shareholder or by his attorney duly authorized in writing, or if the shareholder is a corporation, executed under its corporate seal or by an officer or attorney duly authorized in writing, and deposited with the Company, c/o Computershare Investor Services Inc., Attention: Proxy Department, 100 University Avenue, 9th Floor, North Tower, Toronto, Ontario M5J 2Y1, at any time up to and including the close of business two business days preceding the day of the Meeting, or any adjournment thereof, or with the Chairman on the day of the Meeting, at the Meeting or any adjournment thereof, before any vote is cast under the proxy's authority.

1.3 REGISTERED SHAREHOLDERS

Holders of common shares of the Company (the "**Common Shares**") listed as shareholders at the close of business on June 26, 2013 will be entitled to vote at the Meeting, or any adjournment thereof, either in person or by proxy, in respect of all matters which may properly come before the Meeting, or any adjournment thereof.

1.4 NON-REGISTERED SHAREHOLDERS

The names of the shareholders whose shares are held in the name of a broker or another intermediary will not appear on the list of shareholders of the Company. If you are not a registered shareholder of the Company, in order to vote you must a) obtain the material relating to the Meeting from your broker or other intermediary; b) complete the request for voting instructions sent to you by the broker or other intermediary; and c) follow the directions of the broker or other intermediary with respect to voting procedures.

In accordance with National Instrument 54-101 adopted by the Canadian Securities Administrators (the "**CSA**") entitled "*Communications with Beneficial Owners of Securities of a Reporting Issuer*" ("**NI 54-101**"), the Company is distributing copies of the material related to the Meeting to clearing agencies and intermediaries for distribution to non-registered holders. Such agencies and intermediaries must forward the material related to the Meeting to non-registered holders and often use a service company (such as Broadridge Financial Solutions in Canada) to permit you, if you are not a registered shareholder, to direct the voting of the Common Shares which you beneficially own. If you are a non-registered shareholder of the Company, you may revoke voting instructions which have been given to an intermediary at any time by written notice to the intermediary. If you are a non-registered shareholder of the Company, you should submit your voting instructions to your intermediary or broker in sufficient time to ensure that your votes are received, from your intermediary or broker, by Computershare Investor Services Inc. on behalf of the Company, as set forth under the heading "*Appointment and Revocation of Proxies*".

Management of the Company does not intend to pay for intermediaries to forward the meeting materials to objecting beneficial owners under NI 54-101 and any such objecting beneficial holder will not receive the meeting materials unless the objecting beneficial holder's intermediary assumes the cost of delivery.

1.5 DESCRIPTION OF THE COMPANY

The Company is organized pursuant to the provisions of the *Business Corporations Act* (Alberta) (the "**ABCA**").

1.6 VOTING OF PROXIES

The persons named in the enclosed form of proxy will vote or withhold from voting the Common Shares in respect of which they are appointed in accordance with the directions of the shareholders appointing them.

In the absence of such directions, such Common Shares will be voted:

a. **FOR** the election as directors of those persons hereinafter named as management's nominees;

b. **FOR** the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Company and the authorization of the Audit Committee to fix the auditors' remuneration;

c. **FOR** the approval of the up to 44,445,000 warrants issued or to be issued in connection with the First Unit Offering and the securities underlying such warrants by way of ordinary resolution as set forth and described in the Section entitled "*The First Unit Offering*";

d. **FOR** the approval of the up to 133,333,332 Second Units and the securities underlying the warrants comprising the Second Units to be issued with the Second Unit Offering by way of ordinary resolution as set forth and described in the Section entitled "*The Second Unit Offering*";

e. **FOR** the approval of the issuance of up to 300,000,000 common shares of the Company in connection with the proposed statutory arrangement (the "**Arrangement**") under Section 288 of the *Business Corporations Act* (British Columbia) (the "**BCBCA**") involving Aurinia and ILJIN Life Science Co. Ltd. ("**ILJIN**") pursuant to which the Company will acquire all of the issued and outstanding securities of Aurinia, by way of ordinary resolution as set forth and described in the Section entitled "*The Share Issuance Resolution*";

f. **FOR** the approval of the amendments to the constating documents of the Company to change its name from "Isotechnika Pharma Inc." to "Aurinia Pharmaceuticals Inc." and to adopt an advance notice policy in the by-laws of the Company as set forth and described in the Section entitled "*Amendments to Constating Documents*";

g. **FOR** the approval of a share consolidation of the Company on a 50:1 basis as set forth and described in the Section entitled "*The Share Consolidation*";

h. **FOR** setting the size of the board of directs at seven, conditional on the closing of the Arrangement; and

i. **FOR** the election as directors of those persons hereinafter named as management's nominees, conditional on the closing of the Arrangement.

All matters to be voted upon at the Meeting will be decided by a majority of the votes cast by the shareholders entitled to vote thereon, other than the resolution to approve the amendments to the constating documents of the Company and the resolution to approve the share consolidation, which will each require a special majority of 66 2/3% of the votes cast at the Meeting in order to be approved. In addition, the Share Issuance Resolution will require the approval of a majority of the shareholders of the Company, other than ILJIN, for what is referred to as a majority-of-the-minority vote.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the accompanying Notice of the Meeting or with respect to such other matters as may properly come before the Meeting, or any adjournment thereof. At the date hereof, management of the Company knows of no such amendments, variations or other matters to be presented for action at the Meeting, or any adjournment thereof. However, if any other matters which are not now known to management should properly come before the Meeting, or any adjournment thereof, the persons named in the enclosed form of proxy will vote on such matters in accordance with their best judgment.

1.7 VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Company is authorized to issue an unlimited number of Common Shares without nominal or par value. As at June 26, 2013 there were 215,526,804 Common Shares issued and outstanding as fully paid and non-assessable, each carrying the right to one vote per Common Share. To the knowledge of the directors and officers of the Company, as at June 26, 2013, no person beneficially owned, directly or indirectly, or exercised control or direction over, shares of the Company carrying 10% or more of the voting rights attached to all outstanding voting shares of the Company, except as follows:

Name	Number of Common Shares	Percentage of Class
3SBio, Inc.	30,734,877	14.26%
ILJIN Life Science Co. Ltd.	28,444,444	13.20%

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PART 2
BUSINESS OF THE MEETING

2.1 ELECTION OF DIRECTORS PRE-ACQUISITION

The term of office of each of the present directors expires at the Meeting. The persons named below will be presented for election at the Meeting as management's nominees. The board of directors of the Company (the "**Board**") recommends that shareholders vote for the election of the nominees whose names are set forth below. **The persons named in the enclosed form of proxy intend to cast the votes to which the Common Shares represented by such proxy are entitled FOR the election of the nominees whose names are set forth below unless otherwise directed by the shareholders appointing them.**

Management does not contemplate that any of the nominees will be unable to serve as a director, but, if that should occur for any reason at or prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their discretion, unless instructions have been received from a particular shareholder to withhold its shares from voting with respect to the election of directors. Each director elected will hold office until the earlier of: (i) the closing of the Arrangement; and (ii) the next annual meeting of shareholders or until his successor is duly elected, unless his office is earlier vacated in accordance with the Bylaws of the Company. All of the four (4) persons named in the table below are now members of the Board and have been during the period indicated.

The following table states the names of all of the persons proposed by management to be nominated for election as directors, their municipality, province or state and country of residence, their age, their principal occupation, their position in the Company (if any), the period during which each proposed nominee has served as a director and the number of Common Shares beneficially owned, directly or indirectly, by each of them or over which they exercise control or direction.

Name and Municipality of Residence	Age (at June 26, 2013)	Principal Occupation for Five Preceding Years	Office	Period During Which Served as a Director	Number of Common Shares Beneficially Owned, Controlled or Directed
Peter Wijngaard (1)(2) *Basel, Switzerland*	50	February 2011 to present – Vice President, Innovation Leader Research & Development, The Medicines Company (Schweiz) GmbH, a global pharmaceutical company; prior thereto Senior Director Medical Affairs at ViroPharma Inc. and Global Alliance Director in Transplantation at Hoffman-La Roche.	Director, Chairman of the Board since January 4, 2012	Since February 2011	1,255,000
Robert T. Foster *Edmonton, Alberta, Canada*	55	President and CEO of the Company since January 4, 2012; Chairman and CEO of the Company from July 28, 2011 to January 4, 2012; President and CEO of the Company from January 28, 2009 to July 28, 2011; Chairman and CEO of the Company from October 1, 2007 to January 28, 2009.	Director, President and Chief Executive Officer	Since 1993	6,335,710(3)
Prakash Gowd (1)(2) *Toronto, Ontario, Canada*	49	Currently CEO of InDanio Bioscience Inc., a drug discovery and development company and Gowdra Capital, a management consulting and investment analysis firm; July 2006 to May 2008 – Sr. Healthcare Analyst, National Bank Financial; prior thereto Sr. Biotech Analyst, Canaccord Capital.	Director	Since December 2010	725,000
Donald W. Wyatt (1)(2) *Seattle, Washington, USA*	46	From 2009 to present – Principle, The Wyatt Group, LLC, an Intellectual Property Consulting firm; 2005 to 2009 – Vice President of Legal Affairs and Corporate Secretary for Cell Therapeutics, Inc., a biopharmaceutical company.	Director	Since December 2011	—

Notes:

1. Serves on the Audit Committee of the Company.
2. Serves on the Compensation, Corporate Governance and Nominating Committee of the Company.
3. Robert Foster owns 51% of the voting shares of Foster Investments Inc., which holds 4,328,890 Common Shares. The remaining 2,006,820 Common Shares are owned by Dr. Foster personally.

The following are brief biographies for each of the persons proposed by management to be nominated for election as directors:

Peter Wijngaard, Ph.D., Chairman of the Board

Dr. Peter Wijngaard is the Vice President, Innovation Leader Research & Development for The Medicines Company (Schweiz) GmbH. Prior to this he served as the Senior Director Medical Affairs at ViroPharma Incorporated, and as the Global Alliance Director, Life Cycle Leader in Transplantation, International Medical Manager in Transplantation, and Country Medical Manager Transplantation at Hoffmann-La Roche. He brings extensive experience in the areas of Global Project Leadership, Business Development, Medical Affairs, and Pharmaceutical Marketing. Dr. Wijngaard has a B.Sc. in Clinical Chemistry, and his PhD in Transplantation Immunology from Utrecht University examining the immunological aspects of human heart transplantation. He conducted his Postdoctoral Fellowships at Pharmacia Diagnostics, Inselspital Bern, and Sandoz. He has published extensively in the area of transplant immunology and immunosuppression, with emphasis on the use of mycophenolate mofetil (CellCept ®). From 2005 to 2008, Dr. Wijngaard was a member of the Board of Trustees of the Roche Organ Transplant Research Foundation, which supports important and innovative clinically oriented research projects in organ transplantation. During his tenure, the Foundation managed a total of 67.5 million Swiss Francs donated by F. Hoffmann-La Roche Ltd.

Robert T. Foster, B.Sc. (Pharm.), M.Pharm, Ph.D., President and Chief Executive Officer

Dr. Foster founded the Company and has been an officer and director of the Company since 1993. Dr. Foster was an Associate Professor (clinical pharmacokinetics) in the Faculty of Pharmacy and Pharmaceutical Sciences at the University of Alberta until December 1997. From 1990 to 1994, Dr. Foster was Medical Staff, Scientific and Research Associate in the Department of Laboratory Medicine at the Walter C. MacKenzie Health Sciences Centre. He has published approximately 150 papers and abstracts focused on drug analysis and development. Dr. Foster has received numerous awards for both pharmaceutical research and teaching. Dr. Foster has served on the Alberta Science and Research Authority Technology Commercialization Task Force, was a member of the Board of Management for the Alberta Research and Science Authority, has served as Division Chairman of Pharmacy Practice at the University of Alberta and has acted as a consultant with many pharmaceutical companies. He also served as a board member of BioAlberta, on the Alberta Premier's Advisory Council on Health, and as a member of the Board of Management of the Alberta Economic Development Authority. Dr. Foster is named as an inventor on a total of 242 patents, of which 216 are currently active and granted, 5 additional patents have been allowed and 21 remaining patents that are pending.

Prakash Gowd, B.Sc. (Pharm), MBA

Prakash Gowd has extensive experience in the healthcare and investment fields attained over the last 20 years. He is currently CEO of InDanio Bioscience, a drug discovery and development company with a novel screening platform focused on molecules that target nuclear receptors. He is also President of Gowdra Capital, a life sciences management consulting and investment analysis firm. Mr. Gowd spent eight years as a respected Healthcare Equity Research Analyst with an exemplary track record at National Bank Financial and Canaccord Capital. As an investment professional, he conducted comprehensive company and industry analysis in the biotech, drug development, medical device, and pharmaceutical sectors, then communicated investment recommendations to institutional and retail clients in North America and Europe, and assisted in financing numerous life sciences companies. His experience in the capital markets is balanced by a strong foundation in the pharmaceutical industry, where Mr. Gowd specialized at GSK in market research, marketing and new product development. His consulting work has helped pharma and health sciences companies design, execute and evaluate their drug development and marketing initiatives. Prakash Gowd holds an MBA from McGill University, and a Pharmacy degree from the University of British Columbia.

Donald W. Wyatt, B.S., M.I.P., J.D.

Donald Wyatt has over 20 years of experience in the pharmaceutical industry, including research and legal representation. He has worked in research in large pharmaceutical companies, as an attorney in a law firm, and as in-house patent and general legal counsel. Mr. Wyatt is founder of The Wyatt Group, a consulting firm serving companies worldwide in strategic transactions, relationships and intellectual property strategies. Donald Wyatt was appointed to the Board on December 7, 2011 as the nominee of 3SBio, Inc. ("**3SBio**") pursuant to the terms of a Development, Distribution and License Agreement among the Company and 3SBio dated August 6, 2010.

2.1.1 Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the directors and officers of the Company, no proposed director of the Company:

(a) is, as at the date of this proxy circular, or has been, within 10 years before the date of this proxy circular, a director, chief executive officer or chief financial officer of any company, that:

(i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer that was in effect for a period of more than 30 consecutive days; or

(ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer that was in effect for a period of more than 30 consecutive days; or

(b) is, as at the date of this proxy circular, or has been within 10 years before the date of this proxy circular, a director or executive officer of any company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

(c) has, within the 10 years before the date of this proxy circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or

(d) has been subject to:

(i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

2.1.2 Directors' Attendance at Board and Committee Meetings

The following table sets forth the number of meetings held by the Board and each of its Committees during the fiscal year ended December 31, 2012, and the attendance of each director (in the case of Committees of the Board, the attendance of each member of such Committees) at those meetings.

Director	Board	Audit	Compensation, Corporate Governance & Nominating
Dr. Robert Foster	15 of 15	N/A	N/A
Donald W. Wyatt	15 of 15	4 of 4	3 of 3
Prakash Gowd	15 of 15	4 of 4	2 of 2
Peter Wijngaard	14 of 15	4 of 4	3 of 3
Heung-Joon Yang(1)	2 of 2(1)	N/A	N/A
Daniel S. Park(1)	1 of 1(1)	N/A	N/A
Woo Young Choi(1)	1 of 1(1)	N/A	0 of 1
Attendance Rate:	**98%**	**100%**	**89%**

Note:

1. At the first Board meeting held in 2012, due to the conflict of interest existing between ILJIN and the Company, Daniel Park, Woo Young Choi and Heung-Joon Yang, as nominees of ILJIN, were sequestered from future Board meetings. These Board members were not re-elected at the Annual General Meeting held on June 28, 2012.

2.1.3 Other Board Memberships

In respect of the fiscal year ended December 31, 2012, none of the directors of the Company acted as directors for other reporting issuers.

2.1.4 Directors' and Officers' Insurance and Indemnity Agreements

The Company provides insurance for the benefit of its directors and officers against liability incurred by them in these capacities. The current aggregate policy limit is $5,000,000 (2012 - $10,000,000), the first $250,000 of certain claims being deductible and payable by the Company. The premium is $37,500 for the twelve-month term ending December 31, 2013 ($56,000 for the twelve-month term ending December 31, 2012). This premium, which has not been specifically allocated between directors as a group and officers as a group, was paid entirely by the Company. The Company has also entered into indemnity agreements with the directors and officers of the Company to provide certain indemnification to such directors and senior officers.

2.2 PRESENTATION OF FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The audited consolidated financial statements of the Company, the report of the auditors thereon, and management's discussion and analysis thereof for the financial year ended December 31, 2012 will be tabled at the Meeting, but the approval of the shareholders in respect thereto is not required.

2.3 AUDITORS OF THE COMPANY

The Board recommends that shareholders vote for the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Company and the authorization of the Audit Committee to fix the auditors' remuneration. **The persons named in the enclosed form of proxy intend to cast the votes to which the Common Shares represented by such proxy are entitled FOR the reappointment of PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Company for the term expiring with the next annual meeting of shareholders, and to authorize the Audit Committee to fix their remuneration, unless otherwise directed by the shareholders appointing them.** PricewaterhouseCoopers LLP were the auditors for the predecessor corporation, Isotechnika Inc., since 1996 and became the auditors for the Company on June 18, 2009.

The aggregate fees recorded for professional services rendered by PricewaterhouseCoopers LLP for the Company for the years ended December 31, 2012 and 2011, respectively, are as follows:

Fiscal year ended	2012	2011
Audit fees (for audit of the Company's annual financial statements, and services provided in connection with statutory and regulatory filings)(1)	$24,893	$ 73,498
Audit related fees (2)	$15,645	$ 79,275
Tax fees (Tax compliance, tax advice and planning) (3)	$ 5,145	$ 8,158
All other fees (4)	$ 1,260	—
Total fees	**$46,943**	**$160,931**

Notes:

(1) These fees include professional services provided by the external auditor for the statutory audits of the annual financial statements.
(2) These fees relate to consulting on financial accounting and reporting standards and issues and performing review engagement services on the Company's quarterly financial statements.
(3) These fees include professional services for tax compliance, tax advice, tax planning and advisory services relating to the preparation of corporate tax, capital tax and commodity tax returns.
(4) These fees include professional services regarding reporting requirements for a potential United States-based financing.

2.4 THE FIRST UNIT OFFERING

2.4.1 The Financing Structure

The Company has recently found itself in a difficult financial position, and accordingly has recently undergone substantial efforts to secure financing to fund its ongoing operations, as well as to consolidate its business structure within one entity. The results of those efforts are described in this information circular, and involve multiple steps, including: (i) a private placement of units

(each, a "**First Unit**", comprised of one Common Share and one common share purchase warrant (a "**First Offering Warrant**")) (the "**First Unit Offering**") (described below); (ii) a private placement of units (each a "**Second Unit**"), comprised of one Share and one-half of a common share purchase warrant (the "**Second Offering Warrant**") (the "**Second Unit Offering**") (described under "The Second Unit Offering"); and (iii) the Arrangement (described under "The Share Issuance Resolution"). Each whole First Offering Warrant is exercisable five years from the date of issuance to obtain one Common Share for $0.05, while each whole Second Offering Warrant is exercisable three years from the date of issuance to obtain one Common Share for $0.05.

The Company will use the proceeds from these financings for its general corporate purposes, including funding outstanding obligations, and ongoing research and development of voclosporin for the lupus nephritis indication (see further under "The Share Issuance Resolution – Reasons for the Arrangement").

As a result of the rules and policies of the Toronto Stock Exchange, shareholder approval is required, in one aspect or another, for each of these steps. The Company has engaged Canaccord Genuity Corp. (the "**Agent**"), on a commercially reasonable efforts basis, to assist in it completing the First Unit Offering and the Second Unit Offering, including through the sale of the securities comprising such offerings.

Management of the Company is of the opinion that if the First Unit Offering and the Second Unit Offering are not approved and completed, as applicable, the ability of the Company to continue operating as a going concern will be in jeopardy. Each of the above-mentioned steps is considered vital to the ongoing business and operations of the Company. Management of the Company and the Board therefore recommend that shareholders vote in favour of the First Offering Approval Resolution, the Second Offering Approval Resolution and the Share Issuance Resolution to give effect to these steps.

A step-by-step table setting out the maximum securities issuable in each step of the financing structure is set out below.

Step	Maximum Common Shares Issuable (% of issued and outstanding as of June 25, 2013)	Maximum Securities Issuable Convertible into Common Shares (% of issued and outstanding as of June 25, 2013)	Total Common Shares Outstanding
Prior to First Unit Offering on June 25, 2013	—	—	192,871,249 (227,915,916 on a fully-diluted basis)
First Unit Offering	44,445,000 (23.04%)	44,445,000 First Offering Warrants (23.04%) 2,488,928 Broker Warrants (1.29%)	237,316,249 (319,294,844 on a fully diluted basis)
Arrangement	299,200,000 (155.13%)	800,000 Replacement Warrants (0.41%)	536,516,249 (619,294,844 on a fully-diluted basis)
Second Unit Offering	133,333,332 (69.13%)	66,666,666 Second Offering Warrants (34.57%) 9,333,333 Broker Warrants (4.84%)	669,849,581 (828,628,175 on a fully-diluted basis)
Total	**476,978,332 (247.30%)**	**123,733,927 (64.15%)**	**—**

Following the First Unit Offering, the Arrangement and the Second Unit Offering, and assuming the maximum number of shares issuable in each transaction are issued as a whole and to ILJIN, it is anticipated that ILJIN will hold up to 187,141,594 Common Shares, representing approximately 27.93% of the issued and outstanding Common Shares on a non-diluted basis, and ILJIN will also hold an additional 4,444,444 First Offering Warrants and up to 22,222,222 Second Offering Warrants, or, in the aggregate, up to 25.80% of the issued and outstanding Common Shares on a fully-diluted basis. ILJIN's described holdings of the Company are comprised of 24,000,000 Common Shares held prior to June 25, 2013, 4,444,444 First Units (comprised of 4,444,444 Common Shares and 4,444,444 First Offering Warrants), up to 44,444,444 Second Units (comprised of 44,444,444 Common Shares and 22,222,222 Second Offering Warrants) and 114,252,706 Common Shares being issued pursuant to the Arrangement. It is the intention of the Company and ILJIN that ILJIN will hold 25% of the Common Shares on a fully-diluted basis upon completion of the First Unit Offering, the Arrangement and the Second Unit Offering. On a step-by-step basis:

1. ILJIN was issued 4,444,444 First Units (comprised of 4,444,444 Common Shares and 4,444,444 First Offering Warrants), which in the aggregate represent (assuming exercise of the First Offering Warrants) 4.6% of the issued and outstanding Common Shares as of June 25, 2013;

2. ILJIN is expected to be issued 114,252,706 Common Shares pursuant to the Arrangement, which represent 59.2% of the issued and outstanding Common Shares as of June 25, 2013;

3. ILJIN may be issued up to 44,444,444 Second Units (comprised of 44,444,444 Common Shares and 22,222,222 Second Offering Warrants), which in the aggregate represent (assuming exercise of the Second Offering Warrants) 34.6% of the issued and outstanding Common Shares as of June 25, 2013,

and, in sum, in connection with the First Unit Offering, the Arrangement, and the Second Unit Offering, ILJIN would be issued up to 189,808,261 Common Shares (assuming exercise of the First Offering Warrants and Second Offering Warrants), which in the aggregate represent 98.4% of the issued and outstanding Common Shares as of June 25, 2013. Combined with its holdings as of June 25, 2013, this would represent an aggregate of 213,808,261 Common Shares, or 110.9% of the issued and outstanding Common Shares as of June 25, 2013.

Based on the same assumptions as in the previous paragraph, there will be no other holders of greater than 10% of the issued and outstanding Common Shares following the First Unit Offering, the Arrangement and the Second Unit Offering and the directors and officers of the combined entity will hold, as a group, less than 13% of the then issued Common Shares, with Richard Glickman holding approximately 5.49%, Michael Martin holding approximately 4.83% and Robert Foster holding approximately 0.95%, on a non-diluted basis.

2.4.2 The First Unit Financing

The first of these matters is the First Unit Offering, pursuant to which up to a maximum of 44,445,000 First Units may be issued in one or more closings on the basis of $0.045 per First Unit. Each First Unit is comprised of one Common Share and one First Offering Warrant, with each First Offering Warrant exercisable for one Common Share at a price of $0.05 per Common Share for a period of five years from their respective date of issuance. If all First Offering Warrants were exercised, a total of 44,445,000 additional Common Shares would be issued. If all First Units were issued, they would represent 23.04% of the Company's issued and outstanding Common Shares as of June 25, 2013, or 27.84% on a fully-diluted basis. The First Unit Offering had a first closing on June 26, 2013, and 22,655,555 First Units were sold at that time. As the aggregate number of Common Shares available to be issued in the First Unit Offering, being 44,445,000, is less than 25% of the Company's issued and outstanding Common Shares immediately prior to the closing of the First Unit Offering, shareholder approval is not being sought for the issuance of the Common Shares in the First Unit Offering. However, the rules and policies of the TSX required that shareholder approval be obtained for the issuance of the First Offering Warrants and the securities underlying the First Offering Warrants in connection with the First Unit Offering, as the total number of securities to be issued in the First Unit Offering is greater than 25% of the Company's issued and outstanding Common Shares immediately prior to the First Unit Offering. Accordingly, the First Offering Warrants are not exercisable until shareholder approval has been obtained. If approval of the shareholders of the Company is not obtained by September 15, 2013, the First Offering Warrants will automatically expire.

ILJIN, an insider of the Company, and Dr. Richard Glickman a director and shareholder of Aurinia, participated in the First Unit Offering by cancelling their respective promissory notes issued by the Company in the amount of $200,000 each. Each of ILJIN and Dr. Glickman was issued 4,444,444 First Units from the First Unit Offering, each comprised of 4,444,444 Common Shares and 4,444,444 First Offering Warrants. ILJIN currently holds 28,444,444 Common Shares (13.20% on a non-diluted basis) and 4,444,444 First Offering Warrants (12.00% of the Common Shares on a fully diluted basis). Dr. Glickman holds 4,444,444 Common Shares (2.06% on a non-diluted basis) and 4,444,444 First Offering Warrants (3.24% of the Common Shares on a fully-diluted basis).

The Company is seeking the approval of the shareholders of the Company for the issuance of the First Offering Warrants in the First Unit Offering, as well as the securities underlying such First Offering Warrants.

In connection with the First Unit Offering, the Company agreed to pay the Agent a cash commission of 7% of the gross proceeds from the First Unit Offering and common share purchase warrants ("**Broker Warrants**") equal to 7% of the First Units sold. Each Broker Warrant issued in the First Unit Offering is exercisable five years from the date of issuance to obtain one Share for $0.045. In connection with the first closing of the First Unit Offering, the Company issued 936,666 Broker Warrants to the Agent. The subscription by ILJIN and Dr. Glickman were not included in the First Units on which the commission or Broker Warrants were payable. If all the First Units were issued, a total of 2,488,928 Broker Warrants would be issued (including the 936,666 Broker Warrants currently issued).

There will not be a material effect on control of the Company as a result of the First Unit Offering.

The First Unit Offering is for gross proceeds of up to $2,000,025. The Company will use the proceeds from the First Unit Offering to repay certain of its accounts payable, for matters in connection with the Arrangement, and for general corporate purposes. Completion of the First Unit Offering is not subject to the completion of any other transaction described in this Information Circular.

The Board recommends that shareholders vote in favour of the approval of the issuance of the First Offering Warrants and the securities underlying such First Offering Warrants. Any Shares issued pursuant to the First Unit Offering will not be permitted to be voted on the First Offering Approval Resolution. The full text of the proposed form of First Offering Approval Resolution is set out in Appendix C hereto.

The persons named in the enclosed form of proxy intend to cast the votes to which the Common Shares represented by such proxy are entitled FOR the approval of the First Offering Approval Resolution, unless otherwise directed by the shareholders appointing them.

2.5 THE SECOND UNIT OFFERING

While the Company believes that the First Unit Offering described above will provide the Company with sufficient funding to continue its business in the ordinary course for a limited period of time following the closing of the Arrangement, management is of the view that additional funding will be required to fund the Company's operations on a go-forward basis. Accordingly, the Company is proposing to conduct the Second Unit Offering as an additional step of the financing process described in "The First Unit Offering – The Financing Structure". The timing for the closing of the Second Unit Offering has not been specified, and while it is intended to close following the completion of the Arrangement, it may take place before or after the Share Consolidation described below. Accordingly, the exact number of shares to be issued may vary but the aggregate proceeds and percentage ownership will remain constant.

The Second Unit Offering will be comprised of up to 133,333,332 Second Units. Each Second Unit will be sold for $0.045, meaning that the Company will receive gross proceeds of up to $6,000,000. Each Second Unit is comprised of one Common Share and one-half of a whole Second Offering Warrant. Each whole Second Offering Warrant is exercisable three years from the date of issuance to obtain one Common Share for $0.05. If all Second Offering Warrants were exercised, a total of 66,666,666 additional Common Shares would be issued. As the number of Common Shares issuable pursuant to the Arrangement cannot be finally determined at this time, it is not possible to provide the exact proportion of the Company's Common Shares that would be represented by the Second Units. However, the maximum issuable Second Units represent 69.13% of the Company's Common Shares on a non-diluted basis and 87.75% of the Company's Common Shares on a fully-diluted basis as of June 25, 2013.

It is intended that ILJIN will participate in the Second Unit Offering for up to a maximum of 44,444,444 Second Units (or $2,000,000), representing 44,444,444 Common Shares and 22,222,222 Second Offering Warrants. ILJIN's participation in the Second Unit Offering would be solely to maintain a minimum of a 25% interest in the Corporation following the completion of the Second Unit Offering. In the last six months, ILJIN was previously issued 4,444,444 First Units in the closing of the first tranche of the First Unit Offering on June 26, 2013, and currently holds 28,444,444 Common Shares (13.20% on a non-diluted basis) and 4,444,444 First Offering Warrants (12.00% of the Common Shares on a fully diluted basis). ILJIN's maximum allowable Common Share participation in the Second Unit Offering would represent 23.04% of the Company's Common Shares on June 25, 2013 (the day immediately before the closing of the first tranche of the First Unit Offering), and an additional 11.52% with respect to the Common Shares issuable upon the due exercise of the Second Offering Warrants. Due to its status as an insider of the Company and the level of anticipated participation in the Second Unit Offering, the rules of the TSX will not permit ILJIN to vote any of its securities with respect to the Second Offering Approval Resolution.

The Company will use the proceeds from the Second Unit Offering for its general corporate purposes, including funding outstanding obligations, and ongoing research and development of voclosporin for the lupus nephritis indication (see further under "The Share Issuance Resolution – Reasons for the Arrangement").

For its services in connection with the Second Unit Offering, the Company will pay a cash commission of 7% and will issue to the Agent up to 9,333,333 Broker Warrants (with each Broker Warrant issued in the Second Unit Offering being exercisable three years from the date of issuance), representing 7% of the maximum number of Second Units issuable in the Second Unit Offering. Each Broker Warrant issued in the Second Unit Offering is exercisable three years from the date of issuance to obtain one Share for $0.045.

The Company is seeking shareholder approval for the issuance of the Second Units issued to subscribers and the securities underlying the Second Units pursuant to the requirements of the TSX to obtain shareholder approval for a private placement where greater than 25% of an issuer's issued and outstanding common shares are to be issued., and where an insider is being issued greater than 10% of an issuer's outstanding securities

The Second Unit Offering is subject to approval from the shareholders of the Company at the Meeting and to applicable regulatory approval. There can be no guarantee that the requisite regulatory approvals will be obtained for the Company to be able to proceed with the Second Unit Offering. Completion of the Second Unit Offering is not conditional upon the closing of any other transaction described in this Information Circular; however, if the Arrangement is not approved, the Company does not anticipate that it will be in a position to proceed with the Second Unit Offering.

The Board recommends that shareholders vote in favour of the approval of the issuance of the Second Units, the securities comprising such Second Units, and the Second Units issued to the Agent as a corporate finance fee. The full text of the proposed form of Second Offering Approval Resolution is set out in Appendix C hereto.

The persons named in the enclosed form of proxy intend to cast the votes to which the Common Shares represented by such proxy are entitled FOR the approval of the Second Offering Approval Resolution, unless otherwise directed by the shareholders appointing them.

2.6 THE SHARE ISSUANCE RESOLUTION

At the Meeting, shareholders of the Company will be asked to consider and, if deemed advisable, to pass the Share Issuance Resolution, substantially in the form set out in Appendix C to this Information Circular.

Background to the Arrangement

- On February 5, 2013 the Company announced that it had signed a binding term sheet (the "**Term Sheet**") with Aurinia for the merger of the two companies, creating a clinical development stage pharmaceutical company focused on the global nephrology market. The Term Sheet set forth the main criteria to be incorporated into a definitive merger agreement under which the Company would acquire 100% of the outstanding securities of Aurinia.
- On April 3, 2013, the Company and Aurinia negotiated a tripartite settlement agreement (the "**Settlement Agreement**") with ILJIN pursuant to which, upon the successful completion of the proposed merger, the combined company will re-acquire full rights to voclosporin for autoimmune indications including lupus, and transplantation in the United States, Europe and other regions of the world, outside of Canada, Israel, South Africa, China, Taiwan and Hong Kong. In return, ILJIN would be entitled to receive certain predefined future milestone payments in the aggregate amount of $10 million, plus up to $1.6 million upon the new company reaching certain financing milestones. ILJIN would also own 25% of the issued and outstanding shares of the merged company.
- On May 2, 2013, the Board approved the engagement of Evans & Evans, Inc. ("**Evans**") to provide an opinion (the "**Fairness Opinion**") (the fee for which would not be contingent on the consummation of the Arrangement) to the Board as to the fairness, from a financial point of view, to the Company of the consideration to be paid by the Company under the Arrangement (the "**Arrangement Consideration**"). Following this meeting, the Company entered into an engagement letter with Evans with respect to the Fairness Opinion;
- On June 11, 2013, Isotechnika's legal counsel, Borden Ladner Gervais LLP ("**BLG**") provided Aurinia's legal counsel, Farris Vaughan Wills & Murphy ("**Farris**") with a draft arrangement agreement implementing the arrangement (the "**Arrangement Agreement**"), the terms of which were subsequently negotiated by the parties and their legal counsel;
- On June 26, 2013, Evans delivered to the Board its written opinion dated June 26, 2013, to the effect that, as of that date and based on and subject to various assumptions, matters considered and limitations and qualifications described in its opinion, the Arrangement Consideration to be paid by the Company in the Arrangement was fair, from a financial point of view, to the Company. Following its review with Evans, the Board carefully reviewed, considered and deliberated all aspects of the proposed transaction, including the final drafts of the definitive transaction documents. The Board then unanimously: (i) determined that entering into the Arrangement Agreement and, subject to the terms and conditions contained therein, completing the transactions contemplated by the Arrangement Agreement, is in the best interests of the Company; (ii) approved the negotiation of the final terms of the Arrangement Agreement and, upon finalization, the execution and delivery of the Arrangement Agreement; and (iii) recommended that the Shareholders of the Company vote in favour of an ordinary resolution to approve the issuance of Shares in connection with the Arrangement.

The Arrangement Agreement is not yet finalized, but is expected to be completed on substantially the terms described in this information circular. If any material changes are made to the Arrangement Agreement, the Company will issue a press release describing such changes in advance of the Meeting.

The Arrangement

The Arrangement is intended to implement the terms of the Settlement Agreement. In accordance with the terms of the Settlement Agreement, the Company will issue such number of Shares to ILJIN from treasury such that upon completion of the Arrangement ILJIN will hold approximately 25% of the issued and outstanding Shares, on a fully diluted basis.

ILJIN is receiving this level of ownership in the Company in exchange for:

(i) returning to the Corporation and terminating:

(a) all of its rights, licenses and obligations under the ILJIN Agreement; and

(b) all other licenses and sublicenses between ILJIN and any of the Corporation, Aurinia or Vifor (International) AG ("**Vifor**"); and

(ii) suspending all of its current or contemplated legal or financial claims against the Corporation, Aurinia or Vifor.

The Company will then acquire all of the issued and outstanding common shares in the capital of Aurinia ("**Aurinia Shares**") at a ratio of Shares for each Aurinia Share held by an Aurinia shareholder such that following the Arrangement the Shares will be owned 35:65 by former Aurinia shareholders and shareholders of the Company (including ILJIN) respectively. The exact number of Common shares to be issued and issuable pursuant to the Arrangement cannot be determined as of the date of this Circular, as the terms of the Arrangement Agreement are that ILJIN is to hold approximately 25% of the Common Shares following the Arrangement and the Second Unit Offering, while the shareholders of Aurinia are to hold approximately 35% of the Common Shares following the Arrangement and the Company's current shareholders are to hold approximately 40% of the Common Shares of the Company, all calculated on a on a fully-diluted basis; however, the maximum number of Shares that management of the Company expects to be issued and issuable pursuant to the Arrangement, and the number of Common Shares that shareholder approval is being sought in respect of, is 300,000,000. This represents 155.54% of the issued and outstanding Common Shares as of June 25, 2013. As of the Record Date, there were 215,526,804 Common Shares outstanding and entitled to vote at the Meeting. For a detailed description of the steps involved in the Arrangement, see below under "The Share Issuance Resolution – Steps in the Plan of Arrangement". As the Arrangement will result in ILJIN holding greater than 20% of the Common Shares, there will be a material effect on the control of the Corporation following the Arrangement.

As a result of the issuance of Common Shares in connection with the Arrangement, the ownership and voting interests of the Company's current shareholders will be diluted relative to their current proportional ownership and voting interest in the Company.

Pursuant to the rules of the TSX, a listed company is generally required to obtain shareholder approval in connection with an acquisition transaction where the number of securities issued or issuable in payment of the purchase price for the acquisition exceeds 25% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the transaction. In addition, shareholder approval is required where greater than 10% of an issuer's securities are being distributed to an insider in connection with a transaction, and where a transaction could result in a material change on the control of the issuer.

As the Arrangement will result in the Company issuing in excess of 25% of the outstanding Shares, more than 10% of the Company's Common Shares will be issued to an Insider (ILJIN), and the Arrangement could result in a material change in the control of Isotechnika (through ILJIN acquiring greater than 20% of the Company's Common Shares), approval of the Share Issuance Resolution by the Company's shareholders is required. It is a condition of the merger with Aurinia that the Share Issuance Resolution be approved by a simple majority (50% plus one vote) of votes cast at the Meeting by the Company's shareholders, present in person or by proxy. In addition, as ILJIN is a related party of the Company, the Share Issuance Resolution must be approved by a majority of the votes cast by the Company's shareholders, other than ILJIN.

The TSX has determined that the Transaction constitutes a backdoor listing and, as a result, the Company must meet the TSX's original listing requirements upon completion of the Transaction to remain listed on the TSX. The TSX has notified the Company that it does not believe the Company will meet the TSX's original listing requirements following the completion of the Transaction and, accordingly, will take steps to delist the Company following the completion of the Transaction. The Company anticipates applying to the TSX Venture Exchange to list the Common Shares on such

exchange following the completion of the Transaction, and has had initial discussions to initiate this process. The Company intends to maintain a constant listing for the Common Shares without a period where the Common Shares are not listed on an exchange; however, there can be no assurance that the Company will be successful in achieving this goal.

The Board recommends that shareholders vote in favour of the Share Issuance Resolution. The full text of the proposed form of Share Issuance Resolution is set out in Appendix C hereto.

The Company has prepared unaudited pro forma financial statements as at March 31, 2013, giving effect to the Arrangement. These unaudited pro forma financial statements are included as Appendix F.

Completion of the Arrangement is not subject to the completion of any other matter described in this Information Circular.

Reasons for the Arrangement

In the course of its evaluation of the Arrangement, the Board consulted with the Company's senior management, legal counsel and financial advisors, reviewed a significant amount of information and considered a number of factors, including, among others, the following:

- ***Creation of a Premier Stage Pharmaceutical Company Focused on the Global Nephrology Market*** – Aurinia is a spin-out from Vifor Pharma, a company which is part of the Switzerland-based Galenica Group ("**Galenica**"). In January 2012, Isotechnika announced that it had granted Vifor an exclusive license for the Company's lead drug, voclosporin, for the treatment of lupus and proteinuric nephrology indications. Aurinia's current leadership team is comprised primarily of former senior managers, directors and officers of Aspreva Pharmaceuticals ("**Aspreva**"), which Galenica acquired for $915 million in 2008. While at Aspreva, this management team executed one of the largest and most important lupus nephritis studies ever conducted, called the Aspreva Lupus Management Study ("**ALMS**"), which resulted in the emergence of mycophenolate mofetil as a new standard treatment for patients suffering from this devastating and potentially fatal disease. Aurinia now holds certain rights to this large ALMS database and holds the license for voclosporin in lupus nephritis. Aurinia's lupus rights and database will be combined in the newly merged company with the transplantation and autoimmune rights, and the database held by the Company, creating a clinical stage pharmaceutical company focused on the global nephrology market.
- ***Consolidation of the Company's Major Asset*** - The Company believes that the consolidation of the intellectual property through the proposed merger and the settlement agreement with ILJIN provides the combined entity with a much higher probability of being able to obtain the necessary funding to continue the development of voclosporin for the lupus indication. Further, the Company will be able to continue to explore strategic global partnership transactions for the transplant indication. Ideally, the Company would advance both transplantation and lupus nephritis to optimize shareholder value. A merged company, having both the lupus nephritis and renal transplantation indications under a single corporate umbrella would, in Management's view, offer the most commercially attractive opportunity for the Company.
- ***Settlement with ILJIN*** – In connection with the proposed merger, the Company and Aurinia have negotiated the Settlement Agreement with ILJIN pursuant to which, upon the successful completion of the Arrangement, the combined company will re-acquire full rights to voclosporin for autoimmune indications including lupus and transplantation in the United States, Europe and other regions of the world, outside of Canada, Israel, South Africa, China, Taiwan and Hong Kong.
- ***Access to Capital*** – As described above, in connection with the Arrangement, the Company intends to raise additional funds to fund the Company's operations through completion of the Arrangement and to fund the Company's new operations upon completion of the Arrangement. The Board believes that, going-forward, the combined entity will present a more attractive investment opportunity with greater access to capital as the Company works to advance both transplantation and lupus nephritis clinical development in order to maximize shareholder value.

In reaching their conclusion and making their recommendations, the Board relied on the information provided by the Company's management and on the advice of its legal and financial advisors. The Board considered numerous other factors to be in favour of the Arrangement including, among others, the following:

- ***Fairness Opinion*** – The financial analysis and Fairness Opinion of Evans, as of June 26, 2013 and based on and subject to various assumptions, matters considered and limitations and qualifications described in such opinion, as to the fairness, from a financial point of view, to the Company of the Arrangement Consideration to be paid by the Company in the Arrangement.

- ***Likelihood of Completion*** – The Arrangement is not subject to unreasonable or extraordinary conditions to completion.
- ***Support of Major Shareholder and Board*** – The Arrangement is supported by ILJIN, a major shareholder of the Company, as well as senior management of the Company, and is unanimously supported on the Board.
- ***Shareholder Approval*** – The Share Issuance Resolution must be approved by a majority of the votes cast in respect thereof by shareholders present in person or represented by proxy at the Meeting, and also by a majority of the votes cast by Shareholders other than ILJIN. The Board believes that the required approval protects the rights of the Company's shareholders.

A number of these anticipated benefits and factors are based on various assumptions and are subject to various risks. See the sections of this Circular entitled "Forward-Looking Statements and Information" and "The Share Issuance Resolution – Risks Associated with the Arrangement".

The Board also considered potential adverse factors associated with the Arrangement including, among others, the following:

- ***Dilution*** – As a result of the issuance of Shares in the Arrangement, existing shareholders will experience a degree of dilution in their ownership of the Company. Upon completion of the Arrangement, it is expected that the current shareholders, former Aurinia shareholders and ILJIN will hold approximately 40%, 35% and 25% of the outstanding Shares, respectively (each on a fully-diluted basis).
- ***Integration Challenges*** – The challenges inherent in the combination of two enterprises and the possible resulting diversion of management attention for an extended period of time as well as the risk that anticipated benefits, long-term as well as short-term, of the transaction for shareholders might not be realized.
- ***Opportunity Costs*** – The investment of management time to the Arrangement may delay or prevent the Company from exploiting other business opportunities that may arise pending completion of the Arrangement.
- ***Risk of Non-Completion*** – The risks and costs to the Company if the Arrangement is not completed, including the adverse effects on the Company's ability to execute other transactions and to continue as a going concern.
- ***Risks in Aurinia's Business*** – The risks involved in the business of Aurinia, particularly with respect to advancing Aurinia's lupus research.

The foregoing summary of the information and factors considered by the Board is not, and is not intended to be, exhaustive. In view of the wide variety of factors and the amount of information considered in connection with its evaluation of the Arrangement, the Board did not find it practicable to, and did not, quantify or otherwise attempt to assign any relative weight to each specific factor considered in reaching their conclusions and recommendations. In addition, individual directors of the Company may have assigned different weights to different factors.

Fairness Opinion

The Board engaged Evans to provide an opinion to the Board as to the fairness, from a financial point of view, to the Company of the Arrangement Consideration to be paid by the Company in the Arrangement.

Evans provided the Board with a written opinion to the effect that, based upon and subject to the various assumptions, limitations and qualifications contained in its written opinion, the Arrangement Consideration to be paid by the Company in the Arrangement was fair, from a financial point of view, to the Company. The Fairness Opinion does not address any other aspect of the Arrangement and no opinion or view was expressed as to the Arrangement, the relative merits of the Arrangement in comparison to any other strategies or transactions that might be available to the Company or in which the Company might engage or as to the underlying business decision of the Company to proceed with or effect the Arrangement.

The full text of the Fairness Opinion, which sets forth, among other things, the assumptions made, information reviewed and matters considered, and limitations and qualifications on the review undertaken in connection with the opinion, is attached to this Circular as Appendix D. The Fairness Opinion is not intended to be and does not constitute a recommendation to any shareholder as to how to vote or act in connection with the Arrangement or otherwise. The Fairness Opinion was only one of a number of

factors taken into consideration by the Board in considering the Arrangement and should not be viewed as determinative of the views of the Board with respect to the Arrangement or the Arrangement Consideration to be paid by the Company in the Arrangement. This summary of the Fairness Opinion is qualified in its entirety by reference to the full text of the Fairness Opinion and the shareholders are urged to read the Fairness Opinion carefully and in its entirety.

The Fairness Opinion was rendered on the basis of securities markets, economic, monetary, general business, financial and other conditions and circumstances prevailing as at the date of the Fairness Opinion and the conditions, prospects, financial and otherwise, of the Company and Aurinia, as applicable, as they are reflected in the information and documents reviewed by Evans and as they were presented to Evans. Subsequent developments may affect the Fairness Opinion. Evans has disclaimed any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion which may come or be brought to the attention of Evans after the date of the Fairness Opinion.

As described above, under the terms of the engagement with Evans, the Company has agreed to pay Evans a fee for rendering the Fairness Opinion, regardless of the conclusions reached therein and regardless of whether the Arrangement is consummated. In addition, the Company agreed to reimburse Evans for its reasonable out-of-pocket expenses in connection with the provision of its services and to indemnify Evans against certain liabilities that may arise out of Evans's engagement.

Evans and its affiliates comprise a full service securities firm engaged in securities, commodities and derivatives trading, foreign exchange and other brokerage activities, and principal investing as well as providing investment banking, asset and investment management, financing and financial advisory services and other commercial services and products to a wide range of companies, governments and individuals. In the ordinary course of their businesses, Evans and its affiliates may invest on a principal basis or on behalf of customers or manage funds that invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions in equity, debt or other securities or financial instruments (including derivatives, bank loans or other obligations) of the Company.

Steps in the Plan of Arrangement

Pursuant to the terms of the plan of arrangement (the "**Plan of Arrangement**"), commencing at the Effective Time, except as otherwise noted herein, the following shall occur without any further act or formality required on the part of any person (with the numbers subject to change depending on the total issued and outstanding Common Shares immediately prior to the Effective Time):

(a) each outstanding Aurinia Warrant which is outstanding and has not been exercised immediately prior to the Effective Time, will be exchanged for a Replacement Warrant to purchase from Isotechnika the number of Isotechnika Shares (rounded down to the nearest whole share) equal to the product of: (i) the Warrant Exchange Ratio multiplied by (ii) the number of Aurinia Shares that such Aurinia Warrant is convertible into immediately prior to the Effective Time. Such Replacement Warrant will provide for an exercise price per Isotechnika Share (rounded up to the nearest whole cent) equal to the quotient of: (x) the exercise price per Aurinia Share, as the case may be, otherwise purchasable pursuant to such Aurinia Warrants immediately prior to the Effective Time; divided by (y) the Warrant Exchange Ratio. The Company expects that 708,717 Replacement Warrants will be issued. The terms and conditions of a Replacement Warrant including the term to expiry, conditions to and manner of exercising, shall be the same as the Aurinia Warrant for which it was exchanged, and each Aurinia Warrant has an exercise price of $0.85 and is exercisable until December 31, 2018; with respect to each Aurinia Warrant, the holder thereof will cease to be the holder of such Aurinia Warrant, and will cease to have any rights as a holder and such holder's name will be removed from the register of Aurinia Warrants;

(b) the one outstanding Class A common share of Aurinia shall be converted into 1,959,382 Aurinia Shares, which shares shall be issued from treasury to the holder of the Class A common share of Aurinia as duly paid and non-assessable shares in the capital of Aurinia, and concomitantly 1,772,309 Aurinia Shares shall be issued from treasury to ILJIN, which shares shall be issued as duly paid and non-assessable shares in the capital of Aurinia;

(c) All Aurinia Shares registered in the name of the Company immediately before the Effective Time (being 751,071 Aurinia Shares) shall be transferred to, and registered in the name of, ILJIN;

(d) 63,582,359 Shares of the Company shall be issued from treasury to ILJIN, which shares shall be issued as duly paid and non-assessable shares in the capital of the Company; and

(e) each outstanding Aurinia Share shall be transferred without any further act or formality by the holder thereof to the Company in exchange for shares of the Corporation (being 197,714,212 common shares of the Corporation for 9,846,140 Aurinia Shares – including 50,670,347 common shares of the Corporation issuable to ILJIN for the Aurinia Shares which it then held).

The currently anticipated number of common shares of the Corporation issuable to ILJIN pursuant to the Transaction is 114,252,706 which, when combined with ILJIN's current holdings of 28,444,444 common shares of the Corporation, totals 142,697,150 common shares of the Corporation, or 26.60% of the common shares of the Corporation, on a non-diluted basis following the Arrangement, assuming the maximum number of Common Shares are issued in the First Unit Offering and in the Arrangement (and prior to the issuance of up to 133,333,332 units of the Corporation to be issued in the Second Unit Offering). The only other securities of the Corporation issued to ILJIN in the past six months are the 4,444,444 Common Shares and 4,444,444 First Offering Warrants that were issued in the First Unit Offering on June 26, 2013. For a detailed listing of all of ILJIN's Common Shares to be issued and issuable pursuant to the various transactions described in this Information Circular, see "The First Unit Offering – The Financing Structure".

Following the receipt of the order of the Supreme Court of British Columbia (the "**Court**") approving the Arrangement, as such order may be amended at any time prior to the Effective Date or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or as amended on appeal (the "**Court Order**") and prior to the Effective Date, the Company shall deliver or arrange to be delivered to the Depositary the Arrangement Consideration, including certificates representing the Shares required to be issued to ILJIN and former Aurinia shareholders in accordance with the Plan of Arrangement, which certificates shall be held by the Depositary as agent and nominee for ILJIN and such former Aurinia shareholders for distribution in accordance with the provisions of the Plan of Arrangement.

In connection with the Arrangement, the Company expects to issue a maximum of 300,000,000 Common Shares (including Common Shares issuable upon the due exercise of Replacement Warrants), based on the number of Aurinia Shares outstanding as at July 19, 2013. **The exact number of Replacement Warrants, Common Shares and Aurinia Shares to be issued in connection with the implementation of the Plan of Arrangement may vary from those described above, depending on the total number of Common Shares Issued and outstanding immediately prior to the Effective Time; however, in no case will more than 300,000,000 Common Shares be Issued or issuable pursuant to the Arrangement (including Common Shares issuable upon exercise of the Replacement Warrants). The intended effect of the Arrangement is such that shareholders of Aurinia are to hold approximately 35% of the Common Shares upon completion of the Arrangement, ILJIN is to hold approximately 25% of the Common Shares upon completion of the Arrangement, and the current shareholders of the Company are to hold approximately 40% of the Common Shares upon completion of the Arrangement.**

Risks associated with the Arrangement

There are risks associated with the Arrangement including: (i) the Company may not obtain the necessary approvals for completion of the Arrangement on satisfactory terms or at all; (ii) the Arrangement Agreement may be terminated in certain circumstances; (iii) the market reaction to the Arrangement and the future trading prices of the Shares cannot be predicted; (iv) there is uncertainty as to whether the Arrangement will have a positive impact on the business or share price of the Company.

The completion of the Arrangement is subject to a number of conditions precedent, certain of which are outside the control of the Company, including the receipt of the Court Order from the Court approving the Arrangement, and the receipt of all required material consents, waivers, permits orders and approvals. There can be no certainty and the Company can provide no assurance that these conditions will be satisfied or, if satisfied, when they will be satisfied.

Arrangement Agreement

A summary of the principal terms of the Arrangement Agreement is provided in this section. This summary does not purport to be complete and the final terms of the Arrangement Agreement may differ from the summarized herein. Any material amendments to the terms of the Arrangement Agreement will be announced by the Company in a press release in advance of the Meeting. The Arrangement Agreement contains covenants, representations and warranties of and from each of the Company, Aurinia and ILJIN and various conditions precedent, both mutual and with respect to each party to the Arrangement Agreement.

Representations, Warranties and Covenants of the Company

The representations and warranties to be given by the Company are customary and appropriate for transactions of this nature in respect of matters pertaining to, among other things, the due execution and delivery of the Arrangement Agreement, constituting a binding obligation enforceable in accordance with its terms, its corporate existence and power, its authority to enter into and to perform its obligations under the Arrangement Agreement, the absence of any bankruptcy proceedings, the absence of litigation matters, its capitalization, its financial statements, its financial books, records and accounts, the absence of any subsidiaries, the non-violation of its constating documents, the non-violation of its contractual and other obligations in respect of its assets, the absence of material changes since December 31, 2012, convertible securities, the absence of any shareholders' rights plan, its compliance with applicable laws, certain tax matters, the absence of any off-the-books accounts, the absence of any undisclosed liabilities, compliance with securities laws, its status as a reporting issuer, its insurance policies, its good and marketable title to or valid leasehold interest in all of its personal property, and brokerage or finder's fees.

The Company covenants to, among other things, take all reasonable steps to obtain all necessary waivers, consents and approvals required to be obtained. The Company covenants and agrees to, among other things, apply for and use commercially reasonable efforts to obtain all regulatory approvals relating to the Company and fulfill all conditions to closing contained in the Arrangement Agreement applicable to the Company.

Representations, Warranties and Covenants of Aurinia

The representations and warranties to be given by Aurinia are customary and appropriate for transactions of this nature in respect of matters pertaining to, among other things, its corporate existence and power, certain of its subsidiaries, the due execution and delivery of the Arrangement Agreement, constituting a binding obligation enforceable in accordance with its terms, its authority to enter into and to perform its obligations under the Arrangement Agreement, the absence of any bankruptcy proceedings, the absence of litigation matters, its capitalization, its financial statements, its financial books, records and accounts, the non-violation of its constating documents, the non-violation of its contractual and other obligations in respect of its assets, the absence of material changes since December 31, 2012, convertible securities, the absence of any shareholders' rights plan, its compliance with applicable laws, certain tax matters, the absence of any off-the-books accounts, the absence of any undisclosed liabilities, its insurance policies, its good and marketable title to or valid leasehold interest in all of its personal property, and brokerage or finder's fees.

The Company covenants to, among other things, take all reasonable steps to obtain all necessary waivers, consents and approvals required to be obtained. The Company covenants and agrees to, among other things, apply for and use commercially reasonable efforts to obtain all regulatory approvals relating to the Company and fulfill all conditions to closing contained in the Arrangement Agreement applicable to the Company.

Representations, Warranties and Covenants of ILJIN

The representations and warranties to be given by ILJIN are appropriate and in-line with transactions of this nature in respect of matters pertaining to, among other things, its corporate existence and power, certain of its subsidiaries, the due execution and delivery of the Arrangement Agreement, constituting a binding obligation enforceable in accordance with its terms, its corporate existence and power, its authority to enter into and to perform its obligations under the Arrangement Agreement, the absence of any bankruptcy proceedings, and the absence of litigation matters.

The Company covenants to, among other things, take all reasonable steps to obtain all necessary waivers, consents and approvals required to be obtained. The Company covenants and agrees to, among other things, apply for and use commercially reasonable efforts to obtain all regulatory approvals relating to the Company and fulfill all conditions to closing contained in the Arrangement Agreement applicable to the Company.

Conditions

The obligations of the Company and Aurinia to consummate the Arrangement are subject to the satisfaction of certain mutual conditions relating to, among other things:

(a) approval of the resolution of Aurinia shareholders approving the Arrangement;

(b) approval of the Share Issuance Resolution at the Meeting;

(c) receipt of the Court Order on terms consistent with the Arrangement Agreement;

(d) TSX approval of the Arrangement and the listing of the new Common Shares to be issued under the Arrangement will have been obtained;

(e) absence of any actions making the Arrangement illegal or prohibiting the Arrangement from taking place and actions which have had or would be reasonably expected to have a material adverse effect; and

(f) receipt of all required regulatory approvals; and

(f) the Arrangement Agreement will not have been terminated.

The obligations of the Company to consummate the Arrangement are subject to the satisfaction of certain conditions relating to, among other things:

(a) the covenants of Aurinia having been performed in all material respects;

(b) all representations and warranties of Aurinia being true and correct in all material respects;

(c) the Aurinia Board will have adopted all necessary resolutions, and all other necessary corporate action will have been taken by Aurinia, to permit the consummation of the Arrangement and any transactions otherwise contemplated hereby;

(d) all consents, waivers, and approvals required to be obtained by Aurinia from a counter-party to a material contract of Aurinia required in connection with, or to permit the consummation of, the Arrangement or any transaction otherwise contemplated hereby, will have been obtained on terms and conditions satisfactory to the Company acting reasonably; and

(e) no material adverse effect on Aurinia.

The obligations of Aurinia to consummate the Arrangement are subject to the satisfaction of certain conditions relating to, among other things:

(a) the covenants of the Company having been performed in all material respects;

(b) all representations and warranties of the Company being true and correct in all material respects;

(c) the Board will have adopted all necessary resolutions, and all other necessary corporate action will have been taken by the Company, to permit the consummation of the Arrangement and any transactions otherwise contemplated hereby;

(d) all consents, waivers, and approvals required to be obtained by the Company from a counter-party to a material contract of the Company required in connection with, or to permit the consummation of, the Arrangement or any transaction otherwise contemplated hereby, will have been obtained on terms and conditions satisfactory to Aurinia acting reasonably;

(e) no material adverse effect on the Company; and

(f) there will not be in force or threatened any order or decree of any governmental entity or other Person that has the effect of ceasing or restricting trading in the Company Shares.

The obligations of ILJIN to consummate the Arrangement are subject to the satisfaction of certain conditions relating to, among other things:

(a) the covenants of the Company and Aurinia having been performed in all material respects;

(b) all representations and warranties of the Company and Aurinia being true and correct in all material respects;

(c) the Board and the Aurinia Board will have adopted all necessary resolutions, and all other necessary corporate action will have been taken by Aurinia, to permit the consummation of the Arrangement and any transactions otherwise contemplated hereby;

(d) all consents, waivers, and approvals required to be obtained by the Company and Aurinia from a counter-party to a material contract of the Company and Aurinia, respectively, required in connection with, or to permit the consummation of, the Arrangement or any transaction otherwise contemplated hereby, will have been obtained on terms and conditions satisfactory to ILJIN acting reasonably; and

(e) no material adverse effect on the Company or Aurinia.

Termination of Arrangement Agreement

The Arrangement Agreement may be terminated at any time prior to the Effective Time (notwithstanding approval of the Share Issuance Resolution by the Company shareholders or of the Arrangement by Aurinia's shareholders in a number of circumstances, including:

- by mutual written agreement of the parties;
- by any of the parties, if:
  - the Effective Time will not have occurred on or before September 30, 2013;
  - after the date of the Arrangement Agreement, a law is enacted that would render completion of the Arrangement illegal;
  - approval of the Arrangement by Aurinia shareholders has not been obtained at the Aurinia Meeting; or
  - approval of the Share Issuance Resolution has not been obtained at the Meeting.
- by Aurinia, if:
  - the Board fails to recommend, or withdraws, amends, modifies or qualifies, in a manner adverse to Aurinia, its recommendation of the Arrangement prior to the Company Meeting, after having been requested in writing by Aurinia to do so; or
  - any of the conditions precedent for the benefit of Aurinia is not satisfied or otherwise waived in accordance with the Arrangement Agreement, or if a breach of any representation or warranty or failure to perform any covenant on the part of the Company has occurred.
- by the Company, if:
  - the Aurinia Board fails to recommend, or withdraws, amends, modifies or qualifies, in a manner adverse to Aurinia, its recommendation of the Aurinia shareholders' resolution prior to the meeting of Aurinia shareholders, after having been requested in writing by the Company to do so; or
  - any of the conditions precedent for the benefit of the Company is not satisfied or otherwise waived in accordance with the Arrangement Agreement, or if a breach of any representation or warranty or failure to perform any covenant on the part of Aurinia has occurred.

If either the Company or Aurinia wishes to terminate the Arrangement Agreement (other than termination by mutual written agreement of the Company and Aurinia), it shall give notice of such termination to the other Party, specifying in reasonable detail the basis for such Party's exercise of its termination right.

If the Arrangement Agreement is terminated, it shall become void and be of no further force or effect without liability of any Party (or any shareholder, director, officer, employee, agent, consultant or representative of such Party) to any other Party hereto, except that the provisions relating to termination, termination fees, notices and governing law and jurisdiction, and all related definitions, shall survive any termination of the Arrangement Agreement.

Termination Fees

In the event that the Arrangement Agreement is terminated, no fees, expenses or other payments shall be payable by either Party to the other.

Approvals

Court Approval of the Arrangement

The Arrangement under the BCBCA requires the approval of the Court.

Although the authority of the Court is very broad under the BCBCA, the Company has been advised by counsel that the Court will consider, among other things, the fairness and reasonableness of the terms and conditions of the Arrangement to the Company Shareholders and the rights and interests of every person affected. The Court may approve the Arrangement as proposed or as amended in any manner as the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit. The Court Order is required for the Arrangement to become effective.

Company Shareholder Approval

The shareholders of the Company must pass the Share Issuance Resolution at the Meeting. The Share Issuance Resolution to be passed by the Company Shareholders authorizes the Board, without further notice or approval of the Company Shareholders to amend the Arrangement, to decide not to proceed with the Arrangement and to revoke said resolution at any time prior to the Arrangement becoming effective under the provisions of the BCBCA.

Aurinia Shareholder Approval

Under the requirements of the BCBCA, the shareholders of Aurinia must pass a resolution with respect to the Arrangement by at least 66 ⅔% of the votes cast by Aurinia shareholders present in person or by proxy at a special meeting of the Aurinia shareholders. The special resolution to be passed by the Aurinia shareholders with respect to the Arrangement authorizes the Aurinia Board, without further notice or approval of the Aurinia shareholders to amend the Arrangement, to decide not to proceed with the Arrangement and to revoke said resolution at any time prior to the Arrangement becoming effective. It is expected that Aurinia Shareholders will pass a resolution in writing pursuant to which 100% of Aurinia's Shareholders will approve the Arrangement.

Regulatory Approval

The Arrangement Agreement provides that receipt of all applicable regulatory approvals is a condition precedent to the Arrangement becoming effective. There is no guarantee that the requisite approvals will be granted on a timely basis or on conditions satisfactory to the Company or Aurinia.

About Aurinia

Corporate Structure

Aurinia is a company incorporated on April 3, 2012 under the *Business Corporations Act* (British Columbia), having a principal office at #1203 – 4464 Markham Street, Victoria, British Columbia, Canada. Aurinia has two wholly-owned subsidiaries, Aurinia Holdings Corp. and Aurinia Development Corp., each formed and existing under the laws of Barbados.

Aurinia's Business

Aurinia's business involves holding intellectual property rights in various medical technologies, including certain rights to the large Aspreva Lupus Management Study (developed by Aspreva, and which resulted in the emergence of mycophenolate mofetil as a new standard treatment for patients suffering from this devastating and potentially fatal disease) and the license for voclosporin in lupus nephritis.

Aurinia has only been in operation since incorporation on April 3, 2012, and has developed its business in that time by acquiring the above intellectual property and negotiating the Arrangement Agreement. Additionally, Aurinia has achieved a number of significant milestones in relation to its development activities in lupus nephritis. An active Investigational New Drug application has been established with the United States Food and Drug Administration and clinical test batches of a unique dose of voclosporin has been established.

Aurinia's Authorized Share Capital

The authorized share capital of Aurinia currently consists of an unlimited number of common shares, one Class A share and an unlimited number of preferred shares. As of the date of this Information Circular, there are 6,079,159 common shares, one Class A share and warrants to acquire 35,294 common shares of Aurinia outstanding.

Aurinia's Directors

The table below sets out information with respect to Aurinia's directors.

Name	Principal Occupation for Five Preceding Years	Office	Period During Which Served as a Director
Philippe Weigerstorfer	Executive Vice-President Vifor, Asia Pacific Region Global Corporate development Galenica AG	Director	Since October 2012
Richard Glickman	Chairman of the Board Aurinia Pharmaceuticals Inc. Chairman of the Board Aspreva Pharmaceuticals Inc. CEO Aspreva pharmaceuticals Inc. CEO StressGen Pharmaceuticals Inc.	Chairman of the Board	Since April 2012
Stafan Wohlfiel	Currently Chief Medical Officer Vifor Pharma AG, formerly Head of research and development Vifor Pharma AG.	Director	Since October 2012
Michael R. Martin	June 2012 to present - COO Aurinia Pharmaceuticals Inc.; prior thereto Director global business development & licensing Vifor Pharma, global marketing Aspreva pharmaceuticals Inc. and Business Unit Manager, Schering-Plough Corp.	Director	Since April 2012
Scott Cormack	CEO Oncogenex Pharmaceuticals	Director	Since October 2012

Aurinia's Legal Proceedings

Aurinia is not party to any material legal proceedings, nor to the best of its knowledge are there any material proceedings threatened or pending.

Aurinia's Material Contracts

Aurinia's only material contract is the Settlement Agreement (and, once the Arrangement Agreement is finalized and executed, the Arrangement Agreement will be a material contract of Aurinia).

Aurinia's Auditors

Aurinia's auditor is KPMG LLP, who have been Aurinia's auditors since incorporation. KPMG LLP's office is in Victoria, British Columbia.

Selected Financial Information of Aurinia

A summary of certain financial information with respect to Aurinia is set out in the table below. This information is derived from the audited financial statements of Aurinia, which are attached as Appendix E. The following information is subject to the full disclosure included in such financial statements.

(in thousands of dollars)	As at December 31, 2012	As at March 31, 2013
Current Assets	$ 268	$ 221
Intangible Assets	$ 1,920	$ 2,448
Total Assets	**$ 2,188**	**$ 2,669**
Current Liabilities	$ 66	$ 548
Shareholder's Equity	$ 2,122	$ 2,121
Total Liabilities and Shareholder's Equity	**$ 2,188**	**$ 2,669**

2.7 AMENDMENTS TO THE CONSTATING DOCUMENTS OF THE COMPANY

At the Meeting, Shareholders will be asked to consider and, if thought advisable, pass a special resolution (the **"Constating Document Amendment Resolution**") approving amendments to the Company's constating documents to: (i) change the Company's name from "Isotechnika Pharma Inc." to "Aurinia Pharmaceuticals Inc."; and (ii) to include an advance notice requirement in respect of director nominations in the Company's constating documents.

Name Change

The Company is proposing to change its name from "Isotechnika Pharma Inc." to "Aurinia Pharmaceuticals Inc." in connection with the Arrangement. The name change is to reflect the change in the Company's business and focus resulting from the acquisition of the assets of Aurinia and the intellectual property from ILJIN in the Arrangement, and to provide notice to the market of a new focus for the Company in the future. Management of the Company is of the view that the Arrangement is an opportune time to rebrand the Company and its business.

Advance Notice Clause

Management of the Company is always striving to be at the top of corporate governance practices. Accordingly, the Company is proposing to amend its articles to include a provision (the "**Advance Notice Clause**") that requires that advance notice to the Company must be provided in circumstances where nominations of persons for election to the board of directors are made by shareholders of the Company other than pursuant to: (i) a "proposal" made in accordance with the *Business Corporations Act* (Alberta); or (ii) a requisition of the shareholders made in accordance with the *Business Corporations Act* (Alberta).

Among other things, the Advance Notice Clause fixes a deadline by which holders of record of common shares of the Company must submit director nominations to the secretary of the Company prior to any annual or special meeting of shareholders and sets forth the specific information that a shareholder must include in the written notice to the secretary of the Company for an effective nomination to occur. No person will be eligible for election as a director of the Company unless nominated in accordance with the provisions of the Advance Notice Clause.

In the case of an annual meeting of shareholders, notice to the Company must be made not less than 30 nor more than 65 days prior to the date of the annual meeting; provided, however, that in the event that the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the 10th day following such public announcement.

In the case of a special meeting of shareholders (which is not also an annual meeting), notice to the Company must be made not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made.

The Advance Notice Clause is similar to clauses adopted by other public companies and in accordance with the recommendations made by proxy solicitation firms Institutional Shareholder Services Inc. and Glass Lewis, & Co., LLC.

Resolution

The full text of the proposed Constating Document Amendment Resolution is set out in Appendix C hereto. In addition, shareholders should be aware that even if they approve the Constating Document Amendment Resolution at the Meeting, the proposed form of the Constating Document Amendment Resolution provides the directors with the discretion not to proceed with the amendments to the articles in whole or in part if they determine that to be in the best interests of the Company.

The persons named in the enclosed form of proxy intend to cast the votes to which the Common Shares represented by such proxy are entitled FOR the approval of the Constating Document Amendment Resolution, unless otherwise directed by the shareholders appointing them.

2.8 THE SHARE CONSOLIDATION

The Board seeks shareholder approval to implement a consolidation (also known as a "reverse split") of the outstanding Shares such that each 50 outstanding Common Shares will be consolidated into one Common Share (the "**Consolidation**"). In order to be implemented, the Consolidation must be approved by at least two-thirds of the votes cast at the Meeting. The Board previously passed a resolution to approve the Consolidation on June 6, 2013.

In addition to the issued and outstanding Common Shares, the Common Shares currently reserved for issuance by the Company, including those Common Shares reserved pursuant to outstanding stock options, will be adjusted to give effect to the Consolidation, such that the number of consolidated Common Shares issuable will equal the number obtained when the number of Common Shares issuable is divided by the conversion number and the exercise prices of outstanding stock options to purchase Common Shares post-Consolidation will equal the price obtained by multiplying the existing exercise price by the conversion number.

The primary purpose of completing the Consolidation is to increase the market price of the Common Shares. The directors believe that the higher share price that might initially result from the Consolidation could help generate interest in the Company among investors and thereby assist the Company in raising future capital to fund its operations or make acquisitions. Shareholders should be aware that the issuance in the future of additional authorized shares may have the effect of diluting the earnings per Common Share and book value per Common Share, as well as the stock ownership and voting rights, of the currently outstanding Common Shares.

Shareholders should note that the ultimate effect of the Consolidation upon the market price for the Common Shares cannot be accurately predicted. In particular, if the Consolidation is implemented, there is no assurance that the market price for Common Shares will be fifty times greater than the price for Common Shares immediately prior to the reverse split. Furthermore, even if the market price of the Common Shares is initially significantly higher after the Consolidation, there can be no assurance that the market price of the Common Shares will maintain such level for any period of time.

In addition, shareholders should be aware that even if they approve the Consolidation Resolution at the Meeting, the proposed form of the Consolidation Resolution provides the directors with the discretion not to proceed with the Consolidation if they determine that to be in the best interests of the Company.

Fractional Common Shares which would otherwise be issued to shareholders in connection with the Consolidation will be not be issued but will, instead, be rounded down to the next nearest whole number of Common Shares. If the Consolidation Resolution is approved at the Meeting and the directors decide to proceed with the Consolidation, the Company will send letters of transmittal to each registered shareholder providing instructions on how shareholders may obtain new certificates representing the number of Common Shares to which they are entitled as a result of the Consolidation.

The Company currently has no intention of going private, and the proposed Consolidation is not intended to be a first step in a going private transaction. In addition, the Consolidation will not have the effect of a going private transaction covered by Rule 13e-3 of the United States Securities Exchange Act of 1934, as amended.

The full text of the Consolidation Resolution is set out in Appendix C hereto.

The persons named in the enclosed form of proxy intend to cast the votes to which the Common Shares represented by such proxy are entitled FOR the approval of the Share Consolidation Resolution, unless otherwise directed by the shareholders appointing them.

If the proposed resolution is passed at the Meeting and the Board determines to proceed with the Consolidation, the Company will announce that it is proceeding with the consolidation. Registered holders should then, at that time, complete, sign and return the Letter of Transmittal that will be sent to such registered holders, along with the share certificate(s) representing their

pre-consolidation Common Shares, to Computershare Investor Services Inc. at one of the addresses in the Letter of Transmittal. Upon receipt of a properly-completed and signed Letter of Transmittal and the share certificate(s) referred to in the Letter of Transmittal, the Company will arrange to have a new share certificate representing the appropriate number of post-Consolidation Common Shares delivered in accordance with the instructions provided by the holder in the Letter of Transmittal. No delivery of a new certificate to a shareholder will be made until the shareholder has surrendered his current issued certificates. Until surrendered, each share certificate formerly representing old Common Shares shall be deemed for all purposes to represent the number of new Common Shares to which the holder is entitled as a result of the Consolidation.

If the Company does not proceed with the Consolidation within one year from the date it receives shareholder approval for the Consolidation, it will again seek shareholder approval before conducting a share consolidation.

2.9 ELECTION OF DIRECTORS POST-MERGER

In the event that the Arrangement closes, the Company has agreed with Aurinia and ILJIN to have members of their choosing nominated to the Company's board of directors. Accordingly, shareholders are being asked to approve, on a conditional basis, an ordinary resolution setting the size of the board of directors at seven, and ordinary resolutions to elect the following individuals as directors of the Company. Each of these resolutions is conditional on the Arrangement closing.

The Board recommends that shareholders vote for the election of the nominees whose names are set forth below. **The persons named in the enclosed form of proxy intend to cast the votes to which the Common Shares represented by such proxy are entitled FOR the election of the nominees whose names are set forth below, conditionally on the closing of the Arrangement, unless otherwise directed by the shareholders appointing them.**

If elected and the Arrangement closes, each director elected will hold office until the next annual meeting of shareholders or until his successor is duly elected, unless his office is earlier vacated in accordance with the Bylaws of the Company. The election of each director set out below is conditional on the Common Shares being listed on a stock exchange at the effective time of the election of such director.

If these directors are not elected, or if the Arrangement does not close, the directors elected pursuant to the vote proposed earlier in this Information Circular shall retain their positions as directors of the Company.

The following table states the names of all of the persons proposed by management to be nominated for election as directors (conditional on the closing of the Arrangement), their municipality, province or state and country of residence, their age, their principal occupation, their position in the Company (if any), the period during which each proposed nominee has served as a director and the number of Common Shares beneficially owned, directly or indirectly, by each of them or over which they exercise control or direction.

Name and Municipality of Residence	Age (at June 26, 2013)	Principal Occupation for Five Preceding Years	Office	Period During Which Served as a Director	Number of Common Shares Beneficially Owned, Controlled or Directed
Peter Wijngaard (1)(2) *Basel, Switzerland*	50	February 2011 to present – Vice President, Innovation Leader Research & Development, The Medicines Company (Schweiz) GmbH, a global pharmaceutical company; prior thereto Senior Director Medical Affairs at ViroPharma Inc. and Global Alliance Director in Transplantation at Hoffman-La Roche.	Director, Chairman of the Board since January 4, 2012	Since February 2011	1,255,000
Robert T. Foster *Edmonton, Alberta, Canada*	55	President and CEO of the Company since January 4, 2012; Chairman and CEO of the Company from July 28, 2011 to January 4, 2012; President and CEO of the Company from January 28, 2009 to July 28, 2011; Chairman and CEO of the Company from October 1, 2007 to January 28, 2009.	Director, President and Chief Executive Officer	Since 1993	6,335,710(3)

Name and Municipality of Residence	Age (at June 26, 2013)	Principal Occupation for Five Preceding Years	Office	Period During Which Served as a Director	Number of Common Shares Beneficially Owned, Controlled or Directed
Donald W. Wyatt (1)(2) *Seattle, Washington, USA*	46	From 2009 to present – Principle, The Wyatt Group, LLC, an Intellectual Property Consulting firm; 2005 to 2009 – Vice President of Legal Affairs and Corporate Secretary for Cell Therapeutics, Inc., a biopharmaceutical company.	Director	Since December 2011	Nil
Daniel Park *Seoul, Korea*	52	Executive Vice President of ILJIN Group since December 2008	N/A	N/A	Nil
Richard Glickman *Victoria, British Columbia*	55	Chairman of the Board Aurinia Pharmaceuticals Inc. Chairman of the Board Aspreva Pharmaceuticals Inc. CEO Aspreva pharmaceuticals Inc. CEO StressGen Pharmaceuticals Inc.	N/A	N/A	4,444,444
Michael Martin *Victoria, British Columbia*	41	June 2012 to present – COO, Aurinia; prior thereto, Director, global business development and licensing for Viforg global marketing for Aspreva, and Business Unit Manager, Schering-Plough Corp.	N/A	N/A	Nil
Chris Kim *Seoul, Korea*	51	2008 to present, CEO, Lumirich Co. and Iljn Semicon Co. of Seoul, Korea; From 2006 to 2008, Iljn Display Co., Korea	N/A	N/A	Nil

Notes:

1. Serves on the Audit Committee of the Company.
2. Serves on the Compensation, Corporate Governance and Nominating Committee of the Company.
3. Robert Foster owns 51% of the voting shares of Foster Investments Inc., which holds 4,328,890 Common Shares. The remaining 2,006,820 Common Shares are owned by Dr. Foster personally.

Biographies for Peter Wjingaard, Robert Foster and Donald Wyatt are set out earlier in this information circular under “Election of Directors”. The following are brief biographies for each of the other persons conditionally nominated for election as directors:

Daniel Park

Mr. Park is currently the Executive Vice-President of ILJIN Group. He started his management career with ETEX Corp, an advanced biomaterials company focusing on products that promote bone repair and enable controlled delivery therapies in 1988. ETEX is one of the subsidiaries of ILJIN Group, and Mr. Park has since worked in numerous ILJIN Group companies including ILJIN Display Co., Ltd. and ILJIN Diamond Co., Ltd. in senior management positions. He is presently in the Planning Office of ILJIN Group which contains multiple sub companies ranging from the Jeonju Television Co., Ltd. to ILJIN Electricity Co., Ltd.

Mr. Park holds Masters of Business Administration (University of California at Los Angeles), along with a Masters and a Bachelor’s degree in Economics from Seoul National University.

Richard Glickman

Richard M. Glickman was Co-founder, Chairman and Chief Executive Officer of Aspreva Pharmaceuticals Corporation (“**Aspreva**”) between January 2002 and July 2007. Dr. Glickman also served as the Chief Executive Officer for StressGen Biotechnologies Corp from 1990 until 2000. Dr. Glickman sits on a variety of private and public boards and has served on numerous compensation committees. Dr. Glickman has participated in the design, establishment, and implementation of executive compensation and benefit programs and also participated in, and overseen, the design, establishment and implementation of compensation and benefit programs for non-executive employees. In Dr. Glickman’s executive leadership roles, the Vice-President of Human Resources reported to him. He also has direct experience in performance management of

executive, senior level and rank-and-file employees in small and larger organizations. In his role as a manager and motivator of people, he has experience in establishing, monitoring and evaluating strategic and annual personnel and group performance objectives.

Michael Martin

Mr. Martin is currently Chief Operating Officer & Co-founder of Aurinia. In this role, Mr. Martin is responsible for managing company functions such as corporate and business development, alliance management, marketing, finance and internal company operations. Mr. Martin is a biotech/pharmaceutical executive with over 17 years industry experience and offers a solid mix of strategic planning, marketing, commercial operations, business development, licensing and people management skills.

Mr. Martin joined Aurinia from Aspreva where he held the position of Director, Global Business Development & Licensing. Prior to Aspreva, Mr. Martin was a key member of the business development team that saw Aspreva sold to Galenica for $915M. Upon joining Aspreva in 2004, Mr. Martin initiated the strategic launch planning process for CellCept® in "less-common" autoimmune diseases. These included such indications as Pemphigus Vulgaris, Myasthenia Gravis, and Lupus Nephritis. Prior thereto, Mr. Martin held a variety of progressively senior commercial positions at Schering-Plough. Most recently, Mr. Martin has spent time in Europe where he was responsible for the Rheumatology business unit for Remicade® in France. There, Mr. Martin had full profit and loss responsibilities and had direct responsibility for the sales team, the marketing team and the infusion access team. In addition while at Schering-Plough, Mr. Martin was the brand manager responsible for the Canadian launch of Remicade (infliximab), which ultimately became the most successful product launch in Canadian history. Mr. Martin started his career in the industry in the sales organization of Schering-Plough where he received multiple awards and recognition while rapidly progressing towards the prior mentioned roles.

Chris Kim

Dr. Kim is currently CEO, Lumirich Co., and Iljin Semicon Co., of Seoul, Korea dating from 2008 to present. Prior to that, from 2006 to 2008, Dr. Kim was CEO, Iljin Display Co., Korea. From 2000 to 2006, Dr. Kim was Vice-president, Sales and Marketing at Samsung SDI Co, Korea, where he was in charge of Samsung SDI's worldwide plasma display panel sales and marketing. During his tenure with Samsung SDI Co., Dr. Kim gained considerable commercial experience with CE related products to OEM customers including, for example, Philips Consumer Electronics, Sony, Dell, and Hewlett-Packard. From 2001 to 2005, Dr. Kim was able to increase revenue growth from approximately $0.7 million to $1.7 billion. Dr. Kim had increasing responsibilities from 1986 to 1999 while at companies including NSF Polymer Research Center, VPI, in Blacksburg, Virginia, USA; Exxon-Mobil Corp., in Rochester, NY, USA; Corning Inc., in Corning, NY, USA; Lam Research Corp., in Fremont, California, USA, and Fujitsu Inc., in San Jose, California, USA. Dr. Kim has an undergraduate Science degree in Chemical Engineering from Seoul National University (1985) and a PhD in Chemical Engineering (1989) from Virginia Tech., Blacksburg, Virginia, USA. He also has more than ten technical publications, one book chapter, and numerous worldwide patents, and is fluent in three languages.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the directors and officers of the Company, no proposed director of the Company:

(a) is, as at the date of this proxy circular, or has been, within 10 years before the date of this proxy circular, a director, chief executive officer or chief financial officer of any company, that:

  (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer that was in effect for a period of more than 30 consecutive days; or

  (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer that was in effect for a period of more than 30 consecutive days; or

(b) is, as at the date of this proxy circular, or has been within 10 years before the date of this proxy circular, a director or executive officer of any company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

(c) has, within the 10 years before the date of this proxy circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or

(d) has been subject to:

(i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

PART 3
STATEMENT OF EXECUTIVE AND DIRECTOR COMPENSATION

3.1 COMPENSATION OF EXECUTIVES

The following compensation discussion and analysis provides information regarding all significant elements of compensation paid, awarded or otherwise provided by the Company to its Named Executive Officers (defined below). Specific information is provided for Robert Foster, Chief Executive Officer, Dennis Bourgeault, Chief Financial Officer, and the three other most highly compensated executive officers of the Company whose total compensation for the year ended December 31, 2012, individually, was more than CDN$150,000: namely, Launa Aspeslet, Chief Operating Officer, Derrick Freitag, Chief Scientific Officer, and Robert Huizinga, Vice President, Clinical Affairs (collectively, the "**Named Executive Officers**" or the "**NEOs**"). Information about the compensation awarded to the Named Executive Officers can be found in the "Summary Compensation Table" and related compensation tables below.

3.1.1 Compensation Discussion and Analysis

This Section of the Circular explains how the executive compensation program is designed with respect to the CEO and the other Named Executive Officers. In designing the compensation program the Board has several key objectives:

- To assist the Company in attracting and retaining talented executives
- To align management's interests with that of shareholders and other stakeholders
- To motivate executives towards the creation of long term shareholder value
- To be competitive with other companies of similar size and business

The Compensation, Corporate Governance and Nominating Committee currently is comprised of three (3) independent Directors: Donald W. Wyatt, who serves as the Chair, Dr. Peter Wijngaard, and Prakash Gowd. No member of the committee is an officer or employee of the Company.

Annually, specific and measurable performance objectives are defined for each Executive. The objectives against which the Executives were evaluated include research and product development goals/milestones, execution of development and commercialization agreements, organizational development objectives and financial targets.

3.1.2 Managing Compensation Risk

On an annual basis, or otherwise more frequently as circumstances require, the Compensation, Corporate Governance and Nominating Committee considers whether the executive compensation programs create or incentivize any inappropriate risk-taking. It is important to undertake such an analysis because it is expected that going forward annual performance-based incentives will continue to play a primary role in Named Executive Officers' and other senior management's compensation programs. Therefore, the Company must ensure that these incentives do not result in actions being taken that are not in the long-term interest of the Company. Compensation plans and programs for 2012 considered both short-term incentives and long-term incentives for Named Executive Officers and other senior managers to enhance the balance between risk and reward in relation to the Company's overall business strategy and to further discourage the taking of unnecessary or excessive risks.

a) Base Salaries

The contractual base salaries of all Named Executive Officers in 2012 were the same as the base salaries for 2011.

Effective for the period August 16, 2012 to December 31, 2012, the NEOs voluntarily reduced their salaries to 70% of their contractual base salaries.

In determining executive compensation, the Company previously, in 2009, undertook a review of several sources of comparator data including an internal review of small cap public Canadian Biotechnology companies.

Salary levels were based on the experience and expertise of each executive. In reference to the benchmarking analysis that was conducted by the Board in June of 2009 the goal was to place the executives in the 50% to 75% percentile.

b) Bonus Plan

At the July 28, 2011 Board meeting, the Chair of the Compensation, Corporate Governance and Nominating Committee recommended and the Board agreed with the specific bonus objectives for 2011 and 2012 for each of the Named Executive Officers.

The following bonuses were earned upon the achievement of specific milestones in 2012: Chief Executive Officer - $9,000; Chief Financial Officer - $3,000; Chief Operating Officer - $6,000; Chief Scientific Officer - $3,375; Vice President, Clinical Affairs - $3,426.

The following bonuses were earned upon the achievement of specific milestones in 2011: Chief Executive Officer - $27,000; Chief Financial Officer - $6,000; Chief Operating Officer - $12,000; Chief Scientific Officer - $6,750; Vice President, Clinical Affairs - $5,138. These bonuses were accrued in 2011 but paid in the first quarter of 2012 and therefore are included in the Summary Compensation Table under section 3.1.4 for 2012.

c) Retention Incentive

In 2012 the Chair of the Compensation, Corporate Governance and Nominating Committee recommended and the Board approved the implementation of a long term retention incentive for the CEO and the NEOs, particulars of which are as follows:

i) Chief Executive Officer

The CEO will receive 2% of royalty licensing revenue for royalties received on the sale of voclosporin by licensees and/or 0.3% of net sales of voclosporin sold directly by the Company, to be paid quarterly as that revenue is received by the Company, provided that: (1) he is serving as CEO at the time the license under which the royalties are paid was executed; and (2) he is serving as CEO at the time the first royalty is paid by the licensee in question or, in the case of direct sales by the Company, at the time of the first direct commercial sale of voclosporin by the Company.

Should the Company sell substantially all of the assets of voclosporin to a third party or transfer those assets to another party in a merger in a manner such that this payment obligation is no longer operative, then he will be entitled to receive 0.3% of the value attributable to voclosporin in the transaction, provided that he is serving as CEO of the Company at the time of the transaction.

Should the CEO's employment be terminated without just and sufficient "Cause" or if the CEO terminates his employment for "Good Reason", as those terms are defined in his Employment Agreement, or if his employment is not renewed by the Company as set forth in his Employment Agreement, conditions (1) and (2) above shall not apply and the CEO will be entitled to receive the royalty licensing revenues he would have been entitled to receive had his employment not been terminated.

ii) Named Executive Officers

The currently serving four NEOs (namely Dennis Bourgeault, Launa Aspeslet, Derrick Freitag and Robert Huizinga) and excluding the CEO, shall each receive 0.1675% of royalty licensing revenue for royalties received on the sale of voclosporin by licensees and/or 0.025% of net sales of voclosporin sold directly by the Company, to be paid quarterly as that revenue is received by the Company, provided that the NEO in question is employed by or a consultant to the Company or one of its subsidiaries at the time such amount is payable. Should an NEO cease to be employed by or cease to be a consultant to the Company or one of its subsidiaries, payment obligation to that NEO shall cease.

Should the Company sell substantially all of the assets of voclosporin to a third party or transfer those assets to another party in a merger in a manner such that this payment obligation is no longer operative, then those NEOs will be entitled to receive 0.025% of the value attributable to voclosporin in the transaction, provided that he or she is serving as an Executive Officer of the Company at the time of the transaction.

Should an NEO's employment be terminated without just and sufficient "Cause" as set forth in his or her Employment Agreement, the NEO will be entitled to receive the royalty licensing revenues he or she would have been entitled to receive had his or her employment not been terminated.

d) Stock Option Plan

The Company has a stock option plan which it believes helps align management interests with shareholders' interests. In 2012, option grants to the Named Executive Officers were time release grants with one-third vesting on December 31, 2012, one-third vesting on May 31, 2013 and the remaining one-third vesting on November 30, 2013.

e) Chief Executive Officer

Base Salary

A function of the Compensation, Corporate Governance and Nominating Committee is to monitor and assess Dr. Robert Foster's performance and to recommend his compensation to the Board for approval. The Board supports the principle that CEO compensation should be directly related to the overall current performance of the Company and its potential for continued future growth. As such, in determining recommendations for Dr. Foster's total compensation, the Compensation, Corporate Governance and Nominating Committee considered:

- the absolute and relative performance of the Company;
- Dr. Foster's individual performance against specified objectives as established by the Compensation, Corporate Governance and Nominating Committee; and
- comparison with equivalent roles within companies of a similar size and nature.

Accordingly, the Compensation, Corporate Governance and Nominating Committee reviews this information, as well as the performance of the Company and of the Chief Executive Officer individually when recommending the Chief Executive Officer's salary and annual incentives for a given year.

Bonus

The Chief Executive Officer is compensated using the same plan as described above for Named Executive Officers with the exception that the Chief Executive Officer was eligible for a bonus based upon 30% of base salary versus from 11.25% to 15% for the Company's other Named Executive Officers.

Option-based Awards

The options granted to the Chief Executive Officer in the 2012 financial year pursuant to the Stock Option Plan were granted on the same basis and pursuant to the same terms as those of the other Named Executive Officers. The number of options granted was determined on the basis of his position and base salary for 2012, taking into consideration the terms of the Stock Option Plan discussed above. The granted options were time release grants with one-third vesting on December 31, 2012, one-third vesting on May 31, 2013 and the remaining one-third vesting on November 30, 2013.

Revised CEO Compensation

In early 2012 Hay Group Limited was retained by the Company to review the market competitiveness of the Company's CEO compensation structure. Working together, Hay Group and the Company established three (3) potential comparator groups. From a high level perspective, comparator organizations were chosen based on the following criteria:

- An industry focus on pharmaceuticals.
- A market capitalization of approximately half to double that of the Company (20mm-80mm $CAD).
- Development type organizations (organizations with little or no revenue).
- The three proposed comparator groups were as follows:
    - Phase 2-b comparator group
        - includes all organizations that are currently sponsors or collaborators on Phase 2-b clinical trials (N=14; 13 US organizations, 1 Canadian organization).
    - Phase 3 comparator group
        - includes all organizations that are currently sponsors or collaborators on Phase 3 clinical trials (N=12; all organizations are US organizations).
    - Canadian Cross-Listed Comparator Group
        - includes all Canadian organizations that appear in both the Hay Group Canadian comparator group and the comparator group as suggested by the Company's CEO (N=14)

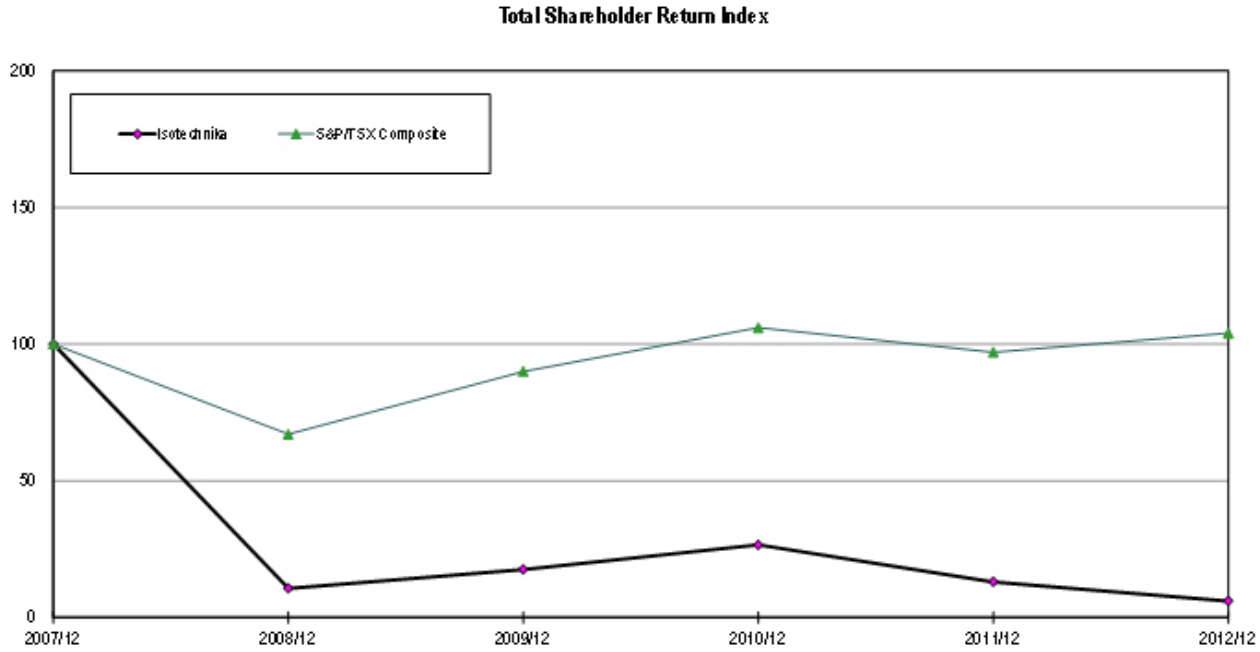
- In reviewing executive compensation levels, Hay Group accessed the most recent fiscal year end management information circulars for each comparator organization.

The Hay Group positioned the Company in the 50th percentile. Upon receipt of the Hay Group market compensation review, the Compensation, Corporate Governance and Nominating Committee recommended to the Board that the Company enter into a new employment agreement with Dr. Foster which provided for a base salary of $385,000 plus additional bonuses and stock option grants to be determined annually by the Compensation, Corporate Governance and Nominating Committee. The Board subsequently approved the employment agreement with Dr. Foster on March 8, 2012.

Effective August 16, 2012 to December 31, 2012, the CEO voluntarily reduced his salary to 70% of his contractual base salary.

e) Performance Graph

The Company's Common Shares are listed and posted for trading on the TSX under the trading symbol "ISA". The following graph and table compare the cumulative total return on the Company's Common Shares (assuming a $100 investment was made on December 31, 2007 and assuming the reinvestment of dividends) with the cumulative total return of the S&P/TSX Composite Index, and the S & P/TSX Capped Health Care for the period which commenced on December 31, 2007 and ended on December 31, 2012.



	December 31, 2007	December 31, 2008	December 31, 2009	December 31, 2010	December 31, 2011	December 31, 2012
Isotechnika	100	11	18	27	13	6
S&P/TSX Composite Index	100	67	90	106	97	104

The trend shown in the graph above does not necessarily correspond to the Company's compensation to the executive officers for the periods represented in the graph. Due to the volatile nature of the public markets for pharmaceutical companies such as the Company in recent years, it is difficult to rationalize corporate performance, including individual executive officer performance, to the Company's stock price performance. None of the executive officer's compensation is directly dependent on stock performance. The number of options issued under the Current Stock Option Plans is indirectly affected by stock performance in that the stock price is considered when determining the number of options to be issued.

3.1.3 Anti-Hedging Protection

As of December 31, 2012, the Company did not have a formal policy specifically prohibiting a director or NEO from purchasing financial instruments designed to hedge or offset a decrease in market value of any Common Shares granted as compensation or

held, directly or indirectly, by the NEO or director. The Company has adopted a written code of business conduct (the "**Code**") for its directors, officers and employees, which is filed on SEDAR at **www.sedar.com** under the Company's profile. The Code requires that all employees act at all times in full compliance with all laws applicable to the business of the Company. The Board implemented a written anti-hedging policy for all employees, directors and senior officers of the Company on March 8, 2012.

3.1.4 Summary Compensation Table

The following table details the compensation information for each of the Company's three most recently completed financial years for the Named Executive Officers.

Name and principal position	Year	Salary ($)	Share-based awards ($)	Option-based awards(1) ($)	Non-equity incentive plan compensation ($)		Pension value ($)	All other compensation (3) ($)	Total compensation ($)
					Annual incentive plans(2)	Long-term incentive plans			
Robert Foster	2012	325,614	—	101,322	36,000	—	—	—	462,936
Chief Executive Officer	2011	300,000	—	62,930	—	—	—	—	362,930
	2010	300,000	—	—	94,500	—	—	—	394,500
Dennis Bourgeault	2012	177,500	—	50,661	9,000	—	—	—	237,161
Chief Financial Officer	2011	200,000	—	32,058	—	—	—	—	232,058
	2010	200,000	—	—	51,000	—	—	—	251,000
Launa Aspeslet	2012	177,500	—	50,661	18,000	—	—	—	246,161
Chief Operating Officer	2011	200,000	—	30,277	—	—	—	—	230,277
	2010	200,000	—	—	17,000	—	—	—	217,000
Derrick Freitag	2012	133,125	—	40,529	10,125	—	—	—	183,779
Chief Scientific Officer	2011	150,000	—	15,436	—	—	—	—	165,436
	2010	150,000	—	—	9,000	—	—	—	159,000
Robert Huizinga(4)	2012	135,122	—	40,529	8,564	—	—	—	184,215
Vice President, Clinical Affairs	2011	152,250	—	15,281	—	—	—	—	167,531
	2010	152,250	—	7,200	—	—	—	—	159,450

Notes:

1. The fair value of options granted to Named Executive Officers was estimated at the date of grant using the Black-Scholes option pricing model using the following weighted average assumptions:

For the years ended December 31,	2012	2011	2010
Expected annual volatility	97.6%	100.3%	108.0%
Expected life	4.52 years	3.75 years	2.5 years
Risk-free interest rate	1.26%	1.61%	1.83%
Dividend yield	0.0%	0.0%	0.0%

   The Company based its determination of expected volatility on the historical market volatility of its shares.

2. Each Named Executive Officer was paid the stated cash bonus as a result of the achievement of certain performance goals established by the Board during the stated financial year. Also see section 3.1.2(b).
3. The total amount of other annual compensation including perquisites for any Named Executive Officer on an aggregate basis, generally including group insurance benefits, does not exceed the lesser of $50,000 and 10% of their annual cash compensation.
4. Mr. Huizinga was appointed Vice President Clinical Affairs on August 23, 2011.

3.1.5 Narrative Discussion of Compensation

The following is a summary of the management contracts for each of the executive officers of the Company:

Dr. Robert Foster

On March 9, 2012 Dr. Foster entered into a new employment agreement with the Company for a term ending on December 31, 2015 respecting his employment as the Chief Executive Officer and as a director of the Company, replacing the previous employment agreement entered into on January 1, 2006, as amended on April 30, 2008, which agreement had expired December 31, 2009. Dr. Foster had no formal employment agreement from January 1, 2010 to March 8, 2012. The new agreement provides that Dr. Foster will devote his sole skill and efforts to discharging his duties to the Company on a full-time and exclusive basis. In addition to base salary, Dr. Foster is entitled to participate in the Company's benefits program and is eligible to receive a cash bonus and option bonus based upon the achievement of certain performance goals as the Board of Directors may establish from time to time and ratified by the Board for each calendar year in accordance with the Bonus Plan. Dr. Foster is also entitled to receive a retention incentive as described in 3.1.2(c)(i) above, subject to the conditions therein described.

Dr. Launa Aspeslet, Dennis Bourgeault and Dr. Derrick Freitag

Each of the named individuals entered into a new employment agreement for an indeterminate term, effective June 19, 2009, respecting their employment as an executive of the Company, replacing the previous employment contracts entered into on January 1, 2006, as amended on April 30, 2008. The agreement provides that the Executive shall devote his (her) sole skill and efforts to discharging his (her) duties to the Company on a full-time and exclusive basis. In addition to base salary, each of the named individuals is entitled to participate in the Company's benefits program and is eligible to receive a cash bonus and option bonus based upon the achievement of certain performance goals as the Board of Directors may establish from time to time and ratified by the Board for each calendar year in accordance with the Bonus Plan. Each of the named individuals is also entitled to receive a retention incentive as described in 3.1.2(c)(ii) above, subject to the conditions therein described. Each of these named individuals agreed to non-competition, non-solicitation, non-disclosure and assignment of intellectual property provisions in favour of the Company.

Robert Huizinga

Robert Huizinga entered into an employment agreement for an indeterminate term, effective January 1, 2012, respecting his employment as an executive of the Company. The agreement provides that the Executive shall devote his sole skill and efforts to discharging his duties to the Company on a full-time and exclusive basis. In addition to base salary, he is entitled to participate in the Company's benefits program and is eligible to receive a cash bonus and option bonus based upon the achievement of certain performance goals as the Board of Directors may establish from time to time and ratified by the Board for each calendar year in accordance with the Bonus Plan. Mr. Huizinga is also entitled to receive a retention incentive as described in 3.1.2(c)(ii) above, subject to the conditions therein described. Mr. Huizinga agreed to non-competition, non-solicitation, non-disclosure and assignment of intellectual property provisions in favour of the Company.

3.1.6 Incentive Plan Awards

a) Outstanding Share-Based Awards and Option Based Awards

The following table indicates for each of the Named Executive Officers all awards outstanding at the end of the 2012 financial year.

	Option-based Awards				Share-based Awards		
Name	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)	Market or payout value of vested share-based awards not paid out or distributed ($)
Robert Foster	750,000(1)	0.15	June 23, 2014	—	—	—	—
	1,000,000(2)	0.14	August 3, 2016	—	—	—	—
	2,000,000(4)	0.07	December 11, 2022	—	—	—	—

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)	Market or payout value of vested share-based awards not paid out or distributed ($)
Dennis Bourgeault	375,000(1)	0.15	June 23, 2014	—	—	—	—
	500,000(2)	0.14	August 3, 2016	—	—	—	—
	1,000,000(4)	0.07	December 11, 2022	—	—	—	—
Launa Aspeslet	375,000(1)	0.15	June 23, 2014	—	—	—	—
	500,000(2)	0.14	August 3, 2016	—	—	—	—
	1,000,000(4)	0.07	December 11, 2022	—	—	—	—
Derrick Freitag	225,000(1)	0.15	June 23, 2014	—	—	—	—
	250,000(2)	0.14	August 3, 2016	—	—	—	—
	800,000(4)	0.07	December 11, 2022	—	—	—	—
Robert Huizinga	200,000(2)	0.14	August 3, 2016	—	—	—	—
	50,000(3)	0.14	September 16, 2016	—	—	—	—
	800,000(4)	0.07	December 11, 2022	—	—	—	—

Notes:

1. These options were granted on June 23, 2009 and vest on the following basis:
   (a) One-third of the granted options in accordance with the following percentages:
      (i) Forty percent immediately;
      (ii) Thirty percent on June 23, 2010;
      (iii) Thirty percent on June 23, 2011.
   (b) Two-thirds of the granted options in percentages based on performance criteria, as determined by the Board, for each individual Named Executive Officer.
2. These options were granted on August 3, 2011 and vest on the following basis:
   (a) One-half of the granted options in accordance with the following percentages:
      (i) Fifty percent on December 31, 2011;
      (ii) Fifty percent on December 31, 2012.
   (b) One-half of the granted options in percentages based on performance criteria, as determined by the Board, for each individual Named Executive Officer.
3. These options were granted on September 16, 2011 and vest on the following basis:
   (a) Fifty percent on December 31, 2011;
   (b) Fifty percent on December 31, 2012.
4. These options were granted on December 11, 2012 and vest on the following basis:
   (a) One-third on December 31, 2012;
   (b) One-third on May 31, 2013;
   (c) One-third on November 30, 2013.

b) Value Vested or Earned on Incentive Plan Awards During the Most Recently Completed Fiscal Year

The following table indicates for each of the Named Executive Officers the value on vesting of all awards during the 2012 financial year.

	Option-based Awards			
Name	Number of Securities Underlying Options Vested (#)	Value vested during the year(1) ($)	Share-based awards - Value vested during the year ($)	Non-equity incentive plan compensation - Value earned during the year ($)
Robert Foster	1,016,667	125	—	—
Dennis Bourgeault	495,833	63	—	—
Launa Aspeslet	533,333	125	—	—
Derrick Freitag	366,667	63	—	—
Robert Huizinga	361,667	50	—	—

Note:

1. The value reflected in the above chart relates to the in-the-money value of options at the date of the vesting.

3.1.7 Termination and Change of Control Benefits

a) Dr. Robert Foster - CEO

Pursuant to the new employment agreement dated March 9, 2012 between the Company and Dr. Foster, termination and change of control benefits are as follows:

(i) In the event that Dr. Foster's employment is terminated by the Company without just and sufficient cause, or if Dr. Foster terminates his employment for "Good Reason", Dr. Foster is entitled to receive a cash payment in an amount (in addition to salary, benefits or other sums due to him through the termination date) equal to two times his annualized base salary then in effect. All of Dr. Foster's unexercised stock options, including options based on the achievement of certain performance criteria, whether or not actually achieved, would fully vest and would be exercisable over a period of 90 days pursuant to the terms and conditions under which the stock options were granted, subject to the prior expiry of his stock options in accordance with their terms. Assuming termination on December 31, 2012 and based on the compensation payable pursuant to his new employment agreement, a lump sum payment of $770,000, plus any benefits or other sums due to him through the termination date, would have been made to Dr. Foster. No additional amounts would have been realized by Dr. Foster on the exercise of stock options as there were no in-the-money options as at December 31, 2012.

(ii) In the event that Dr. Foster's employment is terminated by the Company or by the Executive for "Good Reason" following a change in control of the Company, Dr. Foster is entitled to receive a cash payment in an amount (in addition to salary, bonuses and benefits then due him) equal to two times his annualized base salary then in effect. All of Dr. Foster's unexercised stock options, with the exception of options based on the achievement of certain performance criteria, would fully vest and would be exercisable over a period of 90 days pursuant to the terms and conditions under which the stock options were granted, subject to the prior expiry of his stock options in accordance with their terms. Assuming termination on December 31, 2012 and based on the compensation payable pursuant to his new employment agreement, a lump sum payment of $770,000, plus bonuses and benefits then due him, would have been made to Dr. Foster. No additional amounts would have been realized Dr. Foster on the exercise of stock options as there were no in-the-money options as at December 31, 2012.

(iii) In the event that employment is terminated as a result of the death or permanent disability of Dr. Foster, Dr. Foster or his estate or legal representative would not be entitled to receive any additional compensation other than the salary, bonus, benefits, or other sums due up to and including the termination date. All stock options, including options based on the achievement of certain performance criteria, whether or not actually achieved, would fully vest and be exercisable over a period of one year from the date of termination.

b) Dr. Launa Aspeslet, Dennis Bourgeault, Dr. Derrick Freitag and Robert Huizinga

In the event that employment of these Named Executive Officers is terminated (i) by the Company without just and sufficient cause; (ii) by the Executive for "Good Reason"; or (iii) by the Company or by the Executive for "Good Reason" following a change in control of the Company, each of Dr. Launa Aspeslet, Dennis Bourgeault, Dr. Derrick Freitag and Robert Huizinga is entitled to receive a cash payment in an amount equal to one month of the Executive's base salary then in effect per year of service to a maximum of 18 months, any Bonus earned by the Executive as of the termination date and the cash value of benefits and perquisites provided to the Executive with respect to the immediately preceding fiscal year. In the case of (i) or (ii) above, all of their unexercised stock options, including options based on the achievement of certain performance criteria, whether or not actually achieved, would fully vest and would be exercisable over a period of 90 days pursuant to the terms and conditions under which the stock options were granted, subject to the prior expiry of his/her stock options in accordance with their terms. In the case of (iii) above, all of their unexercised stock options, with the exception of options based on the achievement of certain performance criteria, would fully vest and would be exercisable over a period of 90 days pursuant to the terms and conditions under which the stock options were granted, subject to the prior expiry of his/her stock options in accordance with their terms.

Assuming termination on December 31, 2012, lump sum payments as follows would have been made to each of Dr. Launa Aspeslet, Dennis Bourgeault, Dr. Derrick Freitag and Robert Huizinga:

Event	Executive	Severance $	Value of Stock Options(1) $
Termination of Employment by the Company without just and sufficient Cause OR by the Executive for Good Reason	Launa Aspeslet	267,596	—
	Dennis Bourgeault	245,373	—
	Derrick Freitag	212,068	—
	Robert Huizinga	135,333	—
Termination of Employment in the event of a Change in Control without Cause OR by the Executive for Good Reason	Launa Aspeslet		
	Dennis Bourgeault	267,596	—
	Derrick Freitag	245,373	—
	Robert Huizinga	212,068	—
		135,333	—

Note:

1. No additional amounts would have been realized by the Named Executive Officers on the exercise of stock options as there were no in-the-money options as at December 31, 2012.

In the event that employment is terminated as a result of the death or permanent disability of the Named Executive Officers, the Executive or his/her estate or legal representative would not be entitled to receive any additional compensation other than the salary, bonus, benefits, or other sums due up to and including the termination date. All stock options, including options based on the achievement of certain performance criteria, whether or not actually achieved, would fully vest and be exercisable over a period of one year from the date of termination.

3.2 COMPENSATION OF DIRECTORS

During the 2012 financial year, Directors were remunerated for services in that capacity with cash compensation, options to acquire Common Shares and a retention incentive plan bonus.

As at December 31, 2012, the Company's Board of Directors consisted of three non-executive directors (Messrs. Gowd, Wijngaard and Wyatt) and Dr. Robert Foster, the Chief Executive Officer of the Company. Effective January 1, 2012, standard compensation for each non-executive directors consisted of: (i) an annual retainer of $10,000, paid quarterly; (ii) $1,000 for each Board or committee meeting attended in person (where committee meetings are held in conjunction with the Board meeting only one fee is paid); (iii) $500 for each Board or committee meeting attended by way of teleconference, to a maximum of five (5) Board meetings plus two (2) committee meetings per committee per quarter. The Chairman of the Board is entitled to receive an additional annual retainer of $40,000, paid quarterly, and the Chairs of the Audit and Compensation, Corporate Governance and Nominating Committees were each entitled to receive an additional annual retainer of $40,000, paid quarterly. The Company paid a total of $175,500 to the non-executive directors in retainer and meeting fees in 2012. In addition, stock options were granted to the non-executive directors on August 17, 2012 and December 11, 2012. The members of the Board were also eligible for reimbursement of their expenses incurred in connection with attendance at Board meetings. Dr. Foster did not receive separate compensation for acting as a company Director.

In 2012 the Chair of the Compensation, Corporate Governance and Nominating Committee recommended and the Board agreed to implement a long term retention incentive for the Board of Directors, such that each of Messrs. Gowd, Wijngaard and Wyatt shall receive 0.22% of royalty licensing revenue for royalties received on the sale of voclosporin by licensees and/or 0.033% of net sales of voclosporin sold directly by the Company, to be paid quarterly as that revenue is received by the Company, provided

that the Director in question is serving as a director, employee or a consultant to the Company or one of its subsidiaries at the time such amount is payable. Should a Director cease to be a director of the Company or one of its subsidiaries in the manner set forth above, payment obligation to that Director shall cease.

Should the Company sell substantially all of the assets of voclosporin to a third party or transfer those assets to another party in a merger in a manner such that this payment obligation is no longer operative, then those Directors shall be entitled to receive 0.033% of the value attributable to voclosporin in the transaction, provided that the Director in question is serving as a director, employee or consultant to the Company or one of its subsidiaries at the time of the transaction.

Summary Compensation Table:

The following table provides details of the compensation awarded to, earned by, paid to or payable to the non-executive directors of the Company during the 2012 financial year.

Name	Attendance Fees ($)	Retainer Fees ($)	Share-based awards ($)	Option-based awards ($)(1)	Non-equity incentive plan compensation ($)	Pension value ($)	All other compensation ($)	Total ($)
Prakash Gowd	8,500	50,000	—	17,995	—	—	—	76,495(2)
Peter Wijngaard	8,500	50,000	—	17,995	—	—	—	76,495(3)
Donald Wyatt	8,500	50,000	—	26,556	—	—	—	85,056(4)

Notes:

1. The fair value of options granted was estimated at the date of grant using the Black-Scholes option pricing model using the following weighted average assumptions:

For the year ended December 31,	2012
Expected annual volatility	97.6%
Expected life	4.52 years
Risk-free interest rate	1.26%
Dividend yield	0.0%

   The Company based its determination of expected volatility on the historical market volatility of its shares.

2. Prakash Gowd was paid the sum of $31,000 for retainer and attendance fees during the 2012 financial year. The remaining balance of $27,500 was accrued at year-end and is still outstanding.
3. Peter Wijngaard was paid the sum of $31,000 for retainer and attendance fees during the 2012 financial year. The remaining balance of $27,500 was accrued at year-end and is still outstanding.
4. Donald Wyatt was paid the sum of $31,000 for retainer and attendance fees during the 2012 financial year. The remaining balance of $27,500 was accrued at year-end and is still outstanding.

Outstanding Share-Based Awards and Option-Based Awards

The following table indicates for each of the non-executive directors of the Company all awards outstanding at the end of the 2012 financial year:

	Option-based Awards				Share-based Awards	
Name	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options ($)(1)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)
Prakash Gowd	275,000	0.14	August 3, 2016	—		
	75,000	0.05	August 17, 2022	375	—	—
	300,000	0.07	December 11, 2022	—		
Peter Wijngaard			August 3, 2016			
	325,000	0.14	August 17, 2022	—	—	—
	75,000	0.05	December 11,	375		
	300,000	0.07	2022	—		

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options ($)(1)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)
Donald Wyatt	100,000	0.13	February 13, 2017	—		
	75,000	0.05	August 17, 2022	375	—	—
	300,000	0.07	December 11, 2022	—		

Note:

1. Closing share price on December 31, 2012 was $0.055.

Value Vested or Earned on Incentive Plan Awards During the Most Recently Completed Fiscal Year:

The following table indicates for each of the non-executive directors of the Company the value on vesting of all awards during the 2012 financial year.

Name	Option-based awards - Value vested during the year ($)	Share-based awards - Value vested during the year ($)	Non-equity incentive plan compensation - Value earned during the year ($)
Peter Wijngaard	—	—	—
Prakash Gowd	—	—	—
Donald Wyatt	500	—	—

3.3 EQUITY COMPENSATION PLANS

3.3.1 Stock Option Plan

The shareholders approved the Stock Option Plan at the June 28, 2012 annual meeting. The following is a summary of the material terms of the Stock Option Plan:

- **Administration**. The Stock Option Plan is administered by the Board (or a committee thereof) which has the power to (i) grant options, (ii) reserve Common Shares for issuance upon the exercise of options, (iii) determine the terms, limitations, restrictions and conditions respecting option grants, (iv) interpret the Stock Option Plan and adopt, amend and rescind such administrative guidelines and other rules and regulations relating to the Stock Option Plan, and (v) make all other determinations and take all other actions in connection with the implementation and administration of the Stock Option Plan.
- **Number of Securities Issuable**. The Stock Option Plan is a rolling stock option plan that reserves, for issuance pursuant to stock options, a maximum number of Common Shares equal to 10% of the outstanding Common Shares of the Company at the time the Common Shares are reserved for issuance.
- **Eligible Persons**. “Service Providers” are eligible to receive grants of options under the Stock Option Plan. “Service Providers” is defined as bona fide directors, officers, employees, management company employees and consultants and also includes a company of which 100% of the share capital is beneficially owned by one or more individual Service Providers.
- **Shareholder Approval**. Pursuant to the policies of the TSX, the Stock Option Plan must be approved by the shareholders every 3 years after its implementation.
- **Grants to One Person**. The number of Common Shares reserved for issue to any one person under the Stock Option Plan may not exceed 5% of the outstanding Common Shares of the Company at the time of grant.
- **Insiders**. Without the prior approval of the shareholders of the Company, the number of Common Shares being issuable to insiders under the Stock Option Plan at any time, when combined with all of the Company’s other share compensation arrangements, shall not exceed 10% of the issued and outstanding Common Shares of the Company, and the number of Common Shares issued to insiders under the Stock Option Plan, when combined with all of the Company’s other share compensation arrangements, shall not exceed 10% of the issued and outstanding Common Shares in any 12 month period.

- **Exercise Price**. The exercise price of options under the Stock Option Plan will be set by the Board at the time of grant and cannot be less than the Market Price (defined in the Stock Option Plan as the closing trading price for the Common Shares on the TSX on the day immediately prior to the date of grant).
- **Vesting**. Vesting of options is at the discretion of the Board. Options become exercisable only after they vest in accordance with the respective commitment and exercise form.
- **Term of Options**. Options granted under the Stock Option Plan will have a maximum term of 10 years from their date of grant.
- **No Assignment**. All options will be exercisable only by the optionee to whom they are granted and are non-assignable and non-transferable.
- **Termination of Exercise Right**. No option may be exercised after an optionee has left the employ or service of the Company except as follows:
    - in the event of an optionee's death, any vested option held by the optionee at the date of death will be exercisable by the optionee's lawful personal representatives, heirs or executors until the earlier of 12 months after the date of death and the date of expiration of the term otherwise applicable to such option;
    - in the event of an optionee's disability, any vested option held by the optionee will be exercisable until the earlier of 12 months after the date the Board makes a determination of disability and the date of expiration of the term otherwise applicable to such option;
    - generally speaking, vested options will expire 90 days after the date the optionee ceases to be employed by, provide services to, or be a director or officer of, the Company, and any unvested options shall immediately terminate.
- **Change in Control.** Upon a change in control or takeover bid, vesting can be accelerated in accordance with the provisions set out in the Stock Option Plan.
- **Extension of Expiry Period.** If an option which has been previously granted is set to expire during a period in which trading in securities of the Company by the option holder is restricted by a black-out, or within 9 business days of the expiry of a black-out, the expiry date of the option will be extended to 10 business days after the trading restrictions are lifted.
- **Amendments Requiring Shareholder Approval.** Shareholder approval is required for the following amendments to the Stock Option Plan:
    - an increase to the aggregate percentage of securities issuable under the Stock Option Plan;
    - a reduction in the exercise price of an outstanding option;
    - an extension of the term of any option beyond the expiry date;
    - any amendment to permit assignments or exercises other than by the optionee other than as set out in the Stock Option Plan;
    - amendment to the individuals eligible to receive options under the Stock Option Plan;
    - an amendment to the Stock Option Plan to provide for other types of compensation through equity issuance, other than an amendment in the nature of a substitution and/or adjustment made by the Board in response to a change to, event affecting, exchange of, or corporate change or transaction affecting the Common Shares; and
    - an amendment which is required to be approved by shareholders under applicable law (including, without limitation, the TSX Policies).
- **Amendments Without Shareholder Approval**. Subject to the policies of the TSX, the Stock Option Plan may be amended without shareholder approval for the following:
    - amendments of a "housekeeping" nature;
    - amendments necessary to comply with the provisions of applicable law;

- amendments respecting the administration of the Stock Option Plan;
- any amendment to the vesting provisions of the Stock Option Plan or any option;
- any amendment to the early termination provisions of the Stock Option Plan or any option, whether or not such option is held by an insider, provided such amendment does not entail an extension beyond the original expiry date;
- any amendments necessary to suspend or terminate the Stock Option Plan; and
- any other amendment not requiring shareholder approval under applicable law (including the TSX Policies).

3.3.2 Pension Plan Benefits

The Company does not provide retirement benefits for directors or officers.

3.4 SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table indicates the number of Common Shares to be issued upon the exercise of outstanding options, the weighted average exercise price of such outstanding options and the number of Common Shares remaining for future issuance under the Stock Option Plan as at December 31, 2012.

Plan Category	Number of Common Shares to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of Common Shares remaining available for future issuance under the equity compensation plans (excluding securities reflected in the first column)(1)
Stock Options	16,037,000	0.11	3,250,125
Equity compensation plans not approved by security holders	—	—	—
Total:	16,037,000	0.11	3,250,125

Note:

1. Under the Stock Option Plan, any increase in the number of outstanding Common Shares of the Company will result in an increase in the number of Common Shares that are available to be issued under the plan in the future, and any exercise of an option previously granted under the Stock Option Plan will result in an additional option being available for grant under the Stock Option Plan.

3.5 INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No officers, directors, employees or former officers, directors and employees of the Company were indebted to the Company as at December 31, 2012.

PART 4
REPORT ON CORPORATE GOVERNANCE AND OTHER ITEMS

"Corporate governance" is the process and structure used to direct and manage the business and affairs of the Company to achieve the shareholders' objectives. The CSA has adopted National Policy 58-201 – "*Corporate Governance Guidelines*" (the "Guidelines") to provide guidance to Canadian reporting issuers regarding corporate governance. The Guidelines relate to a number of significant governance issues, including the proper role of the board of directors, its structure and composition and its relationship with shareholders and management. The CSA has also adopted National Instrument 58-101 – "*Disclosure of Corporate Governance Practices*" requiring that disclosure be made by a listed corporation of its corporate governance practices. A complete description of the Company's corporate governance practices, with specific references to each of the Guidelines, is attached hereto as Appendix "B". The Compensation, Corporate Governance and Nominating Committee, currently composed of Donald W. Wyatt, Peter Wijngaard and Prakash Gowd, has reviewed the disclosure set out in Appendix "B".

The Compensation, Corporate Governance and Nominating Committee continues to periodically review corporate governance proposals made by the CSA. As new standards become effective, the Compensation, Corporate Governance and Nominating Committee will review and amend, where necessary and appropriate, its corporate governance practices and eligibility of the members of the Board on each committee and shall, if necessary, make appropriate changes.

The Board has two (2) standing Committees: the Audit Committee and the Compensation, Corporate Governance & Nominating Committee.

The following are descriptions of the two standing Committees of the Board:

4.1 COMMITTEES OF THE BOARD

Audit Committee

Members: Prakash Gowd (Chair), Dr. Peter Wijngaard and Donald W. Wyatt

The Audit Committee is composed of three (3) independent directors, all of whom are "financially literate" as that term is defined in National Instrument 52-110 – *Audit Committees* ("NI 52-110"). Please refer to the description of the Audit Committee set out in the Company's Annual Information Form for the year ended December 31, 2012 (the "**AIF**"), including the information required to be disclosed under NI 52-110, available on the SEDAR website at www.sedar.com.

Compensation, Corporate Governance and Nominating Committee

Members: Donald W. Wyatt (Chair), Dr. Peter Wijngaard and Prakash Gowd

The Compensation, Corporate Governance and Nominating Committee is composed of three (3) independent directors. The Committee is responsible for:

- overseeing and assessing the functioning of the Board and the committees of the Board and for the development, recommendation to the Board, implementation, and assessment of effective governance principles;
- ensuring that effective human resources and compensation policies and procedures are in place for the Company, including oversight of director, officer and employee remuneration and compensation, employment contracts, together with oversight of the evaluation of management of the Company;
- ensuring that effective corporate governance and nominating policies and procedures are in place for the Board's overall stewardship and responsibility of the Company; and
- recommending the nomination of directors to the Board.

In addition, the Committee will review and/or approve any other matter specifically delegated to the Committee by the Board and undertake on behalf of the Board such other governance initiatives as may be necessary or desirable to enable the Board to provide effective governance for the Company and contribute to the success of the Company.

Communications, Insider Trading, Confidential Information and Disclosure Policies

The Board is committed to an effective communications policy with all stakeholders including shareholders, suppliers, advertisers, employees, agents and members of the investment community. The Company is committed to complying with all laws, regulations and policies which are applicable to it, as well as to best practices in the field. This commitment is evidenced, notably, by the adoption by the Company of a Corporate Disclosure Policy, Fraud Policy and Insider Trading Policy.

The Audit Committee or the Board reviews in advance all press releases which disclose financial results. Other continuous disclosure documents, including, without limitation, proxy materials and the AIF are reviewed by the Executive team and, where appropriate, the Board and, where required, these documents are also approved by the Board.

4.2 INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

This section includes a description of the material interest, direct or indirect, of directors or executive officers of the Company, persons or companies that beneficially own, control, or direct more than 10% of the voting securities of the Company, or an associate or affiliate of any of such directors, executive officers, persons or companies, in the transactions conducted by the Company within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

The Company and ILJIN entered into a Development, Distribution and License Agreement dated effective January 28, 2011 (the "**DDLA**"), for the further clinical and commercial development of voclosporin for use in transplant indications applicable to voclosporin. Mr. Chin-Kyu Huh was elected a Director of the Company on December 15, 2010 at a special meeting of the shareholders of the Company. Mr Huh was appointed Chairman of the Board on March 18, 2011 and resigned as Director and Board member on July 28, 2011. As a result of completing this transaction, ILJIN currently owns 24,000,000 shares of the Company, of which Mr. Huh is the beneficial owner as he owns 100% of ILJIN. The Company exercised its right to terminate the DDLA on January 30, 2012. For further information please refer to the AIF.

4.3 SHAREHOLDER PROPOSALS

Shareholders who comply with the applicable provisions of the ABCA are, subject to certain conditions in the ABCA, entitled to have the Company include in its management proxy circular any matter that the person proposes to raise at an annual meeting. Any shareholder who intends to make such a proposal to be considered by the Company for the Meeting must arrange for the Company to receive the proposal at its head office (5120 – 75 Edmonton, Alberta T6E 6W2) no later than April 16, 2014.

4.4 ADDITIONAL INFORMATION

Financial information is provided in the Company's audited financial statements and management's discussion and analysis for its most recently completed financial year. Copies of these documents and additional information relating to the Company are available on the Company's website www.isotechnika.com or on SEDAR at www.sedar.com.

4.5 INTEREST OF EXPERTS

To the knowledge of the Company, Evans and its designated professionals (as that term is defined in National Instrument 51-102) owns, as a group, directly or indirectly, less than 1% of the outstanding Common Shares.

The auditors of Aurinia are KPMG LLP, Chartered Accountants, who have prepared an independent auditors' report dated May 30, 2013 in respect of Aurinia's audited financial statements for the period from incorporation on April 3, 2012 to December 31, 2012. KPMG LLP is independent of Aurinia within the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

4.6 APPROVAL BY DIRECTORS

The contents of this proxy circular and the sending thereof have been approved by resolution of the Board of Directors of the Company.

DATED at Edmonton, Alberta, July 19, 2013.

ON BEHALF OF THE BOARD OF DIRECTORS OF ISOTECHNIKA PHARMA INC.

(signed) Robert Foster
Dr. Robert T. Foster, Director and President

(signed) Dennis Bourgeault
Dennis Bourgeault, Corporate Secretary

APPENDIX "A"

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Company is committed to the highest standards of corporate governance. The Board and each of its committees have continued to refine the Company's governance policies and procedures in light of recent regulatory initiatives that have been adopted to improve corporate governance.

Effective June 30, 2005 National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("**NI 58-101**") and National Policy 58-201 *Corporate Governance Guidelines* ("**NP 58-201**") were adopted in Canada. NI 58-101 requires issuers to disclose the corporate governance practices that they have adopted. NP 58-201 provides guidance on corporate governance practices. In addition, the Company is subject to NI 52-110, which has been adopted in various Canadian provinces and territories and which prescribes certain requirements in relation to audit committees.

The Board will continue to review the Company's corporate governance practices on an ongoing basis in response to the evolving regulatory standards.

Corporate Governance Disclosure Requirements	The Company's Governance Procedures
1. (a) Disclose the identity of all directors who are independent.	The Board has reviewed the independence of each director as defined in NI 58-101. A director who is independent has no direct or indirect material relationship with the Company, including a relationship which in the view of the Board could reasonably interfere with the director's exercise of independent judgment. After having reviewed the role and relationships of each director, the Board has determined that the following directors nominated by management for election to the Board are independent, namely: Dr. Peter Wijngaard Mr. Prakash Gowd Mr. Donald W. Wyatt Donald Wyatt serves on the Board as the nominee of 3SBio pursuant to a written agreement between 3SBio and the Company dated August 6, 2010. Notwithstanding Mr. Wyatt's representation of 3SBio on the Board, the remaining directors have reviewed the circumstances and have satisfied themselves that such relationship is not a "material relationship" within the meaning of Section 1.4 of NI 52-110 in that it is not a relationship that in the view of the Board could reasonably be expected to interfere with the exercise of his independent judgment.
(b) Disclose the identity of all directors who are not independent, and describe the basis for that determination.	The Board has determined, after reviewing the role and relationships of each director, that the following director nominated by management for election is not independent, namely: Robert T. Foster — Robert T. Foster is considered to have a material relationship with the Company by virtue of being the Chief Executive Officer of the Company.
(c) Disclose whether or not a majority of the directors are independent. If a majority of directors are not independent, describe what the board of directors does to facilitate its exercise of independent judgment in carrying out its responsibilities.	Three of the four directors nominated by management for election to the Board are independent.

	Corporate Governance Disclosure Requirements	The Company's Governance Procedures
(d)	If a director is presently a director of any other issuer that is a reporting issuer in a Canadian jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	In respect of the fiscal year ended December 31, 2012, none of the directors of the Company acted as directors for other reporting issuers.
(e)	Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of such meetings held since the beginning of the most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.	The Board holds regular meetings each year, as well as additional meetings as required. During regularly scheduled Board and committee meetings, the independent directors are given an opportunity to meet separately from members of Management and non-independent directors if the need so arises. The Company's Management has been able to liaise regularly with the Board in seeking approval for any activities outside the normal course of business.
(f)	Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.	The current Chairman of the Board, Dr. Peter Wijngaard, is independent within the meaning of NI 58-101.
(g)	Disclose the attendance record of each director for all board meetings held since the beginning of the most recently completed financial year.	A table indicating the directors' record of attendance at meetings of the Board and its committees during the financial year ended December 31, 2012 is included in Section 2.1.2 of this proxy circular.
2.	Disclose the text of the Board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.	The Board has explicitly assumed responsibility for the stewardship of the Company in a formal Mandate of the Board of Directors, which was reviewed by the Board in March 2012. This Mandate is regularly reviewed and is attached herewith as Appendix "B".
3. (a)	Disclose whether or not the board has developed written position descriptions for the chairman of the board and the chair of each board committee. If the board has not developed written position descriptions for the chairman and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.	The Board has developed a written position description for the Chairman of the Board. The chairpersons of each of the Committees of the Board are appointed by the Board, and are charged with the responsibility of ensuring that their respective committees conduct their affairs in accordance with the Mandate of each Committee.
(b)	Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.	The Board has developed a written position description for the Chief Executive Officer.

Corporate Governance Disclosure Requirements	The Company's Governance Procedures
4. (a) Briefly describe what measures the board takes to orient new directors regarding: i) the role of the board, its committees and its directors, and ii) the nature and operation of the issuer's business.	The Company has not implemented a "formal" orientation process for its new directors, however, new directors are given the opportunity to individually meet with senior Management to improve their understanding of the Company's business and a tour of the Company's main laboratory facility located in Edmonton, Alberta is arranged for all directors once each year. New directors are also provided with reference materials describing the Company's organizational structure, the structure of the Board and its committees, corporate policies, articles and Bylaws, as well as other Board materials. In addition, regardless of whether a meeting of the Board is scheduled, all directors regularly receive information on the Company's operations, including a report on corporate development activities, operations reports, a financial overview and other pertinent information. All Company executives are available for discussions with directors concerning any questions or comments which may arise between meetings.
(b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.	All of the Company's directors have access to continuing education opportunities designed to help them, as well as to ensure that their knowledge and understanding of the Company's business remains current.
5. (a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code: i) disclose how a person or company may obtain a copy of the code; ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.	The Company has adopted a Code of Conduct (the "**Code**") that governs the behavior of its directors, officers and employees. The Code sets out procedures for monitoring compliance with the Code, describes the measures designed to ensure that the Company's directors, officers and employees exercise independent judgment in considering transactions and agreements in respect of which a director, officer or employee has a material interest, and describes other steps taken to encourage and promote a culture of ethical business conduct. A copy of the Code is available on the SEDAR website at www.sedar.com.
(b) Describe any steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.	In the event a director or executive officer has a material interest in any transaction or agreement considered by the Board, or any committee of the Board, such interest must be declared and recorded in the minutes of the meeting and the director or executive officer must vacate the meeting while the transaction or agreement is being discussed.
(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.	The Board believes that a culture of strong corporate governance and ethical business conduct must be endorsed by the Board and the executive officers. The Code addresses many areas of business conduct and provides a procedure for employees to raise concerns or questions regarding questionable audit or accounting matters.

Corporate Governance Disclosure Requirements	The Company's Governance Procedures
	The Company has adopted a Corporate Disclosure Policy, which is reviewed annually, as well as Fraud and Whistleblower policies. Quarterly and annual financial packages are reviewed by the Audit Committee prior to being recommended for Board approval and CEO/CFO certification of annual/interim filings.
6. (a) Describe the process by which the board identifies new candidates for board nomination. (b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process. (c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	The Compensation, Corporate Governance and Nominating Committee reviews, on an annual basis, both the size and composition of the Company's Board. In considering nominees for election to the Board, the Compensation, Corporate Governance and Nominating Committee takes into account geographic diversity, and considers the primary markets in which the Company operates, as well as the expertise and experience necessary to support the Company's strategy and operations. The Committee considers such matters as a candidate's integrity, independence, and residency. The Committee then assesses each potential nominee against the criteria developed by the Committee.
7. (a) Describe the process by which the board determines the compensation for the issuer's directors and officers. (b) Describe whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation. (c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	The Compensation, Corporate Governance and Nominating Committee is comprised of three independent directors. The Committee is responsible for: • overseeing and assessing the functioning of the Board and the committees of the Board and for the development, recommendation to the Board, implementation, and assessment of effective governance principles; • ensuring that effective human resources and compensation policies and procedures are in place for the Company, including oversight of director, officer and employee remuneration and compensation, employment contracts, together with oversight of the evaluation of management of the Company; • ensuring that effective corporate governance and nominating policies and procedures are in place for the Board's overall stewardship and responsibility of the Company; and • recommending the nomination of directors to the Board In addition, the Committee will review and/or approve any other matter specifically delegated to the Committee by the Board and undertake on behalf of the Board such other governance initiatives as may be necessary or desirable to enable the Board to provide effective governance for the Company and contribute to its success.

Corporate Governance Disclosure Requirements	The Company's Governance Procedures

The remuneration paid to the Company's directors and officers is reviewed each year by the Compensation, Corporate Governance and Nominating Committee. The level of remuneration is designed to provide a competitive level of remuneration. The mandate of this Committee in respect of compensation matters specifically sets out the following duties and responsibilities:

In respect of Director Compensation and Protection:

(a) Review periodically director compensation and recommend compensation terms that adequately reflect the responsibilities being assumed by the directors, the Chairman of the Board, and committee chairs and members;

(b) Review periodically the Company's directors' and officers' insurance policy and make recommendations for its renewal or amendment or the replacement of the insurer;

(c) Administer, review, and recommend on all policies of or agreements by the Company with respect to the indemnification by the Company of its directors and officers, if any.

In respect of the Company's Officers and Employees and Compensation Plans:

1. Review and recommend to the Board the employment, appointment, and compensation arrangements of the CEO of the Company, and in conjunction with the CEO, the employment and appointment of the top executives of the Company and their compensation arrangements, and make changes in these arrangements upon annual reviews of their performance;
2. Review with the CEO the position descriptions for the executive employees, ensuring they remain current and accurate;
3. Oversee the evaluation of the Company's CEO;
4. Review the CEO's evaluation of the performance of the employees of the Company, and the CEO's recommendations with respect to the amount of compensation to be provided to such employees;
5. Review the equity compensation plans of the Company for the benefit of employees of the Company and its subsidiaries; review and approve corporate goals and objectives relevant to the CEO and Senior Management's compensation, evaluate the CEO and Senior Management's performance in light of those goals and objectives, and make recommendations with respect to the CEO and Senior Executives' compensation levels based on this evaluation; and make recommendations with respect to the CEO and Senior Executives' compensation, incentive-compensation plans and equity-based plans; and
6. Administer, review and recommend the stock option plans and awards of the Company.

	Corporate Governance Disclosure Requirements	The Company's Governance Procedures
(d)	If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and brief summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.	The Compensation, Corporate Governance and Nominating Committee has the power to retain consultants, including compensation consultants or advisors, as the Committee may determine necessary or advisable to carry out its responsibilities. The Committee must, however, advise the Board that it intends to take such action prior to any such consultant being retained. Upon approval by the Board, the Compensation, Corporate Governance and Nominating Committee, in the first quarter of 2012, retained a compensation consultant, The Hay Group, to assist in determining compensation for the Company's CEO and Board of Directors.
8.	If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	The Board has no other standing committees.
9.	Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.	There is currently no formal assessment process in place due to the new composition of the Board. The assessment process will be reviewed in the future.

APPENDIX "B"

MANDATE OF THE BOARD OF DIRECTORS

Introduction

The primary responsibility of the board of directors ("**Board**") of Isotechnika Pharma Inc. (the "**Company**") is to oversee the management of the business and to pursue the best interests of the Company. The Board has plenary power and exercises overall responsibility for the management and supervision of the affairs of the Company.

Board Size and Criteria

Pursuant to the Articles of the Company, the Board must consist of at least one (1) director and not more than twenty (20) directors. The By-laws of the Company require that at least one-quarter (1/4) of the Company's directors be resident Canadians, and that at least two (2) of the Company's directors must not be officers or employees of the Company or a subsidiary of the Company. A majority of the directors of the Board shall be independent within the meaning of National Instrument 52-110 *Audit Committees.*

Board Meetings

In order for the Board to transact business, a majority of the directors must be present. The Board shall meet on a regular basis and shall schedule a sufficient number of meetings (whether in person or by teleconference) to carry out its mandate, which shall occur at least once each quarter.

Reports From Committees/Subsidiaries

Unless waived by the Board, each committee chair shall provide a report to the Board on material matters considered by the committee at the first Board meeting after the committee's meeting. Each board of a material subsidiary that does not have the same directors as the Board shall provide a report to the Board on material matters considered by the subsidiary board at the first Board meeting after the subsidiary's meeting.

Chairman

The Board shall appoint a Chairman of the Board who shall have responsibility to ensure that the Board discharges its duties and responsibilities.

Outside Advisors

The Board shall have the authority to retain, at the Company's expense, independent advisors and consultants to advise the Board as it determines necessary to carry out its duties and to fix the remuneration of such advisors and consultants. The Board may request any officer or employee of the Company, or the Company's internal or external auditors or legal counsel to attend a meeting of the Board or to meet with any directors of, or consultants to, the Board.

Governance

The Board has responsibility for developing the Company's approach to governance issues although the Governance Committee plays a key role by recommending and reporting on governance issues, including ethical conduct, to the Board. The Board may delegate specific governance issues to other committees of the Board. The Board is responsible for establishing the appropriate procedures to ensure that the Board, Board committees and individual directors can function independently of management.

General Duties

It is the duty of the directors of the Company to manage, or supervise the management of, the business and affairs of the Company. In exercising his or her duties, every director shall act honestly and in good faith with a view to the best interests of the Company and exercise the care, diligence and skill that a reasonably prudent person would exercise in similar circumstances. Each director shall also comply with the provisions of the *Business Corporations Act* (Alberta), and the By-laws of the Company.

Directors' Duties and Responsibilities

The Board has responsibility for stewardship of the Company, including:

- to the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer (the "**CEO"**) and other executive officers (as defined in National Instrument 51-102 *Continuous Disclosure Obligations*) and that the CEO and other executive officers create a culture of integrity throughout the organization;
- adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business;

- the identification of the principal risks of the Company's business, and ensuring the implementation of appropriate systems to manage these risks;
- overseeing succession planning (including appointing, training and monitoring senior management);
- adopting a communication and disclosure policy for the Company;
- overseeing the Company's internal control and management information systems;
- developing the Company's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the Company; and
- reviewing and disclosing, no less than annually, measures for receiving feedback from stakeholders.

In addition to the above, the Board shall:

- with the assistance of the Compensation, Corporate Governance and Nominating Committee, review and ratify the employment, appointment, grade levels and compensation of the top five executive employees of the Company, or any additional employees directly reporting to the CEO, and approve all senior officer appointments (Corporate Secretary and higher);
- with the assistance of the Compensation, Corporate Governance and Nominating Committee, develop a position description for the Chief Executive Officer, which together with other board approved policies and practices, should provide for a definition of the limits to management's responsibilities, and approve the objectives of the Company to be met by the Chief Executive Officer;
- with the assistance of the Compensation, Corporate Governance and Nominating Committee, ensure the performance of the Chief Executive Officer is evaluated at least annually;
- with the assistance of the Compensation, Corporate Governance and Nominating Committee, develop a process to evaluate the effectiveness of each director and the Board as a whole on no less than an annual basis;
- review and approve the strategic plan, the annual business plan and accompanying capital plan and financial operations budget, including capital expenditures;
- approve material divestitures, acquisition and financial commitments;
- with the assistance of the Audit Committee, approve the annual audited financial statements, Management's Discussion and Analysis ("**MD&A**"), Annual Information Form, management information circular and other annual public documents of the Company;
- with the assistance of the Audit Committee, approve the quarterly reports to the shareholders, including the unaudited interim quarterly statements and the quarterly MD&A;
- determine the content and frequency of management reports;
- review any recommendations from regulators or the external auditors respecting their assessment of the effectiveness of the internal controls that come to their attention in the conduct of their work; and
- ensure an independent audit/inspection function is in place to monitor the effectiveness of organizational and procedural controls.

APPENDIX "C"

PROPOSED TEXT OF RESOLUTIONS

1. FIRST OFFERING APPROVAL RESOLUTION

BE IT RESOLVED that:

(a) the issuance of up to 44,445,000 First Offering Warrants and the securities underlying the First Offering Warrants be and are hereby confirmed, ratified and approved;

(b) any one director or officer of the Company is hereby authorized, on behalf of the Company to take all such steps, and execute and deliver all such documents as may be necessary or advisable in order to give full effect to the foregoing resolutions.

2. SECOND OFFERING APPROVAL RESOLUTION

BE IT RESOLVED that:

(a) the issuance of up to 133,333,332 Second Units (including the 133,333,332 Shares and 66,666,666 Second Offering Warrants comprising such Second Units) in connection with the Second Unit Offering be and are hereby approved; and

(b) any one director or officer of the Company is hereby authorized, on behalf of the Company to take all such steps, and execute and deliver all such documents as may be necessary or advisable in order to give full effect to the foregoing resolutions.

3. CONSOLIDATION RESOLUTION

BE IT RESOLVED as a special resolution that:

(a) the Articles of the Company be altered by consolidating the outstanding common shares without par value on the basis of one (1) new common share without par value in exchange for fifty (50) existing common shares without par value (the "**Consolidation**");

(b) no fractional shares will be issued in connection with the Consolidation. Where any shareholder would otherwise be entitled to receive a fractional share as a result of the Consolidation, such fraction shall be rounded down to the next lower whole number;

(c) any director or officer of the Company is hereby authorized to execute any required Articles of Amendment on behalf of the Company;

(d) subject to the deposit of this resolution at the Company's records office, the solicitors for the Company are authorized and directed to prepare and electronically file the Articles of Amendment with the Alberta Registrar of Corporations;

(e) upon the Articles of Amendment taking effect, the Company's Articles be altered as necessary to reflect the changes described above;

(f) any one director or officer of the Company is hereby authorized, on behalf of the Company to take all such steps, and execute and deliver all such documents as may be necessary or advisable in order to give full effect to the foregoing resolutions; and

(g) notwithstanding that this resolution has been duly passed by the shareholders of the Company, the board of directors of the Company is hereby authorized, at its discretion, to abandon or terminate the completion of the increase in authorized capital contemplated hereby without further approval ratification or confirmation of the Company's shareholders.

4. CONSTATING DOCUMENT AMENDMENT RESOLUTION

BE IT RESOLVED as a special resolution that:

(a) the constating documents of the Company be altered by: (i) changing the name of the Company to "Aurinia Pharmaceuticals Inc."; and (ii) adding the following as a new by-law:

"Advance Notice of Meetings of Shareholders

1. Nomination Procedures.

Subject only to the *Business Corporations Act* (Alberta) (the "Act") and its applicable regulations, applicable securities law and the articles of the Company, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Company. Nominations of persons for election to the board may be made at any annual general meeting of shareholders, or at any special meeting of shareholders if the election of directors is a matter specified in the notice of meeting, (i) by or at the direction of the board, including pursuant to a notice of meeting; (ii) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act, or a requisition of the shareholders made in accordance with the provisions of the Act; or (iii) by any person (a "Nominating Shareholder") who (A) at the close of business on the date of the giving of the notice provided for in this by-law and on the record date for notice of such meeting, is entered in the central securities register as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting and provides evidence of such beneficial ownership to the Company, and (B) complies with the notice procedures set forth below in this by-law.

2. Timely notice.

In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form to the secretary of the Company in accordance with this by-law.

3. Manner of timely notice.

To be timely, a Nominating Shareholder's notice must be given: (i) in the case of an annual general meeting (including an annual and special meeting) of shareholders, not less than 30 nor more than 65 days prior to the date of the meeting; provided, however, that in the event that the meeting is to be held on a date that is less than 60 days after the date (the "Notice Date") on which the first public announcement of the date of the meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10th) day following the Notice Date; and (ii) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the tenth (10th) day following the day on which the first public announcement of the date of the meeting was made.

In no event shall any adjournment, postponement, or reconvening of a meeting, or the announcement thereof commence a new time period for the giving of a Nominating Shareholder's notice as described above.

4. Proper form of notice.

To be in proper written form, a Nominating Shareholder's notice must set forth: (i) as to each person whom the Nominating Shareholder proposes to nominate for election as a director, (A) the name, age, province or state, and country of residence of the person, (B) the principal occupation, business or employment of the person, both present and within the five years

preceding the notice, (C) whether the person is a resident Canadian within the meaning of the Act, (D) the number of securities of each class of voting securities of the Company or any of its subsidiaries beneficially owned, or controlled or directed, directly or indirectly, by such person, as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice, and (E) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act or any Applicable Securities Laws; and (ii) as to the Nominating Shareholder, (A) the number of securities of each class of voting securities of the Company or any of its subsidiaries beneficially owned, or controlled or directed, directly or indirectly, by such person or any joint actors, as of the record date for the meeting (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice, (B) full particulars regarding any proxy, contract, arrangement, agreement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote or to direct or to control the voting of any shares of the Company and (C) any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act or any Applicable Securities Laws,

References to "Nominating Shareholder" in this by-law shall be deemed to refer to each shareholder that nominates a person for election as director in the case of a nomination proposal where more than one shareholder is involved in making such nomination proposal.

5. Other Information

The Company may require any proposed nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as an independent director of the Company or that would reasonably be expected to be material to a reasonable shareholder's understanding of the independence and/or qualifications, or lack thereof, of such proposed nominee.

6. Notice to be updated

In addition, to be considered timely and in proper written form, a Nominating Shareholder's notice shall be promptly updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting.

7. Power of the chairman.

The chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

8. Delivery of notice.

Notwithstanding any other provision of these by-laws, notice given to the secretary of the Company pursuant to this by-law may only be given by personal delivery, facsimile transmission or by email (provided that the secretary of the Company has stipulated an email address for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of the confirmation of such transmission has been received) to the secretary of the Company at the address of the principal executive offices of the Company; provided that if such delivery or electronic communication is made on a day which is not a business day or later than 5:00 p.m. (Edmonton time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the subsequent day that is a business day.

9. Increase in number of directors to be elected.

   Notwithstanding any provisions in this by-law to the contrary, in the event that the number of directors to be elected at a meeting is increased effective after the time period for which the Nominating Shareholder's notice would otherwise be due under this section, a notice with respect to nominees for the additional directorships required by this section shall be considered timely if it shall be given not later than the close of business on the tenth (10th) day following the day on which the first public announcement of such increase was made by the Company.

10. Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement in this by-law.

11. Definitions.

   For purposes of this by-law,

   (i) "Affiliate", when used to indicate a relationship with a specific person, shall mean a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such specified person;

   (ii) "Applicable Securities Laws" means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the written rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commissions and similar regulatory authorities of each province and territory of Canada;

   (iii) "Associate", when used to indicate a relationship with a specified person, shall mean (i) any body corporate or trust of which such person beneficially owns, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all voting securities of such body corporate or trust for the time being outstanding, (ii) any partner of that person, (iii) any trust or estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar capacity, (iv) a spouse of such specified person, (v) any person of either sex with whom such specified person is living in conjugal relationship outside marriage or (vi) any relative of such specified person or of a person mentioned in clauses (iv) or (v) of this definition if that relative has the same residence as the specified person;

   (iv) "beneficially owns" or "beneficially owned" means, in connection with the ownership of shares in the capital of the Company by a person, (i) any such shares as to which such person or any of such person's Affiliates or Associates owns at law or in equity, or has the right to acquire or become the owner at law or in equity, where such right is exercisable immediately or after the passage of time and whether or not on condition or the happening of any contingency or the making of any payment, upon the exercise of any conversion right, exchange right or purchase right attaching to any securities, or pursuant to any agreement, arrangement, pledge or understanding whether or not in writing; (ii) any such shares as to which such person or any of such person's Affiliates or Associates has the right to vote, or the right to direct the voting, where such right is exercisable immediately or after the passage of time and whether or not on condition or the happening of any contingency or the making of any payment, pursuant to any agreement, arrangement, pledge or understanding whether or not in writing; (iii) any such shares which are beneficially owned, directly or indirectly, by a Counterparty (or any of such Counterparty's Affiliates or Associates) under any Derivatives Contract (without regard to any short or similar position under the same or any other Derivatives

Contract) to which such person or any of such person's Affiliates or Associates is a Receiving Party; provided, however that the number of shares that a person beneficially owns pursuant to this clause (iii) in connection with a particular Derivatives Contract shall not exceed the number of Notional Securities with respect to such Derivatives Contract; provided, further, that the number of securities owned beneficially by each Counterparty (including their respective Affiliates and Associates) under a Derivatives Contract shall for purposes of this clause be deemed to include all securities that are owned beneficially, directly or indirectly, by any other Counterparty (or any of such other Counterparty's Affiliates or Associates) under any Derivatives Contract to which such first Counterparty (or any of such first Counterparty's Affiliates or Associates) is a Receiving Party and this proviso shall be applied to successive Counterparties as appropriate; and (iv) any such shares which are owned beneficially within the meaning of this definition by any other person with whom such person is acting jointly or in concert with respect to the Company or any of its securities;

(v) "close of business" means 5:00 p.m. (Edmonton time) on a business day in Alberta, Canada;

(vi) "Derivatives Contract" shall mean a contract between two parties (the "Receiving Party" and the "Counterparty") that is designed to expose the Receiving Party to economic benefits and risks that correspond substantially to the ownership by the Receiving Party of a number of shares in the capital of the Company or securities convertible into such shares specified or referenced in such contract (the number corresponding to such economic benefits and risks, the "Notional Securities"), regardless of whether obligations under such contract are required or permitted to be settled through the delivery of cash, shares in the capital of the Company or securities convertible into such shares or other property, without regard to any short position under the same or any other Derivatives Contract. For the avoidance of doubt, interests in broad-based index options, broad-based index futures and broad-based publicly traded market baskets of stocks approved for trading by the appropriate governmental authority shall not be deemed to be Derivatives Contracts; and

(vii) "public announcement" shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Company under its profile on the System for Electronic Document Analysis and Retrieval at www.sedar.com.

(b) any director or officer of the Company is hereby authorized to execute the required Articles of Amendment on behalf of the Company;

(c) subject to the deposit of this resolution at the Company records office, the solicitors for the Company are authorized and directed to prepare and electronically file the Notice of Alteration with the Alberta Registrar of Corporations;

(d) upon the Articles of Amendment taking effect, the Company's Articles and By-Laws be altered as necessary to reflect these resolutions;

(e) any one director or officer of the Company is hereby authorized, on behalf of the Company, the board of directors of the Company is hereby authorized, at its discretion, to abandon or terminate either or both of the amendments to the articles contemplated hereby without further approval ratification or confirmation of the Company's shareholders.

5. SHARE ISSUANCE RESOLUTION

BE IT RESOLVED that:

1. The issuance of such number of common shares in the capital of Isotechnika Pharma Inc. ("**Isotechnika**") as may be required to be issued pursuant to the terms of the arrangement involving Isotechnika, Aurinia Pharmaceuticals Inc. ("**Aurinia**") and ILJIN Life Science Co. Ltd. ("**ILJIN**") pursuant to Section 288 of the *Business Corporations Act* (British Columbia) (the "**Arrangement**") up to a maximum of 299,200,000 Common Shares, as more particularly described and set forth in the Information Circular of Isotechnika dated July 19, 2013 (the "**Circular**") and as provided for in the arrangement agreement to be entered into between Isotechnika, Aurinia and ILJIN, as may be, or may have been, modified or amended in accordance with its terms (the "**Arrangement Agreement**"), and all transactions contemplated thereby, be and are hereby ratified, authorized and approved.

2. The issuance of such number of common shares in the capital of Isotechnika as may be required to be issued pursuant to the exercise of the replacement share purchase warrants to be issued by Isotechnika, as may be required to be issued pursuant to the terms of the Arrangement, up to a maximum of 800,000 common shares, as more particularly described and set forth in the Circular and as provided for in the Arrangement Agreement, and all transactions contemplated thereby, be and are hereby ratified, authorized and approved.

3. Notwithstanding that this resolution has been passed by the shareholders of Isotechnika, the directors of Isotechnika are hereby authorized and empowered, without further notice to, or approval of, the shareholders of Isotechnika:

    (a) to amend the Arrangement Agreement or the plan of arrangement (the "**Plan of Arrangement**") involving Isotechnika, Aurinia and ILJIN implementing the Arrangement (as the Plan of Arrangement may be, or may have been, modified or amended) to the extent permitted by the Arrangement Agreement or the Plan of Arrangement as it may deem appropriate in any manner, other than to increase the number of common shares in the capital of Isotechnika to be issued under the Arrangement; and

    (b) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement.

4. Any one or more directors or officers of Isotechnika is hereby authorized, for and on behalf and in the name of Isotechnika, to execute and deliver, whether under corporate seal of Isotechnika or otherwise, all such agreements, forms waivers, notices, certificates, confirmations and other documents and instruments and to do or cause to be done all such other acts and things as in the opinion of such director or officer may be necessary, desirable or useful for the purpose of giving effect to these resolutions, the Arrangement Agreement and the completion of the Arrangement in accordance with the terms of the Arrangement Agreement, including:

    (a) all actions required to be taken by or on behalf of Isotechnika, and all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities; and

    (b) the signing of the certificates, consents and other documents or declarations required under the Arrangement Agreement or otherwise to be entered into by Isotechnika,

    such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

APPENDIX "D"

FAIRNESS OPINION

(see attached)

APPENDIX "E"

AURINIA FINANCIAL STATEMENTS

(see attached)

APPENDIX "F"

PRO FORMA FINANCIAL STATEMENTS

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
OF ISOTECHNIKA PHARMA INC.
AS AT MARCH 31, 2013

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF ISOTECHNIKA PHARMA INC.

PRO FORMA FINANCIAL INFORMATION

Overview

The following unaudited pro forma consolidated financial statements of Isotechnika Pharma Inc. have been prepared on the basis of assumptions described in the notes thereto. The unaudited pro forma consolidated balance sheet was prepared as at March 31, 2013 as if the Arrangement had occurred on March 31, 2013 and the unaudited pro forma consolidated statements of operations were prepared for the year ended December 31, 2012 and the three months ended March 31, 2013 as if the Arrangement had occurred as of January 1, 2012. As described in note 1, these pro forma consolidated financial statements have been prepared on the basis of accounting principles in effect at the date of announcement of the Arrangement and are based on management's assumption as at March 31, 2013. These statements are not necessarily indicative of what the financial position or results of operations would have been had the Arrangement occurred on the dates or for the periods indicated and do not purport to indicate future results of operations. In addition, they do not reflect any cost savings or other synergies that may result from the Arrangement.

The unaudited pro forma consolidated financial statements should be read in conjunction with the historical consolidated financial statements and related notes of Isotechnika Pharma Inc. which are incorporated by reference into this Information Circular.

Pro Forma Consolidated Balance Sheet
(unaudited)
As at March 31, 2013 Unknown

(in thousands of Canadian dollars)

	Isotechnika Pharma Inc. $	Aurinia Pharmaceuticals Inc. $	Pro Forma Adjustments $ (Notes 2 and 3)	Combined Pro forma Consolidated $
Assets				
Current assets				
Cash and cash equivalents	34	17	553(a)	604
Accounts receivable	187	—	—	187
Inventory	—	80		80
Prepaid expenses and deposits	45	124	—	169
	266	221	553	1,040
Non-current assets				
Property and equipment	74	—	—	74
Goodwill and other intangible assets	2,953	2,448	3,610(c),(d)	9,011
Investment	415	—	(415)(b)	—
Total assets	3,708	2,669	3,748	10,125
Liabilities and Shareholders' Equity (Deficit)				
Current liabilities				
Accounts payable and accrued liabilities	2,106	20	(49)(c)	2,077
Drug supply payable	1,698	—		1,698
Note payable	—	528	(528)(c)	—
Finance lease liability	28	—		28
Current portion of deferred revenue	339	—	(36)(c)	303
Current portion of deferred lease inducements	4	—	—	4
Current portion of contract settlement liability	—	—	1,600(b)	1,600
	4,175	548	987	5,710
Non-current liabilities				
Deferred revenue	2,505	—	(483)(c)	2,022
Contract settlement liability	—	—	1,204(b)	1,204
	6,680	548	1,708	8,936
Shareholders' equity (deficit)				
Share capital				
Common shares	203,645	660	10,164(a)(b)(d)	214,469
Class A common share		1,500	(1,500)(d)	—
Warrants	415	—		415
Contributed surplus	9,900	13	(13)(d)	9,900
Deficit	(216,755)	(52)	(6,788)(b)(c)(d)	(223,595)
Accumulated other comprehensive loss	(177)	—	177(b)	—
Total shareholders' equity (deficit)	(2,972)	2,121	2,040	1,189
Total liabilities and shareholders' equity (deficit)	3,708	2,669	3,748	10,125

The accompanying notes are an integral part of these pro forma consolidated financial statements.

Isotechnika Pharma Inc.
Pro forma Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)
For the three months ended March 31, 2013 Unknown

(in thousands of Canadian dollars, except per share data)

	Isotechnika Pharma Inc. $	Aurinia Pharmaceuticals Inc. $	Pro Forma Adjustments $ (Notes 2 and 3)	Combined pro forma Consolidated $
Revenue				
Licensing revenue	59	—	(11)(c)	48
Research and development revenue	28	—	—	28
Contract services	2	—	—	2
	89	—	(11)	78
Expenses				
Research and development	338	—		338
Corporate and administration	498	13	—	511
Amortization of property and equipment	14	—	—	14
Amortization of intangible assets	69	—	—	69
Contract services	1	—	—	1
Other expense (income), net	(38)	1		(37)
	882	14		896
Net loss for the period	(793)	(14)	(11)	(818)
Other comprehensive income (loss)				
Net change in fair value of investment	(177)	—	177(b)	—
Comprehensive loss for the period	(970)	(14)	166	(818)
Loss per share				
(expressed in $ per share)				
Basic and diluted net loss per common share	(0.004)			(0.004)
Weighted average number of common shares outstanding	192,871			192,871

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

Isotechnika Pharma Inc.
Pro forma Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)
For the year ended December 31, 2013

(in thousands of Canadian dollars, except per share data)

	Isotechnika Pharma Inc. $	Aurinia Pharmaceuticals Inc. From incorporation on April 3, 2012 to December 31, 2012 $	Pro Forma Adjustments $ (Notes 2 and 3)	Combined pro forma Consolidated $
Revenue				
Licensing revenue	4,656	—	(62)(c)	4,594
Research and development revenue	111	—	—	111
Contract services	59	—	—	59
Other	1,300			1,300
	6,126	—	(62)	6,064
Expenses				
Research and development	5,481	—	—	5,481
Corporate and administration	3,881	30	—	3,911
Amortization of property and equipment	580	—	—	580
Amortization of intangible assets	267	—	—	267
Contract services	46	—	—	46
Other expense (income), net	5,558	8	—	5,566
	15,813	38	—	15,851
Net loss for the period	(9,687)	(38)	(62)	(9,787)
Other comprehensive income (loss)				
Net change in fair value of investment	—	—	—	—
Comprehensive loss for the period	(9,687)	(38)	(62)	(9,787)
Loss per share				
(expressed in $ per share)				
Basic and diluted net loss per common share	(0.05)			(0.05)
Weighted average number of common shares outstanding	177,619			177,619

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

Isotechnika Pharma Inc.
Notes to Pro Forma Consolidated Financial Statements
(Unaudited)

1. Basis of presentation:

The unaudited pro forma consolidated financial statements are prepared by management of Isotechnika Pharma Inc. ("Isotechnika" or the "Company") in accordance with International Financial Reporting Standards ("IFRS") in effect as at March 31, 2013, and using the accounting principles disclosed in the consolidated financial statements of the Company. These unaudited pro forma consolidated financial statements include:

- an unaudited pro forma consolidated balance sheet as at March 31, 2013, prepared from the unaudited interim condensed consolidated balance sheet of Isotechnika as at March 31, 2013, which reflects the Arrangement (as defined in note 2 below) as if it had occurred on March 31, 2013;
- an unaudited pro forma consolidated statement of operations for the three months ended March 31, 2013, prepared from the unaudited interim condensed consolidated statement of operations of Isotechnika for the three months ended March 31, 2013, which reflects the Arrangement as if it occurred on January 1, 2012; and
- an unaudited pro forma consolidated statement of operations for the year ended December 31, 2012, prepared from the audited consolidated statement of operations of Isotechnika for the year ended December 31, 2012, which reflects the Arrangement as if it occurred on January 1, 2012.

These pro forma consolidated statements of operations do not include any non-recurring charges or credits resulting from the Arrangement as described in note 2.

The unaudited pro forma consolidated financial statements should be read in conjunction with the consolidated financial statements of Isotechnika. In the opinion of management, these unaudited pro forma consolidated financial statements include all adjustments necessary for a fair presentation and are based on reasonable assumptions as at June 26, 2013.

The unaudited pro forma consolidated financial statements may not necessarily be indicative of the financial position and results of operations that would have been achieved if the Arrangement had occurred on the dates noted above and actual results may differ materially. In preparing these unaudited pro forma consolidated financial statements, no adjustments have been made to reflect ongoing costs or savings that may result from the Arrangement.

2. Plan of Arrangement

The Company and privately-held Aurinia Pharmaceuticals Inc. ("Aurinia") on February 5, 2013 signed a binding term sheet ("Term Sheet") for the merger of the two companies, resulting in a clinical stage pharmaceutical company focused on the global nephrology market.

Aurinia is a spin-out from Vifor Pharma. The Company signed a global Licensing and Collaboration Agreement effective December 30, 2011 with Vifor (International) AG ("Vifor"), the specialty pharma company of Switzerland based Galenica Group. The agreement granted Vifor an exclusive license for voclosporin, for the treatment of lupus and all proteinuric nephrology indications (the "Vifor License"). The Vifor License is for the United States and other regions outside of Canada, South Africa, Israel, China, Taiwan and Hong Kong (the "Vifor Territory"). Aurinia's current leadership team is comprised primarily of former senior managers, directors and officers of Aspreva Pharmaceuticals ("Aspreva"), which Galenica acquired in 2008. While at Aspreva, this management team executed a significant lupus nephritis study, called the Aspreva Lupus Management Study ("ALMS"), which resulted in the emergence of mycophenolate mofetil as a new standard treatment for patients suffering from this devastating and potentially fatal disease. Aurinia now holds certain rights to this large ALMS database and holds the license for voclosporin in lupus nephritis, which was assigned to Aurinia from Vifor as part of the spin-out. Aurinia's lupus rights and database will be combined in the newly merged company with the transplantation and autoimmune rights, and the database held by Isotechnika.

The Term Sheet sets forth the main criteria to be incorporated into a definitive merger agreement under which Isotechnika will acquire 100% of the outstanding securities of Aurinia. The merger is expected to be effected by an exchange of Isotechnika shares for securities of Aurinia, resulting in an estimated 65:35 post-merger ownership split (on a warrant diluted basis) between Isotechnika and Aurinia, respectively. It is expected that the merger will be accounted for as a business combination with Isotechnika being the acquirer.

In addition, Isotechnika and Aurinia have negotiated a definitive tripartite settlement with ILJIN Life Science Co. Ltd. ("ILJIN") pursuant to which, upon the successful completion of the proposed merger, the combined company will re-acquire full rights to voclosporin for autoimmune indications including lupus, and transplantation in the United States, Europe and other regions of the world, outside of Canada, Israel, South Africa, China, Taiwan and Hong Kong. In return, ILJIN will be entitled to receive certain pre-defined future milestone payments in the aggregate amount of $10,000,000, plus up to $1,600,000 upon the new company reaching certain financing milestones. ILJIN will also own approximately 25% of the issued and outstanding shares of the merged company.

The transactions described above are proposed to occur through a statutory arrangement (the "Arrangement") and are subject to certain closing conditions including, among others, the negotiation and completion of a merger agreement, acceptance and approval by the Toronto Stock Exchange (the "TSX"), and the approval of Isotechnika's shareholders. The merged entity is expected to adopt Aurinia Pharmaceuticals Inc. as its new corporate name.

3. Basis of accounting and pro forma adjustment

As the merger will be accounted for as a business combination with Isotechnika being the acquirer of Aurinia, Isotechnika will apply the acquisition method to account for the transaction. These pro forma financial statements recognise separately from goodwill and other intangible assets, the identifiable assets acquired and the liabilities assumed from Aurinia. The increase in the fair value of the assets less assumed liabilities over their carrying values, have been reflected as goodwill and intangible assets in these pro forma financial statements, and is based on management's preliminary estimate of fair value.

The following assumptions and adjustments have been made to reflect the Arrangement:

(a) Net proceeds of $553,000 received from the private placement #1 unit offering, which closed on June 26, 2013 have been reflected as cash and share capital as at March 31, 2013 as shareholder approval for the warrant portion of the units it required. In conjunction with the closing of this private placement, ILJIN and Dr. Richard Glickman each received $200,000 of units. In return they cancelled their promissory notes issued as a result of ILJIN and Dr. Glickman each lending the Company $200,000 in April, 2013. These amounts have been excluded from the pro forma financial statements as these transactions occurred subsequent to March 31, 2013 with no effect on the pro forma cash position at March 31, 2013.

(b) Adjustment to record the contract settlement with ILJIN pursuant to the Definitive Settlement Agreement signed between ILJIN, Aurinia and Isotechnika on April 3, 2013. ILJIN will be entitled to receive certain pre-defined future milestone payments in the aggregate amount of $10,000,000, plus up to $1,600,000 upon the new company reaching certain financing milestones. ILJIN will also receive shares issued from treasury and the 10% investment in Aurinia that Isotechnika received as a license fee payment as compensation, such that ILJIN will own approximately 25% of the issued and outstanding shares of the merged company. The estimated fair value of this contract settlement cost at March 31, 2013 is $6,590,000, which has been reflected in the pro forma balance sheet as an increase to the deficit. The Company has allocated $3,371,000 of this amount to common shares with the balance to contract settlement liability for the estimated fair value of the future milestone payments.

(c) Adjustments to remove license fee revenue and deferred revenue from the Vifor License, and the corresponding entries recorded by Aurinia, as if the Arrangement had occurred January 1, 2012. This has the effect of reducing intangible assets recorded by Aurinia in the amount of $1,169,000, and reducing note payable to ILJIN of $528,000, accounts payable of $49,000 and deferred revenue of $592,000.

Isotechnika Pharma Inc.
Notes to Pro Forma Consolidated Financial Statements
(Unaudited)

(d) The estimated impact of acquiring the net assets of Aurinia, after considering the elimination of the pre-existing relationship between the Company and Aurinia as noted in (c) above, is as follows:

Net assets acquired	
Working Capital, net	$ 201,000
Goodwill and intangible assets	6,699,000
	6,900,000
Consideration to Aurinia	
Common shares	$6,900,000

The actual net assets acquired by the Company and the value of the consideration paid will be based on the net assets and liabilities assumed at the effective date of the acquisition and other information available at that time. Accordingly, the actual amounts that will ultimately be recorded to reflect the acquisition will vary from the pro forma amounts and the variations may be material.

APPENDIX "G"

GLOSSARY

Definitions of certain of the defined terms used throughout this Information Circular are contained in this Appendix C. Other capitalized terms used in this Information Circular have the meanings ascribed to them in the body of this Information Circular.

"**3SBio**" means 3SBio, Inc.

"**ABCA**" means the *Business Corporations Act* (Alberta).

"**Agent**" means Canaccord Genuity Corp., a company existing under the laws of the Province of Ontario.

"**Arrangement**" or the "**Transaction**" means the arrangement transaction among the Company and Aurinia being given effect pursuant to the Arrangement Agreement, as more fully described under "The Share Issuance Resolution".

"**Arrangement Agreement**" means the arrangement agreement to be entered into among the Company, Aurinia and ILJIN giving effect to the Arrangement.

"**Arrangement Consideration**" means the consideration to be received by the Company pursuant to the Arrangement.

"**Aurinia**" means Aurinia Pharmaceuticals Inc., a company existing under the laws of the Province of British Columbia.

"**Aurinia Board**" means the board of directors of Aurinia.

"**Aurinia Shares**" means the common shares of Aurinia.

"**BCBCA**" means the *Business Corporations Act* (British Columbia).

"**BLG**" means Borden Ladner Gervais LLP.

"**Board**" means the board of directors of the Company.

"**Broker Warrants**" means common share purchase warrants to acquire one Common Share at an exercise price of $0.045 and: (i) in the case of the First Unit Offering, expiring five years from the date of issuance; and (ii) in the case of the Post-Merger Unit Offering, expiring three years from the date of issuance.

"**Company**" means Isotechnika Pharma Inc., a company existing under the laws of the Province of Alberta.

"**Common Shares**" or "**Shares**" means the common shares in the capital of the Company.

"**Consolidation**" means the consolidation of the Common Shares on the basis of 50 Common Shares for 1 Common Share.

"**Constating Document Amendment Resolution**" means the special resolution to approve amendments to the constating documents of the Company as set out in Appendix C.

"**Court**" means the Supreme Court of British Columbia.

"**Court Order**" means the order of the Court approving the Arrangement.

"**CSA**" means the Canadian Securities Administrators.

"**Effective Date**" means the date on which the Arrangement is completed.

"**Effective Time**" means the effective time of completion of the Arrangement.

"**Evans**" means Evans & Evans, Inc.

"**Fairness Opinion**" means the fairness opinion of Evans attached hereto as Appendix D.

"**Farris**" means Farris Vaughan Wills & Murphy.

"**First Offering Approval Resolution**" means the ordinary resolution to approve matters relating to the First Unit Offering as set out in Appendix C.

"**First Offering Warrant**" means a common share purchase warrant to acquire one Common Share at an exercise price of $0.05, and expiring five years from the date of issuance.

"**First Unit Offering**" means the offering of the First Units, the first tranche of which closed on June 26, 2013, as described under "The First Unit Offering".

"**First Units**" means a unit of the Company, comprised of one Common Share and one First Offering Warrant.

"**ILJIN**" means ILJIN Life Science Co. Ltd., a company existing under the laws of Korea.

"**Meeting**" means the annual and special meeting of the Shareholders of the Company to be held on August 15, 2013.

"**Post-Merger Unit Offering**" means the offering of Second Units.

"**Plan of Arrangement**" means the Plan of Arrangement attached to the Arrangement Agreement which sets out the steps involved in the Arrangement.

"**Second Offering Approval Resolution**" means the ordinary resolution to approve matters relating to the Second Unit Offering as set out in Appendix C.

"**Second Offering Warrant**" means a common share purchase warrant to acquire one Common Share at an exercise price of $0.05, and expiring three years from the date of issuance.

"**Second Units**" means a unit of the Company, comprised of a Common Share and one-half of a whole Second Offering Warrant.

"**Settlement Agreement**" means the agreement dated April 13, 2013 among the Company, Aurinia and ILJIN setting out the terms on which the Arrangement is to take place and settling certain claims between the Company and ILJIN.

"**Share Consolidation Resolution**" means the special resolution to give effect to the consolidation of the Common Shares on the basis of 50 Common Shares to 1 Common Share as set out in Appendix C.

"**Shareholders**" means the shareholders of record of the Company.

"**Share Issuance Resolution**" means the ordinary resolution to approve the issuance of Shares in connection with the Arrangement as set out in Appendix C.

"**Term Sheet**" means the binding term sheet setting out the terms of the proposed merger between the Company and Aurinia.

"**TSX**" means the Toronto Stock Exchange.

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Isotechnika Pharma Inc., 5120 – 75 Street, Edmonton, AB T6E 6W2
www.isotechnika.com

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Exhibit 99.37

AURINIA PHARMACEUTICALS INC.

NOTICE OF ANNUAL AND SPECIAL MEETING

OF SHAREHOLDERS

TO BE HELD ON

May 7, 2014

and

MANAGEMENT INFORMATION CIRCULAR

Dated April 2, 2014

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AURINIA PHARMACEUTICALS INC.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that the Annual and Special Meeting (the "**Meeting**") of Shareholders of Aurinia Pharmaceuticals Inc. (the "**Company**") will be held at 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia on May 7, 2014, at 2:00 PM, Pacific Time, for the following purposes:

1. To fix the number of directors at seven (7);
2. To elect the directors for the ensuing year;
3. To receive the financial statements of the Company for the financial year ended December 31, 2013, and the report of the auditors thereon;
4. To re-appoint PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Company and to authorize the Audit Committee to fix the auditors' remuneration;
5. To consider and, if deemed appropriate, approve, with or without amendment, by ordinary resolution, the unallocated entitlements under the Company's stock option plan; and
6. To transact such further and other business as may properly be brought before the Meeting or any adjournment thereof.

Management of the Company is soliciting proxies on the accompanying form of proxy. Shareholders who are unable to attend the Meeting are requested to complete, date, sign and return the enclosed form of proxy so that as large a representation of shareholders as possible may be had at the Meeting. Specific details of the matters being put before the Meeting, in particular with respect to the election of the directors, are set forth in more detail in the accompanying Management Information Circular.

A copy of the Management Information Circular, a Supplemental Mailing List Reply Form, a form of proxy and a return envelope accompany this Notice of Meeting.

The board of directors (the "**Board**") has determined that only holders of record of the common shares at the close of business on April 2, 2014 will be entitled to vote in respect of the items set out in this Notice of Meeting at the Meeting. The Board has also determined that 2:00 PM, Pacific Time, on May 5, 2014 as the time before which proxies to be used or acted upon at the Meeting or any adjournment thereof shall be deposited with the Company's transfer agent. Failure to properly complete or deposit a proxy may result in its invalidation.

DATED at Victoria, British Columbia, Canada, April 2, 2014.

BY ORDER OF THE BOARD

(signed) "Stephen W. Zaruby"
Stephen W. Zaruby
President and Chief Executive Officer

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MANAGEMENT INFORMATION CIRCULAR

PART 1
VOTING INFORMATION

This information circular is furnished in connection with the solicitation by the management of the Company of proxies to be voted at the annual and special meeting of shareholders of the Company (the "**Meeting**"), to be held at 1200 Waterfront Center, 200 Burrard Street, Vancouver, British Columbia, on May 7, 2014, at 2:00 PM, Pacific Time, for the purposes set forth in the accompanying Notice of Meeting, and at any adjournment thereof. Except as otherwise stated, the information contained herein is given as at April 2, 2014, and all dollar amounts and references to $ or to CDN$ are to Canadian dollars, unless otherwise indicated.

1.1. SOLICITATION OF PROXIES

The enclosed proxy is being solicited by the management of the Company and the expenses of solicitation of proxies will be borne by the Company. The solicitation will be made primarily by mail; however, officers and regular employees of the Company may also solicit proxies by telephone, telecopier, electronic mail or in person.

1.2 APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors or officers of the Company. Each shareholder is entitled to appoint any other person to represent him at the Meeting, and at any adjournment thereof.

A shareholder desiring to appoint another person (who need not be a shareholder) to represent him at the Meeting, and at any adjournment thereof, may do so either by striking out the names of the management nominees set forth in the form of proxy and inserting such person's name therein or by completing another proper form of proxy and, in either case, sending the completed proxy in the enclosed reply envelope for delivery before the Meeting, or any adjournment thereof, or by depositing such proxy with the Chairman on the day of the Meeting, at the Meeting or any adjournment thereof.

A shareholder giving a proxy pursuant to this solicitation may revoke any such proxy by an instrument in writing executed by the shareholder or by his attorney duly authorized in writing, or if the shareholder is a corporation, executed under its corporate seal or by an officer or attorney duly authorized in writing, and deposited with the Company, c/o Computershare Investor Services Inc., Attention: Proxy Department, 100 University Avenue, 9th Floor, North Tower, Toronto, Ontario M5J 2Y1, at any time up to and including the close of business two business days preceding the day of the Meeting, or any adjournment thereof, or with the Chairman on the day of the Meeting, at the Meeting or any adjournment thereof, before any vote is cast under the proxy's authority.

1.3 REGISTERED SHAREHOLDERS

Holders of common shares of the Company listed as shareholders at the close of business on April 2, 2014 will be entitled to vote at the Meeting, or any adjournment thereof, either in person or by proxy, in respect of all matters which may properly come before the Meeting, or any adjournment thereof.

1.4 NON-REGISTERED SHAREHOLDERS

The names of the shareholders whose shares are held in the name of a broker or another intermediary will not appear on the list of shareholders of the Company. If you are not a registered shareholder of the Company, in order to vote you must a) obtain the material relating to the Meeting from your broker or other intermediary; b) complete the request for voting instructions sent to you by the broker or other intermediary; and c) follow the directions of the broker or other intermediary with respect to voting procedures.

In accordance with National Instrument 54-101 adopted by the Canadian Securities Administrators (the "**CSA**") entitled "*Communications with Beneficial Owners of Securities of a Reporting Issuer*" ("**NI 54-101**"), the Company is distributing copies of the material related to the Meeting to clearing agencies and intermediaries for distribution to non-registered holders. Such agencies and intermediaries must forward the material related to the Meeting to non-registered holders and often use a service company (such as Broadridge Financial Solutions in Canada) to permit you, if you are not a registered shareholder, to direct the voting of the common shares which you beneficially own. If you are a non-registered shareholder of the Company, you may revoke voting instructions which have been given to an intermediary at any time by written notice to the intermediary. If you are a non-registered shareholder of the Company, you should submit your voting instructions to your intermediary or broker in sufficient time to ensure that your votes are received, from your intermediary or broker, by Computershare Investor Services Inc. on behalf of the Company, as set forth under the heading "*Appointment and Revocation of Proxies*".

Management of the Company does not intend to pay for intermediaries to forward the meeting materials to objecting beneficial owners under NI 54-101 and any such objecting beneficial holder will not receive the meeting materials unless the objecting beneficial holder's intermediary assumes the cost of delivery.

1.5 DESCRIPTION OF THE COMPANY

The Company is organized pursuant to the provisions of the *Business Corporations Act* (Alberta) (the "**ABCA**") and is registered extra-provincially in the Province of British Columbia pursuant to the provisions of the *Business Corporations Act* (British Columbia).

1.6 VOTING OF PROXIES

The persons named in the enclosed form of proxy will vote or withhold from voting the common shares in respect of which they are appointed in accordance with the directions of the shareholders appointing them.

In the absence of such directions, such common shares will be voted:

a. **FOR** fixing the number of directors at seven (7);

b. **FOR** the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Company and the authorization of the Audit Committee to fix the auditors' remuneration; and

c. **FOR** the approval of the unallocated entitlements under the Company's stock option plan (the "**Stock Option Plan**") by way of an ordinary resolution, as set forth and described in the section entitled "*Approval of the Stock Option Plan*".

For greater certainty, management proxyholders will not vote on the election of directors unless specifically instructed.

All matters to be voted upon at the Meeting will be decided by a majority of the votes cast by the shareholders entitled to vote thereon.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the accompanying Notice of the Meeting or with respect to such other matters as may properly come before the Meeting, or any adjournment thereof. At the date hereof, management of the Company knows of no such amendments, variations or other matters to be presented for action at the Meeting, or any adjournment thereof. However, if any other matters which are not now known to management should properly come before the Meeting, or any adjournment thereof, the persons named in the enclosed form of proxy will vote on such matters in accordance with their best judgment.

1.7 VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Company is authorized to issue an unlimited number of common shares without nominal or par value. As at April 2, 2014 there were 31,354,082 common shares issued and outstanding as fully paid and non-assessable, each carrying the right to one vote per common share. To the knowledge of the directors and officers of the Company, as at April 2, 2014, no person beneficially owned, directly or indirectly, or exercised control or direction over, shares of the Company carrying 10% or more of the voting rights attached to all outstanding voting shares of the Company, except as follows:

Name	Number of common shares	Percentage of Class
venBio Global Strategic Fund, L.P.	5,457,522	17.41%
ILJIN Life Science Co. Ltd.	4,342,162	13.85%

PART 2
BUSINESS OF THE MEETING

2.1 ELECTION OF DIRECTORS

The Company has proposed to set the size of the board of directors (the "**Board**") at seven (7). Pursuant to the subscription agreements that the Company entered into with certain investors in its recent US$52 million private placement (the "**Subscription Agreements**"), the Company agreed to use its commercially reasonable efforts to reduce the size of the Board to seven members within 90 days of closing of that financing. If the Company fails to do so, the Company has agreed to issue additional common share purchase warrants to such investors until such time as the Board is reduced to seven members, up to an aggregate of an additional approximately 6,600,000 common share purchase warrants. **The Board recommends voting FOR this resolution.**

The term of office of each of the present directors expires at the Meeting. Pursuant to an agreement with 3SBio Inc., the Company has a contractual obligation to nominate one person selected by 3SBio Inc. for election as a director. 3SBio Inc. has selected Donald Wyatt as their proposed nominee.

Pursuant to the Subscription Agreements, those investors are entitled to propose up to two individuals for election to the Board. Those investors have selected Kurt von Emster as their nominee. The investors have not provided the Company with a second nominee at this point in time.

The Company has otherwise selected Stephen Zaruby, Richard Glickman, Daniel Park, Benjamin Rovinski, Chris Kim, Michael Martin and Peter Wijngaard as its nominees.

The persons named in the enclosed form of proxy will not vote with respect to the election of directors unless specifically instructed. Each of the proposed nominees will be included on the form of proxy for election to the Board. Shareholders are cautioned to follow the instructions on the form of proxy carefully, and to only vote for 7 nominees for the election to the Board. In the event that a form of proxy includes a vote for more than 7 nominees, that form of proxy will not be counted with respect to the vote on the election of directors.

Management does not contemplate that any of the nominees will be unable to serve as a director, but, if that should occur for any reason at or prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their discretion, unless instructions have been received from a particular shareholder to withhold its shares from voting with respect to the election of directors.

The following table states the names of all of the persons proposed to be nominated for election as directors, their municipality, province or state and country of residence, their age, their principal occupation, their position in the Company (if any), the period during which each proposed nominee has served as a director and the number of common shares beneficially owned, directly or indirectly, by each of them or over which they exercise control or direction.

Management makes no recommendation that shareholders vote for any of the nominees whose names are set forth below. Each or any of the individual nominees should be elected on the basis of their own merits.

If elected, each director elected will hold office until the next annual meeting of shareholders or until his successor is duly elected, unless his office is earlier vacated in accordance with the bylaws of the Company.

Name and Municipality of Residence	Age (at April 2, 2014)	Principal Occupation for Five Preceding Years	Office	Period During Which Served as a Director	Number of Common Shares Beneficially Owned, Controlled or Directed
Richard Glickman *Victoria, British Columbia Canada*	55	Chairman of the Board - Aurinia Pharmaceuticals Inc.; Chairman of the Board - Aspreva Pharmaceuticals Inc.; Chief Executive Officer - Aspreva Pharmaceuticals Inc.; Chief Executive Officer - StressGen Pharmaceuticals Inc.	Director	Since September 20, 2013	727,588
Stephen W. Zaruby *Woodinville, WA, U.S.A.*	51	Chief Executive Officer of Aurinia Pharmaceuticals Inc. since November 6, 2013; prior thereto was President of ZymoGenetics Inc.; Vice President, Global Head, Hospital Surgical Business Unit at Bayer Schering Pharma AG	Director, President and Chief Executive Officer	Since November 6, 2013	—
Kurt von Emster(1) (2) *Belmont, CA, U.S.A.*	46	Chartered Financial Analyst, founding member of venBio Global Strategic Fund, L.P. since 2009	Director	Since February 14, 2014	—

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Name and Municipality of Residence	Age (at April 2, 2014)	Principal Occupation for Five Preceding Years	Office	Period During Which Served as a Director	Number of Common Shares Beneficially Owned, Controlled or Directed
Michael Martin *Victoria, British Columbia Canada*	42	2013 to present – COO, Aurinia Pharmaceuticals Inc.; prior thereto, CEO of privately-held Aurinia Pharmaceuticals Inc,; Director, Global Business Development and Licensing for Vifor Pharma; Global Marketing for Aspreva Pharmaceuticals Corporation, and Business Unit Manager, Schering-Plough Corp.	Director, Chief Operating Officer	Since September 20, 2013	638,699
Daniel Park(1) (2) *Seoul, Korea*	53	January 1, 2014 to present - President of ILJIN Group; Executive Vice President of ILJIN Group 2010-2013; prior thereto was Senior Vice President of ILJIN Group.	Director	Since September 20, 2013	—
Benjamin Rovinski(2) *Thornhill, Ontario Canada*	57	Managing Director, Lumira Capital since 2001	Director	Since September 20, 2013	—
Chris Kim *Seoul, Korea*	52	2008 to present – Chief Executive Officer of Lumirich Co. and ILJIN Semicon Co. of Seoul, Korea	Director	Since August 15, 2013	—
Peter Wijngaard(1) (2) *Basel, Switzerland*	51	February 2011 to present – Vice President, Innovation Leader Research & Development, The Medicines Company (Schweiz) GmbH, a global pharmaceutical company; prior thereto Senior Director Medical Affairs - ViroPharma Inc. and Global Alliance; Director in Transplantation at Hoffman-La Roche.	Director	Since February 18, 2011	25,100
Don Wyatt(1) *Seattle, Washington, U.S.A.*	47	From 2009 to present – Principle - The Wyatt Group, LLC, an intellectual property consulting firm; 2005 to 2009 – Vice President of Legal Affairs and Corporate Secretary - Cell Therapeutics, Inc., a biopharmaceutical company.	Director	Since December 7, 2011	—

Notes:

1. Serves on the Audit Committee of the Company.
2. Serves on the Compensation Committee of the Company.

Richard M. Glickman, L.L.D. (Hon), *Chairman of the Board*

Dr. Glickman presently serves as the Company's Chairman of the Board. He previously served as the Interim Executive Chairman of the Company for the period September 20, 2013 to February 28, 2014 and as Acting Interim CEO for the period October 22, 2013 to November 5, 2013. He was a co-founder of the privately held Aurinia Pharmaceuticals Inc. which was acquired by the Company. He was a co-founder, Chairman and Chief Executive Officer of Aspreva Pharmaceuticals ("Aspreva"). Prior to establishing Aspreva, Dr. Glickman was the co-founder and Chief Executive Officer of StressGen Biotechnologies Corporation. Since 2000, Dr. Glickman has served as the Chairman of the Board of Vigil Health Solutions Inc., a healthcare services company and as Chairman of the Board of Essa Pharmaceuticals Inc. Dr. Glickman was also the founder and a director of Ontario Molecular Diagnostics, a diagnostic facility that evolved into the largest molecular diagnostic laboratories in Canada. He co-founded Probtec Corporation, a rational drug design and molecular genetics firm, where he established and introduced the first licensed DNA-based forensic and paternity testing services in Canada. He has served on numerous biotechnology and community boards including roles as Chairman of Life Sciences B.C. (formerly the British Columbia Biotechnology Alliance), Director of the Canadian Genetic Disease Network, a member of the federal government's National Biotechnology Advisory Committee, a member of the British Columbia Innovation Council and as a Director for the Vancouver Aquarium. Dr. Glickman received the Ernst & Young Entrepreneur of the Year 2004 Award for the Pacific Region Life Sciences Group and has received both Canada's and British Columbia's Top 40 under 40 Award for Entrepreneurs and has been the recipient of 2006 BC Biotech Leadership Award.

Daniel Park*, Chairman of the Compensation Committee*

Mr. Park is currently the President of ILJIN Group. He started his management career with ETEX Corp, an advanced biomaterials company focusing on products that promote bone repair and enable controlled delivery therapies in 1988. ETEX is one of the subsidiaries of ILJIN Group, and Mr. Park has since worked in numerous ILJIN Group companies including ILJIN Display Co., Ltd. and ILJIN Diamond Co., Ltd. in senior management positions. He is presently in the Planning Office of ILJIN Group which contains multiple sub companies ranging from the Jeonju Television Co., Ltd. to ILJIN Electricity Co., Ltd.

Mr. Park holds Masters of Business Administration (University of California at Los Angeles), along with a Masters and a Bachelor's degree in Economics from Seoul National University.

Peter Wijngaard, Ph.D., *Director, Chair of the Audit Committee*

Dr. Peter Wijngaard is the Vice President, Innovation Leader Research & Development for The Medicines Company (Schweiz) GmbH. Prior to this he served as the Senior Director Medical Affairs at ViroPharma Incorporated, and as the Global Alliance Director, Life Cycle Leader in Transplantation, International Medical Manager in Transplantation, and Country Medical Manager Transplantation at Hoffmann-La Roche. He brings extensive experience in the areas of Global Project Leadership, Business Development, Medical Affairs, and Pharmaceutical Marketing. Dr. Wijngaard has a B.Sc. in Clinical Chemistry, and his Ph.D. in Transplantation Immunology from Utrecht University examining the immunological aspects of human heart transplantation. He conducted his Postdoctoral Fellowships at Pharmacia Diagnostics, Inselspital Bern, and Sandoz. He has published extensively in the area of transplant immunology and immunosuppression, with emphasis on the use of mycophenolate mofetil (CellCept ®). From 2005 to 2008, Dr. Wijngaard was a member of the Board of Trustees of the Roche Organ Transplant Research Foundation, which supports important and innovative clinically oriented research projects in organ transplantation. During his tenure, the Foundation managed a total of 67.5 million Swiss Francs donated by F. Hoffmann-La Roche Ltd.

Stephen W. Zaruby*, President and Chief Executive Officer*

Stephen Zaruby has over 20 years' experience in the highly complex biopharmaceutical industry. Expertise has been demonstrated in the executive general management of fully-integrated biotechnology and pharmaceutical corporations in both the U.S. and Europe, with over-sight including business development, finance, product development, regulatory affairs, manufacturing, various general and administrative functions, and global commercial operations incorporating sales, marketing, and product distribution. Stephen was president of ZymoGenetics Inc., a publically-traded, Seattle-based biotechnology company, until the time of its acquisition by Bristol-Myers Squibb. Prior to this he worked within the pharmaceutical division of Bayer Healthcare for many years, holding several different positions with leadership of one of their global strategic business units as his last operational posting. Stephen remains active within the industry, with board membership in discovery-stage biotechnology companies.

Michael R. Martin, *Director*

Michael Martin is currently Chief Operating Officer of the Company. He was formerly CEO, director and co-founder of the privately held Aurinia Pharmaceuticals Inc. which was acquired in 2013 by the former Isotechnika Pharma Inc. In his current role with Aurinia, Mr. Martin is responsible for managing company functions such as corporate and business development, alliance management, marketing, and internal company operations. Mr. Martin is a biotech/pharmaceutical executive with over 18 years industry experience and offers a solid mix of strategic planning, marketing, commercial operations, business development, licensing and people management skills. Mr. Martin joined Aurinia from Vifor Pharma where he held the position of Director, Global Business Development & Licensing. Prior to Vifor, Mr. Martin was a key member of the business development team that saw Aspreva sold to Galenica for $915M. Upon joining Aspreva in 2004, Mr. Martin initiated the strategic launch planning process for CellCept® in "less-common" autoimmune diseases. These included such indications as pemphigus vulgaris, myasthenia gravis, and LN. Prior thereto, Mr. Martin held a variety of progressively senior commercial positions at Schering-Plough. Most recently, Mr. Martin has spent time in Europe where he was responsible for the rheumatology business unit for Remicade® in France. There, Mr. Martin had full profit and loss responsibilities and had direct responsibility for the sales team, the marketing team and the infusion access team. In addition while at Schering-Plough, Mr. Martin was the brand manager responsible for the Canadian launch of Remicade (infliximab), which ultimately became the most successful product launch in Canadian history. Mr. Martin started his career in the industry in the sales organization of Schering-Plough where he received multiple awards and recognition while rapidly progressing towards the prior mentioned roles.

Chris Kim, Ph.D.*, Director*

Dr. Kim is currently CEO, Lumirich Co., and ILJIN Semicon Co., of Seoul, Korea dating from 2008 to present. Prior to that, from 2006 to 2008, Dr. Kim was CEO, ILJIN Display Co., Korea. From 2000 to 2006, Dr. Kim was Vice-president, Sales and Marketing at Samsung SDI Co, Korea, where he was in charge of Samsung SDI's worldwide plasma display panel sales and

marketing. During his tenure with Samsung SDI Co., Dr. Kim gained considerable commercial experience with CE related products to OEM customers including, for example, Philips Consumer Electronics, Sony, Dell, and Hewlett-Packard. From 2001 to 2005, Dr. Kim was able to increase revenue growth from approximately $0.7 million to $1.7 billion. Dr. Kim had increasing responsibilities from 1986 to 1999 while at companies including NSF Polymer Research Center, VPI, in Blacksburg, Virginia, USA; Exxon-Mobil Corp., in Rochester, NY, USA; Corning Inc., in Corning, NY, USA; Lam Research Corp., in Fremont, California, USA, and Fujitsu Inc., in San Jose, California, USA. Dr. Kim has an undergraduate science degree in chemical engineering from Seoul National University (1985) and a PhD in chemical engineering (1989) from Virginia Tech., Blacksburg, Virginia, USA. He also has more than ten technical publications, one book chapter, and numerous worldwide patents, and is fluent in three languages.

Kurt von Emster, *Director*

Kurt von Emster has been an institutional biotechnology and health care analyst and portfolio manager for over 20 years. Mr. von Emster is a Managing Partner of venBio. He is a member of the board of directors of Cytos AG and CymaBay Therapeutics, Inc., a former member of the board of Somaxon Pharmaceuticals Inc. (sold to Pernix Therapeutics in 2013) and Facet Biotech Corporation (sold to Abbott Laboratories in 2010), and a former board observer of Acceleron Pharma. Mr. von Emster's investment career started in 1989 at Franklin Templeton where he founded and managed several health and biotechnology funds in the 1990s, each achieving a 5-star Morningstar ranking. In 2000, he was managing over $2B in biotech and health care funds for Franklin Templeton. In 2001, Mr. von Emster became a General Partner at MPM Capital, a leading biotechnology private equity firm, and launched the MPM BioEquities Fund, a cross over public and private biotechnology hedge fund. He was the portfolio manager of this fund from inception in 2001 until his departure in 2009. He also co-founded the MPM Biogen Idec Strategic Fund during his tenure at MPM. Mr. von Emster is located in the San Francisco office.

Benjamin Rovinski, Ph.D., *Director*

Dr. Benjamin Rovinski has 27 years of investment, operational, managerial and research experience in the healthcare sector. He joined Lumira Capital in 2001, where he is a Managing Director, with an investment focus on mid-to late-stage private and public life sciences companies. Prior to joining Lumira Capital, Dr. Rovinski held several senior management positions in the biotechnology sector, including 13 years at Sanofi Pasteur where he was a senior scientist and director of molecular virology. He led global R&D programs in the areas of HIV/AIDS and therapeutic cancer vaccines, bringing several of them through to clinical-stage. Dr. Rovinski received a PhD in biochemistry from McGill University in Montréal and did post-doctoral studies in molecular oncology and retrovirology at the Ontario Cancer Institute in Toronto. He obtained his undergraduate degree from Rice University in Houston. Dr. Rovinski's current and past board roles and investment responsibilities include several private and public companies, including KAI Pharmaceuticals (acquired by Amgen); Morphotek (acquired by Eisai); Cervelo Pharmaceuticals; Health Hero Network (acquired by Bosch); Avalon Pharmaceuticals (NASDAQ: AVRX; acquired by Clinical Data, Inc.); Inovise Medical, Inc.; Protana; Signature Biosciences; and SGX Pharmaceuticals (NASDAQ: SGXP; acquired by Eli Lilly). He also serves on the board of directors of Life Sciences Ontario. Dr. Rovinski is fluent in English, French and Spanish. He has published over 25 scientific articles and reviews and is the recipient of 29 issued patents.

Donald W. Wyatt, B.S., J.D., *Director*

Donald Wyatt has over 20 years of experience in the pharmaceutical industry, including research and legal representation. He has worked in research in large pharmaceutical companies, as an attorney in a law firm, and as in-house patent and general legal counsel. Mr. Wyatt is founder of The Wyatt Group, a consulting firm serving companies worldwide in strategic transactions, relationships and intellectual property strategies. Donald Wyatt was appointed to the Board on December 7, 2011 as the nominee of 3SBio, Inc. pursuant to the terms of a development, distribution and license agreement among the Company and 3SBio, Inc. dated August 6, 2010.

2.1.1 Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the directors and officers of the Company, no proposed director of the Company:

(a) is, as at the date of this proxy circular, or has been, within 10 years before the date of this proxy circular, a director, chief executive officer or chief financial officer of any company, that:

  (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer that was in effect for a period of more than 30 consecutive days; or

(ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer that was in effect for a period of more than 30 consecutive days; or

(b) is, as at the date of this proxy circular, or has been within 10 years before the date of this proxy circular, a director or executive officer of any company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

(c) has, within the 10 years before the date of this proxy circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or

(d) has been subject to:

(i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

2.1.2 Directors' Attendance at Board and Committee Meetings

The following table sets forth the number of meetings held by the Board and each of its Committees during the fiscal year ended December 31, 2013, and the attendance of each director (in the case of Committees of the Board, the attendance of each member of such Committees) at those meetings.

Director	Board	Audit	Compensation
Dr. Robert Foster	15 of 15	N/A	N/A
Donald W. Wyatt	13 of 16	4 of 4	N/A
Prakash Gowd	10 of 10	3 of 3	N/A
Peter Wijngaard	16 of 16	4 of 4	3 of 3
Daniel S. Park	6 of 6	1 of 1	3 of 3
Richard Glickman	6 of 6	N/A	N/A
Michael Martin	6 of 6	N/A	N/A
Chris Kim	6 of 6	N/A	N/A
Benjamin Rovinski	6 of 6	N/A	3 of 3
Stephen W. Zaruby	2 of 2	N/A	N/A
Attendance Rate:	**97%**	**100%**	**100%**

2.1.3 Other Board Memberships

The following table identifies the directors of the Corporation who also act as directors for other reporting issuers.

Name	Name of Issuer	Name of Exchange of Market
Richard Glickman	Cardiome Pharma Corp.	NASDAQ: CRME; TSX: COM
Kurt von Emster	Cytos Biotechnology Ag	S.I.X. (Switzerland)
Kurt von Emster	CymaBay Therapeutics, Inc.	NASDAQ

2.1.4 Directors' and Officers' Insurance and Indemnity Agreements

The Company provides insurance for the benefit of its directors and officers against liability incurred by them in these capacities. The current aggregate policy limit is $5,000,000 the first $250,000 of certain claims being deductible and payable by the Company. The premium is $39,275 for the twelve-month term ending December 31, 2014 ($37,500 for the twelve-month term

ending December 31, 2013). This premium, which has not been specifically allocated between directors as a group and officers as a group, was paid entirely by the Company. The Company has also entered into indemnity agreements with the directors and officers of the Company to provide certain indemnification to such directors and officers.

2.2 PRESENTATION OF FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The audited consolidated financial statements of the Company, the report of the auditors thereon, and management's discussion and analysis thereof for the financial year ended December 31, 2013 will be tabled at the Meeting, but the approval of the shareholders in respect thereto is not required.

2.3 AUDITORS OF THE COMPANY

The Board recommends that shareholders vote for the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Company and the authorization of the Audit Committee to fix the auditors' remuneration. **The persons named in the enclosed form of proxy intend to cast the votes to which the common shares represented by such proxy are entitled FOR the reappointment of PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Company for the term expiring with the next annual meeting of shareholders, and to authorize the Audit Committee to fix their remuneration, unless otherwise directed by the shareholders appointing them.** PricewaterhouseCoopers LLP were the auditors for the predecessor corporation, Isotechnika Inc., since 1996 and became the auditors for the Company on June 18, 2009.

The aggregate fees recorded for professional services rendered by PricewaterhouseCoopers LLP for the Company for the years ended December 31, 2013 and 2012, respectively, are as follows:

Fiscal year ended	2013	2012
Audit fees (for audit of the Company's annual financial statements, and services provided in connection with statutory and regulatory filings)(1)	79,380	$24,893
Audit related fees (2)	46,725	$15,645
Tax fees (Tax compliance, tax advice and planning) (3)	5,250	$ 5,145
All other fees (4)	26,775	$ 1,260
Total fees	**158,130**	**$46,943**

Notes:

(1) These fees include professional services provided by the external auditor for the statutory audits of the annual financial statements.
(2) These fees relate to consulting on financial accounting and reporting standards and issues and performing review engagement services on the Company's quarterly financial statements.
(3) These fees include professional services for tax compliance, tax advice, tax planning and advisory service related to the preparation of corporate tax returns.
(4) These fees include professional services regarding reporting and filing requirements related to the plan of arrangement with Aurinia Pharma Corp.

2.4 APPROVAL OF STOCK OPTION PLAN

On June 28, 2012, the shareholders passed a resolution approving the Company's Stock Option Plan. Pursuant to the Stock Option Plan, the Company could issue stock options up to a maximum of 10% of the issued and outstanding common shares of the Company. Pursuant to the rules of the TSX Venture Exchange, because the number of options issuable pursuant to the Stock Option Plan is not fixed, the Company must obtain annual approval of the Stock Option Plan from shareholders, whereas the Company previously was listed on the Toronto Stock Exchange, which only requires approval every three years for a non-fixed plan.

The purpose of the Stock Option Plan is to provide incentive to the Company's employees, officers, directors, and consultants responsible for the continued success of the Company. A summary of the Stock Option Plan is included later in this information circular under the heading "*Statement of Executive and Director Compensation – Equity Compensation Plans – Stock Option Plan*".

Shareholders will be asked to re-adopt and re-approve the Stock Option Plan at the Meeting. The following resolution will be presented to the shareholders for approval:

"**BE IT RESOLVED** that:

1. the Stock Option Plan be and hereby is approved;

2. the Company is authorized to grant stock options pursuant and subject to the terms and conditions of the Stock Option Plan entitling all of the outstanding optionholders in aggregate to purchase up to such number of common shares of the Company as is equal to 10% of the number of common shares of the Company issued and outstanding on the applicable grant date;

3. all unallocated entitlements and options issuable under the Stock Option Plan are hereby approved and authorized until May 7, 2015 (if the Company is listed on the TSX Venture Exchange on that date) or until May 7, 2017 (if the Company is listed on the Toronto Stock Exchange on May 7, 2015);

4. any committee created pursuant to the Stock Option Plan is authorized to make such amendments to the Stock Option Plan from time to time as the Board may, in its discretion, consider to be appropriate, provided that such amendments will be subject to the approval of all applicable regulatory authorities and in certain cases, in accordance with the terms of the Stock Option Plan, the shareholders; and

5. the approval of the Stock Option Plan by the Board is hereby ratified and any one director of the Company is hereby authorized to execute any other documents as the director deems necessary to give effect to the transactions contemplated in the Stock Option Plan."

Management of the Company recommends that shareholders vote in favour of the foregoing resolution, and the persons named in the enclosed form of proxy intend to vote FOR the approval of the foregoing resolution at the Meeting unless otherwise directed by the shareholders appointing them.

PART 3 STATEMENT OF EXECUTIVE AND DIRECTOR COMPENSATION

COMPENSATION OF EXECUTIVES

The following compensation discussion and analysis provides information regarding all significant elements of compensation paid, awarded or otherwise provided by the Company to its Named Executive Officers (defined below). Specific information is provided for Stephen Zaruby, CEO since November 6, 2013; Richard Glickman, Acting Interim CEO from October 22, 2013 to November 6, 2013 and Executive Chairman from September 20, 2013 to December 31, 2013; Robert Foster, CEO from January 1, 2013 to October 22, 2013 and Chief Scientific Officer from October 23, 2013 to December 31, 2013; and Dennis Bourgeault, Chief Financial Officer (collectively, the "**Named Executive Officers**" or the "**NEOs**").

The Company was in a state of transition in 2013 with the main objectives of the NEO's being to complete the plan of Arrangement and acquisition of Aurinia Pharma Corp. and secure sufficient funding for future planned operations, including conducting a Phase 2b lupus nephritis trial. Subsequent to the completion of the plan of arrangement on September 20, 2013, the Company made changes to its executive team which culminated with the hiring of Stephen Zaruby as CEO on November 6, 2013.

Information about the compensation awarded to the Named Executive Officers can be found in the "*Summary Compensation Table*" and related compensation tables below.

3.1.1 Compensation Discussion and Analysis

This section explains how the executive compensation program is designed with respect to the CEO and the other executive officers. In designing the compensation program the Board has several key objectives:

- To assist the Company in attracting and retaining talented executives
- To align management's interests with that of shareholders and other stakeholders
- To motivate executives towards the creation of long term shareholder value
- To be competitive with other companies of similar size and business

The Compensation Committee was comprised of three (3) independent directors in 2013. The members for the period January 1, 2013 to September 19, 2013 were Donald Wyatt (Chair), Dr. Peter Wijngaard and Prakash Gowd. For the period September 20, 2013 to December 31, 2013 the Compensation Committee was comprised of Daniel S. Park, who served as the Chair, Dr. Peter Wijngaard and Benjamin Rovinski. No member of the Compensation Committee was an officer or employee of the Company.

Annually, specific and measurable performance objectives are defined for each executive.

3.1.2 Managing Compensation Risk

On an annual basis, or otherwise more frequently as circumstances require, the Compensation Committee considers whether the executive compensation programs create or incentivize any inappropriate risk-taking. It is important to undertake such an analysis because it is expected that going forward annual performance-based incentives will continue to play a primary role in Named Executive Officers' and other senior management's compensation programs. Therefore, the Company must ensure that these incentives do not result in actions being taken that are not in the long-term interest of the Company. The compensation plan and program utilized for the hiring of the new CEO, Stephen Zaruby, in 2013 considered both short-term incentives and long-term incentives to enhance the balance between risk and reward in relation to the Company's overall business strategy and to further discourage the taking of unnecessary or excessive risks.

a) Base Salaries

The salary levels for the executive officers of the Company are based on the experience and expertise of each executive.

The salaries awarded to Stephen Zaruby and to Richard Glickman were based on negotiations between the individual and the Compensation Committee and were based on the experience and expertise of each executive and the needs of the Company.

The contractual monthly base salary for Dennis Bourgeault (Chief Financial Officer) was the same as the contractual monthly base salary for 2012.

The contractual monthly base salary for Robert Foster serving in the position of CEO for the period of January 1, 2013 to October 22, 2013 was based on his employment agreement entered into on March 8, 2012 which provided for a base salary of $385,000 per annum.

The base salary paid to Robert Foster as Chief Scientific Officer for the period of October 23, 2013 to December 31, 2013 was based on negotiations between the Compensation Committee and Robert Foster.

b) Bonus Plan

The Company has implemented a bonus plan such that the CEO is eligible for a bonus based upon 70% of base salary while other executive officers are eligible for a bonus based on 30% of base salary. Annually, specific and measurable performance objectives are defined for each executive. The objectives against which the executives were evaluated include research and product development goals/milestones, execution of development and commercialization agreements, organizational development objectives and financial targets. Bonuses relating to performance in 2013 are currently under review but no determinations have been made or approved to the current date.

c) Stock Option Plan

The Company has a Stock Option Plan which it believes helps align management and director interests with shareholders' interests.

Chief Executive Officer

a) Base Salary

A function of the Compensation Committee is to monitor and assess Stephen Zaruby's performance and to recommend his compensation to the Board for approval. The Board supports the principle that CEO compensation should be directly related to the overall current performance of the Company and its potential for continued future growth and set his initial compensation plan to reflect this approach.

In determining recommendations for Mr. Zaruby's total compensation as the new CEO, the Compensation Committee considered:

- his experience and expertise and the needs of the Company; and
- comparison with equivalent roles within companies of a similar size and nature.

b) Bonus

The CEO is eligible, pursuant to his employment agreement, for a bonus based upon 70% of base salary. In addition he is to receive a bonus upon successful completion of a financing of $25 million or larger.

c) Option-based Awards

Mr. Zaruby is entitled to receive stock options in an amount equal to 6% of the outstanding capital stock of the Company determined as of November 6, 2013 and subject to the TSX Venture Exchange and the Company's insider trading guidelines and the blackout provisions therein. However, no options were granted in the 2013 financial year as a result of insider trading guidelines and the blackout provisions therein. Subsequent to the year end, the Company granted Mr. Zaruby 742,200 stock options exercisable at $3.50 per common share for a term of ten (10) years.

3.1.3 Anti-Hedging Protection

The Company has a written code of business conduct (the "**Code**") for its directors, officers and employees, which is filed on the Company's website at www.auriniapharma.com. The Code requires that all employees act at all times in full compliance with all laws applicable to the business of the Company. The Board implemented a written anti-hedging policy for all employees, directors and senior officers of the Company on March 8, 2012. This policy specifically prohibits a director or NEO from purchasing financial instruments designed to hedge or offset a decrease in market value of any common shares granted as compensation or held, directly or indirectly, by the NEO or director.

3.1.4 Summary Compensation Table

The following table details the compensation information for each of the Company's three most recently completed financial years for the Named Executive Officers.

Name and principal position	Year	Salary ($)	Share-based awards ($)	Option-based awards[1] ($)	Non-equity incentive plan compensation ($)		Pension value ($)	All other compensation[2] ($)	Total compensation ($)
					Annual incentive plans	Long-term incentive plans			
Stephen Zaruby									
Chief Executive Officer from November 6, 2013	2013	88,564[3]	—	—	—	—	—	—	88,564
	2012	—	—	—	—	—	—	—	—
	2011	—	—	—	—	—	—	—	—
Robert Foster									
Chief Executive Officer until October 22, 2013; Chief Scientific Officer from October 22, 2013	2013	362,048	—	—	—	—	—	807,960[4]	1,170,008
	2012	325,614[5]	—	101,322	36,000	—	—	—	462,936
	2011	300,000	—	62,930	—	—	—	—	362,930
Richard Glickman									
Acting Chief Executive Officer from October 22 to November 5, 2013 and Executive Chairman from September 20, 2013 to December 31, 2013	2013	—	—	—	—	—	—	100,000[6]	100,000
	2012	—	—	—	—	—	—	—	—
	2011	—	—	—	—	—	—	—	—
Dennis Bourgeault	2013	170,000	—	—	—	—	—	—	170,000
Chief Financial Officer	2012	177,500	—	50,661	9,000	—	—	—	237,161
	2011	200,000	—	32,058	—	—	—	—	232,058

Notes:

1. The fair value of options granted to Named Executive Officers was estimated at the date of grant using the Black-Scholes option pricing model using the following weighted average assumptions:

For the years ended December 31,	2013	2012	2011
Expected annual volatility	—	97.6%	100.3%
Expected life	—	4.52 years	3.75 years
Risk-free interest rate	—	1.26%	1.61%
Dividend yield	—	0.0%	0.0%

The Company based its determination of expected volatility on the historical market volatility of its shares.

2. The total amount of other annual compensation including perquisites for any Named Executive Officer on an aggregate basis, generally including group insurance benefits, does not exceed the lesser of $50,000 and 10% of their annual cash compensation except as indicated by note (4).
3. Stephen Zaruby's remuneration in paid in US dollars which is converted into Canadian dollars at the average quarterly rate.
4. All other compensation is composed of: (i) severance of $770,000, of which $385,000 was paid during the year and $385,000 was accrued as severance payable at December 31, 2013; (ii) employee benefits of $17,960 and (iii) accrued vacation paid of $20,000.
5. Robert Foster's base salary reflected a voluntary reduction in his salary to 70% of his contractual base salary for the period August 16, 2012 to December 31, 2012.
6. Fees earned for acting as Executive Chairman for the period September 1, 2013 to December 31, 2013.

3.1.5 Narrative Discussion of Compensation

The following is a summary of the management contracts for each of the executive officers of the Company:

Stephen Zaruby, President and CEO

On November 6, 2013, Mr. Zaruby entered into an employment agreement with the Company for the position of President and CEO. The agreement provides that Mr. Zaruby will devote his sole skill and efforts to discharging his duties to the Company on a full-time and exclusive basis. In addition to his base salary of US$490,000, Mr. Zaruby is eligible to receive a cash bonus with a target payment of 70% of his base salary if the Board, in its sole discretion, determines that the Company's performance has met certain short-term and long-term business performance objectives established from time to time by the Board, subject to any rules the Company may develop regarding the bonus scheme. Mr. Zaruby is also entitled to receive a one-time cash bonus upon the Company successfully completing an equity financing raising aggregate proceeds of at least USD$25 million. Mr. Zaruby is entitled to receive stock options in an amount equal to 6% of the outstanding capital stock of the Company determined as of November 6, 2013 and subject to the TSX Venture Exchange and the Company's insider trading guidelines and the blackout provisions therein. One-fifth (1/5th) of the options will vest immediately, while 1/36th of the balance of the options will vest at the end of each of the first thirty-six (36) months of his employment. In addition, Mr. Zaruby is entitled to participate in the Company's benefits program and to vacation of six (6) weeks per year.

Dennis Bourgeault, Chief Financial Officer

Mr. Bourgeault entered into a new employment agreement for an indeterminate term, effective June 19, 2009, respecting his employment as an executive of the Company, replacing the previous employment contract entered into on January 1, 2006, as amended on April 30, 2008. The agreement provides that the Executive shall devote his sole skill and efforts to discharging his duties to the Company on a full-time and exclusive basis. In addition to his base salary of $200,000, Mr. Bourgeault is entitled to participate in the Company's benefits program and is eligible to receive a cash bonus and option bonus based upon the achievement of certain performance goals as the Board may establish from time to time and ratified by the Board for each calendar year in accordance with the bonus plan.

Mr. Bourgeault is also entitled to receive a retention incentive, granted to him in 2012, whereby he shall each receive 0.1675% of royalty licensing revenue for royalties received on the sale of voclosporin by licensees and/or 0.025% of net sales of voclosporin sold directly by the Company, to be paid quarterly as that revenue is received by the Company, provided that he is employed by or a consultant to the Company or one of its subsidiaries at the time such amount is payable. Should he cease to be employed by or cease to be a consultant to the Company or one of its subsidiaries, payment obligation to him shall cease. Should the Company sell substantially all of the assets of voclosporin to a third party or transfer those assets to another party in a merger in a manner such that this payment obligation is no longer operative, he will be entitled to receive 0.025% of the value attributable to voclosporin in the transaction, provided that he is serving as an executive officer of the Company at the time of the transaction. Should his employment be terminated without just and sufficient "cause" as set forth in his employment agreement, he will be entitled to receive the royalty licensing revenues he would have been entitled to receive had his employment not been terminated.

Mr. Bourgeault agreed to non-competition, non-solicitation, non-disclosure and assignment of intellectual property provisions in favour of the Company.

Terminated Executive

Dr. Robert Foster

On March 9, 2012 Dr. Foster entered into a new employment agreement with the Company for a term ending on December 31, 2015 respecting his employment as the Chief Executive Officer and as a director of the Company (the "**CEO Employment Agreement**"), replacing the previous employment agreement entered into on January 1, 2006, as amended on April 30, 2008, which agreement had expired December 31, 2009. Dr. Foster had no formal employment agreement from January 1, 2010 to March 8, 2012. In addition to base salary, Dr. Foster was entitled to participate in the Company's benefits program and was eligible to receive a cash bonus and option bonus based upon the achievement of certain performance goals as the Board may establish from time to time and ratified by the Board for each calendar year in accordance with the bonus plan.

On October 21, 2013, Dr. Foster's employment agreement as President and Chief Executive Officer of the Company was terminated without cause. Pursuant to the CEO Employment Agreement, Dr. Foster was entitled to a cash payment in an amount (in addition to salary, benefits or other sums due to him through the termination date) equal to two times his annualized base salary then in effect. This resulted in Dr. Foster receiving a severance payment of $770,000.

Concurrently with the termination of the CEO Employment Agreement, Dr. Foster entered into a new Employment Agreement with the Company respecting his employment as the Chief Scientific Officer of the Company for a term ending on December 31, 2014 (the "**CSO Employment Agreement**"). In addition to his base salary of $260,000 per annum, Dr. Foster was entitled to participate in the Company's benefits program and was eligible to receive a cash bonus and option bonus based upon the achievement of certain performance goals as the Board may establish from time to time and ratified by the Board for each calendar year in accordance with the bonus plan. Pursuant to the CSO Employment Agreement, Dr. Foster was granted 150,000 stock options to be priced and issued as soon as securities regulations permitted.

Pursuant to the CSO Employment Agreement, if Dr. Foster's employment was terminated by the Company without cause, the Company would provide him with a consulting contract for up to three (3) years on an "as needed" basis, with the proviso that he would be entitled to retain vested stock options during this period so long as such retention of options complies with securities regulations. However, in the event that Dr. Foster's employment was terminated by the Company without cause within the first twelve (12) months of the CSO Employment Agreement, he would not be entitled to any severance compensation other than that provided by law.

On February 14, 2014, Dr. Foster's CSO Employment Agreement was terminated by the Company without cause and as a result, pursuant to the terms of the CSO Employment Agreement, Dr. Foster did not receive any severance amount related to the CSO Employment Agreement. Concurrently with the termination of the CSO Employment Agreement on February 14, 2014, the Company signed a consulting services agreement with Dr. Foster for a term of three (3) years in accordance with the provisions of the CSO Employment Agreement. On February 18, 2014, the Company granted to Dr. Foster, as a consultant, 150,000 stock options exercisable at a price of $3.50 per share for a term of ten (10) years.

Effective 2012, Dr. Foster was entitled to receive 2% of royalty licensing revenue for royalties received on the sale of voclosporin by licensees and/or 0.3% of net sales of voclosporin sold directly by the Company, to be paid quarterly as that revenue is received by the Company. Should the Company sell substantially all of the assets of voclosporin to a third party or transfer those assets to another party in a merger in a manner such that this payment obligation is no longer operative, then he will be entitled to receive 0.3% of the value attributable to voclosporin in the transaction. As his employment was terminated without just and sufficient "cause" as set forth in his CSO Employment Agreement, he is entitled to receive the royalty licensing revenues he would have been entitled to receive had his employment not been terminated.

3.1.6 Incentive Plan Awards

a) Outstanding Share-Based Awards and Option Based Awards

The following table indicates for each of the Named Executive Officers all awards outstanding at the end of the 2013 financial year and reflects consolidation of common shares on a 50:1 basis.

	Option-based Awards				Share-based Awards		
Name	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)	Market or payout value of vested share-based awards not paid out or distributed ($)
Stephen W. Zaruby	—	—	—	—	—	—	—
Richard Glickman	—	—	—	—	—	—	—
Robert Foster	15,000(1)	7.50	June 23, 2014	—	—	—	—
	20,000(2)	7.00	August 3, 2016	—	—	—	—
	40,000(3)	3.50	December 11, 2022	16,800	—	—	—
Dennis Bourgeault	7,500(1)	7.50	June 23, 2014	—	—	—	—
	10,000(2)	7.00	August 3, 2016	—	—	—	—
	20,000(3)	3.50	December 11, 2022	8,400	—	—	—

Notes:

1. These options were granted on June 23, 2009 and vest on the following basis:
   (a) One-third of the granted options vested in accordance with the following percentages:
      (i) Forty percent immediately;
      (ii) Thirty percent on June 23, 2010;
      (iii) Thirty percent on June 23, 2011.
   (b) Two-thirds of the granted options in percentages based on performance criteria, as determined by the Board, for each individual Named Executive Officer.
2. These options were granted on August 3, 2011 and vest on the following basis:
   (a) One-half of the granted options vested in accordance with the following percentages:
      (i) Fifty percent on December 31, 2011;
      (ii) Fifty percent on December 31, 2012.
   (b) One-half of the granted options in percentages based on performance criteria, as determined by the Board, for each individual Named Executive Officer.
3. These options were granted on December 11, 2012 and vested on the following basis:
   (a) One-third on December 31, 2012;
   (b) One-third on May 31, 2013;
   (c) One-third on November 30, 2013.

b) Value Vested or Earned on Incentive Plan Awards During the Most Recently Completed Fiscal Year

The following table indicates for each of the Named Executive Officers the value on vesting of all awards during the 2013 financial year.

	Option-based Awards			
Name	Number of Securities Underlying Options Vested(1)(2) (#)	Value vested during the year ($)	Share-based awards - Value vested during the year ($)	Non-equity incentive plan compensation - Value earned during the year ($)
Stephen W. Zaruby	—	—	—	—
Dennis Bourgeault	13,333	—	—	—
Robert Foster	26,666	—	—	—
Richard Glickman	—	—	—	—

Note:

1. The value reflected in the above chart relates to the in-the-money value of options at the date of the vesting.
2. Reflects consolidation of shares on 50:1 basis

3.1.7 Termination and Change of Control Benefits

a) ***Stephen Zaruby - CEO***

Pursuant to the employment agreement dated November 6, 2013 between the Company and Stephen Zaruby, termination and change of control benefits are as follows:

(i) In the event that Mr. Zaruby's employment is terminated by the Company without cause during the first year of his employment, Mr. Zaruby is entitled to receive a payment in lieu of notice equivalent to six (6) months' base salary plus such other sums, if granted, pursuant to the performance bonus and financing success bonus sections of the employment agreement. In the event that Mr. Zaruby's employment is terminated by the Company without cause after the first year of his employment, he will be entitled to receive a payment in lieu of notice equivalent to twelve (12) months' of his then current base salary, plus one additional month's base salary for each full year of employment, up to a maximum of eighteen (18) months in the aggregate, plus such other sums, if granted, pursuant to the performance bonus and financing success bonus sections of the employment agreement. All of Mr. Zaruby's unexercised vested options would be exercisable over a period of ninety (90) days pursuant to the terms and conditions under which the stock options were granted, subject to the prior expiry of his stock options in accordance with their terms.

(ii) In the event that Mr. Zaruby's employment is terminated by the Company without cause or by the executive for "good reason" within twelve (12) months following a change in control of the Company, Mr. Zaruby is entitled to receive a lump sum payment in lieu of notice equal to two (2) years' of his then current base salary, plus such other sums, if granted, pursuant to the performance bonus and financing success bonus sections of the employment agreement. All of Mr. Zaruby's unexercised stock options would fully vest and would be exercisable over a period of ninety (90) days pursuant to the terms and conditions under which the stock options were granted, subject to the prior expiry of his stock options in accordance with their terms.

(iii) Assuming termination on December 31, 2013, a lump sum payment of USD$245,000 plus any benefits or other sums due to him through the termination date, would have been made to Stephen Zaruby. Assuming Mr. Zaruby's employment was terminated as a result of a change in control on December 31, 2013, Mr. Zaruby would have been entitled to a lump sum payment of USD$980,000 plus any benefits or other sums due to him.

(iv) In the event that employment is terminated as a result of the death or permanent disability of Mr. Zaruby, Mr. Zaruby or his estate or legal representative would not be entitled to receive any additional compensation other than the salary, bonus, benefits, or other sums due up to and including the termination date. All vested stock options would be exercisable over a period of one year from the date of termination.

b) Dennis Bourgeault - CFO

In the event that employment of this Named Executive Officer is terminated (i) by the Company without just and sufficient cause; (ii) by the executive for "good reason"; or (iii) by the Company or by the executive for "good reason" following a change in control of the Company, Dennis Bourgeault is entitled to receive a cash payment in an amount equal to one month of his base salary then in effect per year of service to a maximum of 18 months, any bonus earned by the executive as of the termination date and the cash value of benefits and perquisites provided to the executive with respect to the immediately preceding fiscal year. In the case of (i) or (ii) above, all of his unexercised stock options, including options based on the achievement of certain performance criteria, whether or not actually achieved, would fully vest and would be exercisable over a period of 90 days pursuant to the terms and conditions under which the stock options were granted, subject to the prior expiry of his stock options in accordance with their terms. In the case of (iii) above, all of his unexercised stock options, with the exception of options based on the achievement of certain performance criteria, would fully vest and would be exercisable over a period of 90 days pursuant to the terms and conditions under which the stock options were granted, subject to the prior expiry of his stock options in accordance with their terms.

Assuming termination on December 31, 2013, a lump sum payment of $261,111 plus any benefits or other sums due to him through the termination date, would have been made to Dennis Bourgeault. An additional amount of $8,400 could have been realized on the exercise of in-the-money stock options as at December 31, 2013.

In the event that employment is terminated as a result of the death or permanent disability of the Named Executive Officers, the executive or his/her estate or legal representative would not be entitled to receive any additional compensation other than the salary, bonus, benefits, or other sums due up to and including the termination date. All stock options, including options based on the achievement of certain performance criteria, whether or not actually achieved, would fully vest and be exercisable over a period of one year from the date of termination.

3.2 COMPENSATION OF DIRECTORS

During the 2013 financial year, directors were remunerated for services in that capacity with cash compensation.

As at December 31, 2013, the Board consisted of five (5) non-executive directors (Messrs. Wijngaard, Wyatt, Park, Kim and Rovinski) and Richard Glickman, Executive Chairman, Stephen Zaruby, President and Chief Executive Officer, and Michael Martin, the Chief Operating Officer. Prakash Gowd served as a Board member for the period January 1, 2013 to September 20, 2013. The Company awarded a total of $199,500 to the non-executive directors in retainer and meeting fees in 2013. The members of the Board were also eligible for reimbursement of their expenses incurred in connection with attendance at Board meetings. Dr. Foster did not receive separate compensation for acting as a company director until his resignation on December 7, 2013. Stephen Zaruby and Richard Glickman did not receive separate compensation for acting as Company directors.

Summary Compensation Table:

The following table provides details of the compensation awarded to, earned by, paid to or payable to the directors who were not Named Executive Officers of the Company during the 2013 financial year.

Name	Attendance Fees ($)	Retainer Fees ($)	Share-based awards ($)	Option-based awards ($)	Non-equity incentive plan compensation ($)	Pension value ($)	All other compensation ($)	Total ($)
Daniel Park	6,500	17,500	—	—	—	—	—	24,000
Chris Kim	4,500	7,500	—	—	—	—	—	12,000
Benjamin Rovinski	6,000	7,500						13,500
Prakash Gowd	5,000	37,500	—	—	—	—	—	42,500
Peter Wijngaard(1)	11,250	46,250	—	—	—	—	—	57,500
Donald Wyatt(2)	8,750	41,250	—	—	—	—	—	50,000
Michael Martin	—	—	—	—	—	—	—	—

Notes:

1. Of the total amount reflected above, the sum of $34,750 was outstanding to Peter Wijngaard at December 31, 2013. This amount was subsequently paid to him in 2014.
2. Of the total amount reflected above, the sum of $34,250 was outstanding to Donald Wyatt at December 31, 2013. This amount was subsequently paid to him in 2014.

Outstanding Share-Based Awards and Option-Based Awards

The following table indicates for directors who were not Named Executive Officers all awards outstanding at the end of the 2013 financial year and reflects the consolidation of common shares on a 50:1 basis.

	Option-based Awards				Share-based Awards	
Name	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options ($)(1)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)
Peter Wijngaard	6,500	7.00	August 3, 2016	—		
	1,500	2.50	August 17, 2022	2,130	—	—
	6,000	3.50	December 11, 2022	2,520		
Donald Wyatt	2,000	6.50	February 13, 2017	—		
	1,500	2.50	August 17, 2022	2,130	—	—
	6,000	3.50	December 11, 2022	2,520		
Daniel Park	—	—	—	—	—	—
Chris Kim	—	—	—	—	—	—
Benjamin Rovinski	—	—	—	—	—	—
Michael Martin	—	—	—	—	—	—
Prakash Gowd	—	—	—	—	—	—

Note:

1. Closing share price on December 31, 2013 was $3.92.

Value Vested or Earned on Incentive Plan Awards During the Most Recently Completed Fiscal Year:

The following table indicates for each of the directors who were not Named Executive Officers the value on vesting of all awards during the 2013 financial year.

Name	Option-based awards - Value vested during the year ($)	Share-based awards - Value vested during the year ($)	Non-equity incentive plan compensation - Value earned during the year ($)
Prakash Gowd	—	—	—
Peter Wijngaard	—	—	—
Donald Wyatt	—	—	—
Daniel Park	—	—	—
Chris Kim	—	—	—
Benjamin Rovinski	—	—	—
Michael Martin	—	—	—

3.3 EQUITY COMPENSATION PLANS

3.3.1 Stock Option Plan

The shareholders approved the Stock Option Plan at the June 28, 2012 annual meeting. The following is a summary of the material terms of the Stock Option Plan:

- **Administration**. The Stock Option Plan is administered by the Board (or a committee thereof) which has the power to (i) grant options, (ii) reserve common shares for issuance upon the exercise of options, (iii) determine the terms, limitations, restrictions and conditions respecting option grants, (iv) interpret the Stock Option Plan and adopt, amend and rescind such administrative guidelines and other rules and regulations relating to the Stock Option Plan, and (v) make all other determinations and take all other actions in connection with the implementation and administration of the Stock Option Plan.

- **Number of Securities Issuable**. The Stock Option Plan is a rolling stock option plan that reserves, for issuance pursuant to stock options, a maximum number of common shares equal to 10% of the outstanding common shares of the Company at the time the common shares are reserved for issuance.
- **Eligible Persons**. "Service Providers" are eligible to receive grants of options under the Stock Option Plan. "Service Providers" is defined as bona fide directors, officers, employees, management company employees and consultants and also includes a company of which 100% of the share capital is beneficially owned by one or more individual Service Providers.
- **Shareholder Approval**. Pursuant to the policies of the TSX Venture Exchange, the Stock Option Plan must be approved by the shareholders every year after its implementation.
- **Grants to One Person**. The number of common shares reserved for issue to any one person under the Stock Option Plan may not exceed 5% of the outstanding common shares of the Company at the time of grant.
- **Insiders**. Without the prior approval of the shareholders of the Company, the number of common shares being issuable to insiders under the Stock Option Plan at any time, when combined with all of the Company's other share compensation arrangements, shall not exceed 10% of the issued and outstanding common shares of the Company, and the number of common shares issued to insiders under the Stock Option Plan, when combined with all of the Company's other share compensation arrangements, shall not exceed 10% of the issued and outstanding common shares in any 12 month period.
- **Exercise Price**. The exercise price of options under the Stock Option Plan will be set by the Board at the time of grant and cannot be less than the Market Price (defined in the Stock Option Plan as the closing trading price for the common shares on the TSX Venture Exchange on the day immediately prior to the date of grant).
- **Vesting**. Vesting of options is at the discretion of the Board. Options become exercisable only after they vest in accordance with the respective commitment and exercise form.
- **Term of Options**. Options granted under the Stock Option Plan will have a maximum term of 10 years from their date of grant.
- **No Assignment**. All options will be exercisable only by the optionee to whom they are granted and are non-assignable and non-transferable.
- **Termination of Exercise Right**. No option may be exercised after an optionee has left the employ or service of the Company except as follows:
    - in the event of an optionee's death, any vested option held by the optionee at the date of death will be exercisable by the optionee's lawful personal representatives, heirs or executors until the earlier of 12 months after the date of death and the date of expiration of the term otherwise applicable to such option;
    - in the event of an optionee's disability, any vested option held by the optionee will be exercisable until the earlier of 12 months after the date the Board makes a determination of disability and the date of expiration of the term otherwise applicable to such option;
    - generally speaking, vested options will expire 90 days after the date the optionee ceases to be employed by, provide services to, or be a director or officer of, the Company, and any unvested options shall immediately terminate.
- **Change in Control.** Upon a change in control or takeover bid, vesting can be accelerated in accordance with the provisions set out in the Stock Option Plan.
- **Extension of Expiry Period.** If an option which has been previously granted is set to expire during a period in which trading in securities of the Company by the option holder is restricted by a black-out, or within 9 business days of the expiry of a black-out, the expiry date of the option will be extended to 10 business days after the trading restrictions are lifted.
- **Amendments Requiring Shareholder Approval.** Shareholder approval is required for the following amendments to the Stock Option Plan:
    - an increase to the aggregate percentage of securities issuable under the Stock Option Plan;
    - a reduction in the exercise price of an outstanding option;
    - an extension of the term of any option beyond the expiry date;

- any amendment to permit assignments or exercises other than by the optionee other than as set out in the Stock Option Plan;
- amendment to the individuals eligible to receive options under the Stock Option Plan;
- an amendment to the Stock Option Plan to provide for other types of compensation through equity issuance, other than an amendment in the nature of a substitution and/or adjustment made by the Board in response to a change to, event affecting, exchange of, or corporate change or transaction affecting the common shares; and
- an amendment which is required to be approved by shareholders under applicable law (including, without limitation, the TSX Policies).

- **Amendments Without Shareholder Approval**. Subject to the policies of the TSX Venture Exchange, the Stock Option Plan may be amended without shareholder approval for the following:
  - amendments of a "housekeeping" nature;
  - amendments necessary to comply with the provisions of applicable law;
  - amendments respecting the administration of the Stock Option Plan;
  - any amendment to the vesting provisions of the Stock Option Plan or any option;
  - any amendment to the early termination provisions of the Stock Option Plan or any option, whether or not such option is held by an insider, provided such amendment does not entail an extension beyond the original expiry date;
  - any amendments necessary to suspend or terminate the Stock Option Plan; and
  - any other amendment not requiring shareholder approval under applicable law (including the TSX Venture Exchange Policies).

3.3.2 Pension Plan Benefits

The Company does not provide retirement benefits for directors or officers.

3.4 SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table indicates the number of common shares to be issued upon the exercise of outstanding options, the weighted average exercise price of such outstanding options and the number of common shares remaining for future issuance under the Stock Option Plan as at December 31, 2013.

Plan Category	Number of common shares to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of common shares remaining available for future issuance under the equity compensation plans (excluding securities reflected in the first column)(1)
Stock Options	276,000	5.04	961,512
Equity compensation plans not approved by security holders	—	—	—
Total:	276,000	5.04	961,512

Note:

1. Under the Stock Option Plan, any increase in the number of outstanding common shares of the Company will result in an increase in the number of common shares that are available to be issued under the plan in the future, and any exercise of an option previously granted under the Stock Option Plan will result in an additional option being available for grant under the Stock Option Plan.

3.5 INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No officers, directors, employees or former officers, directors and employees of the Company were indebted to the Company as at December 31, 2013.

PART 4
REPORT ON CORPORATE GOVERNANCE AND OTHER ITEMS

"Corporate governance" is the process and structure used to direct and manage the business and affairs of the Company to achieve the shareholders' objectives. The CSA has adopted National Policy 58-201 – "*Corporate Governance Guidelines*" (the "Guidelines") to provide guidance to Canadian reporting issuers regarding corporate governance. The Guidelines relate to a number of significant governance issues, including the proper role of the board of directors, its structure and composition and its relationship with shareholders and management. The CSA has also adopted National Instrument 58-101 – "*Disclosure of Corporate Governance Practices*" requiring that disclosure be made by a listed corporation of its corporate governance practices. A complete description of the Company's corporate governance practices, with specific references to each of the Guidelines, is attached hereto as Appendix "A". The Board has reviewed the disclosure set out in Appendix "A".

The Board continues to periodically review corporate governance proposals made by the CSA. As new standards become effective, the Board will review and amend, where necessary and appropriate, its' corporate governance practices and eligibility of the members of the Board on each committee and shall, if necessary, make appropriate changes.

4.1 COMMITTEES OF THE BOARD

The Board has two (2) standing committees: the Audit Committee and the Compensation Committee. The following are descriptions of the two standing committees of the Board:

Audit Committee

Members: Dr. Peter Wijngaard (Chair), Donald W. Wyatt, Kurt von Emster and Daniel Park

The Audit Committee is presently composed of four (4) independent directors, all of whom are "financially literate" as that term is defined in National Instrument 52-110 – *Audit Committees* ("NI 52-110"). Please refer to the description of the Audit Committee set out in the Company's annual information form for the year ended December 31, 2013 (the "**AIF**"), including the information required to be disclosed under NI 52-110, available on the SEDAR website at www.sedar.com.

Compensation Committee

Members: Daniel Park (Chair), Dr. Peter Wijngaard, Kurt von Emster and Benjamin Rovinski

The Compensation Committee is presently composed of four (4) independent directors.

The Compensation Committee is responsible for ensuring that effective human resources and compensation policies and procedures are in place for the Company, including oversight of director, officer and employee remuneration and compensation, employment contracts, together with oversight of the evaluation of management of the Company;

In addition, the Committee will review and/or approve any other matter specifically delegated to the Compensation Committee by the Board and undertake on behalf of the Board such other governance initiatives as may be necessary or desirable to enable the Board to provide effective governance for the Company and contribute to the success of the Company.

Communications, Insider Trading, Confidential Information and Disclosure Policies

The Board is committed to an effective communications policy with all stakeholders including shareholders, suppliers, advertisers, employees, agents and members of the investment community. The Company is committed to complying with all laws, regulations and policies which are applicable to it, as well as to best practices in the field. This commitment is evidenced, notably, by the adoption by the Company of a corporate disclosure policy, fraud policy and insider trading policy.

The Audit Committee and the Board reviews in advance all press releases which disclose financial results. Other continuous disclosure documents, including, without limitation, proxy materials and the AIF are reviewed by the executive team and, where appropriate, the Board. Where required, these documents are also approved by the Board.

4.2 INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

This section includes a description of the material interest, direct or indirect, of directors or executive officers of the Company, persons or companies that beneficially own, control, or direct more than 10% of the voting securities of the Company, or an associate or affiliate of any of such directors, executive officers, persons or companies, in the transactions conducted by the Company within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

The Company and ILJIN entered into a development, distribution and license agreement dated effective January 28, 2011 (the "**DDLA**"), for the further clinical and commercial development of voclosporin for use in transplant indications applicable to voclosporin. Mr. Chin-Kyu Huh was elected a director of the Company on December 15, 2010 at a special meeting of the shareholders of the Company. Mr Huh was appointed Chairman of the Board on March 18, 2011 and resigned as director and

Board member on July 28, 2011. As a result of completing this transaction, ILJIN owned at the time 24,000,000 (pre-consolidation) shares of the Company, of which Mr. Huh was the beneficial owner as he owns 100% of ILJIN. The Company exercised its right to terminate the DDLA on January 30, 2012. For further information please refer to the AIF.

4.3 SHAREHOLDER PROPOSALS

Shareholders who comply with the applicable provisions of the ABCA are, subject to certain conditions in the ABCA, entitled to have the Company include in its management proxy circular any matter that the person proposes to raise at an annual meeting. Any shareholder who intends to make such a proposal to be considered by the Company for the Meeting must arrange for the Company to receive the proposal no later than March 26, 2015.

4.4 ADDITIONAL INFORMATION

Financial information is provided in the Company's audited financial statements and management's discussion and analysis for its most recently completed financial year. Copies of these documents and additional information relating to the Company are available on the Company's website www.auriniapharma.com or on SEDAR at www.sedar.com.

4.5 APPROVAL BY DIRECTORS

The contents of this proxy circular and the sending thereof have been approved by resolution of the Board.

DATED this 2nd day of April 2014.

ON BEHALF OF THE BOARD OF DIRECTORS OF AURINIA PHARMACEUTICALS INC.

(signed) "Stephen W. Zaruby"	*(signed) "Richard Glickman"*
Stephen W. Zaruby, Director and President	Richard Glickman, Chairman of the Board

APPENDIX "A"

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Company is committed to the highest standards of corporate governance. The Board and each of its committees have continued to refine the Company's governance policies and procedures in light of recent regulatory initiatives that have been adopted to improve corporate governance.

Effective June 30, 2005 National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("**NI 58-101**") and National Policy 58-201 *Corporate Governance Guidelines* ("**NP 58-201**") were adopted in Canada. NI 58-101 requires issuers to disclose the corporate governance practices that they have adopted. NP 58-201 provides guidance on corporate governance practices. In addition, the Company is subject to NI 52-110, which has been adopted in various Canadian provinces and territories and which prescribes certain requirements in relation to audit committees.

The Board will continue to review the Company's corporate governance practices on an ongoing basis in response to the evolving regulatory standards.

Corporate Governance Disclosure Requirements	The Company's Governance Procedures
1. **Board of Directors –** Disclose how the board of directors (the board) facilitates its exercise of independent supervision over management, including:	The Board has reviewed the independence of each director as defined in NI 58-101. A director who is independent has no direct or indirect material relationship with the Company, including a relationship which in the view of the Board could reasonably interfere with the director's exercise of independent judgment. After having reviewed the role and relationships of each director, the Board has determined that the following directors nominated by management for election to the Board are independent, namely: Dr. Peter Wijngaard Mr. Donald W. Wyatt Dr. Chris Kim Mr. Daniel Park Mr. Kurt von Emster Dr. Richard Glickman Dr. Benjamin Rovinski Donald Wyatt serves on the Board as the nominee of 3SBio pursuant to a written agreement between 3SBio and the Company dated August 6, 2010. Notwithstanding Mr. Wyatt's representation of 3SBio on the Board, the remaining directors have reviewed the circumstances and have satisfied themselves that such relationship is not a "material relationship" within the meaning of Section 1.4 of NI 52-110 in that it is not a relationship that in the view of the Board could reasonably be expected to interfere with the exercise of his independent judgment.
(i) the identity of directors that are independent, and	
(ii) the identity of directors who are not independent, and the basis for that determination.	The Board has determined, after reviewing the role and relationships of each director, that the following directors nominated by management for election are not independent, namely: Stephen W. Zaruby – Stephen Zaruby is considered to have a material relationship with the Company by virtue of being the Chief Executive Officer of the Company. Michael Martin – Michael Martin is considered to have a material relationship with the Company by virtue of being the Chief Operating Officer of the Company.

2. **Directorships -** If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.

The following directors of the Company acted as directors for other reporting issuers:

Richard Glickman:	Cardiome Pharma Corp. (NASDAQ: CRME; TSX: COM)
Kurt von Emster:	Cytos Biotechnology AG (S.I.X. Switzerland)
Kurt von Emster:	CymaBay Therapeutics, Inc. (NASDAQ)

3. **Orientation and continuing Education -** Describe what steps, if any, the board takes to orient new board members, and describe any measures the board takes to provide continuing education for directors.

The Company has not implemented a "formal" orientation process for its new directors however new directors are given the opportunity to individually meet with senior Management to improve their understanding of the Company's business. New directors are also provided with reference materials describing the Company's organizational structure, the structure of the Board and its committees, corporate policies, articles and Bylaws, as well as other Board materials.

In addition, regardless of whether a meeting of the Board is scheduled, all directors regularly receive information on the Company's operations, including a report on corporate development activities, operations reports, a financial overview and other pertinent information. All Company executives are available for discussions with directors concerning any questions or comments which may arise between meetings.

4. **Ethical Business Conduct -** Describe what steps, if any, the board takes to encourage and promote a culture of ethical business conduct.

The Board believes that a culture of strong corporate governance and ethical business conduct must be endorsed by the Board and the executive officers. The Code addresses many areas of business conduct and provides a procedure for employees to raise concerns or questions regarding questionable audit or accounting matters.

The Company has adopted a Corporate Disclosure Policy, which is reviewed annually, as well as Fraud and Whistleblower policies. Quarterly and annual financial packages are reviewed by the Audit Committee prior to being recommended for Board approval and CEO/CFO certification of annual/interim filings.

5. **Nomination of Directors -** Describe what steps, if any, are taken to identify new candidates for board nomination, including:

   (i) who identifies new candidates, and

   (ii) the process of identifying new candidates.

The Board reviews, on an annual basis, both the size and composition of the Board. In considering nominees for election to the Board, the Board takes into account geographic diversity, and considers the primary markets in which the Company operates, as well as the expertise and experience necessary to support the Company's strategy and operations. The Board considers such matters as a candidate's integrity, independence, and residency. The Board then assesses each potential nominee against the criteria developed by the Board.

6. **Compensation -** Disclose what steps, if any, are taken to determine compensation for the directors and CEO, including:

   (i) who determines compensation, and

   (ii) the process of determining compensation

The Compensation Committee is comprised of four independent directors.

The remuneration paid to the Company's directors and officers is reviewed each year by the Compensation Committee. The level of remuneration is designed to provide a competitive level of remuneration. The mandate of this Committee in respect of compensation matters specifically sets out the following duties and responsibilities:

In respect of Director Compensation and Protection:

(a) Review periodically director compensation and recommend compensation terms that adequately reflect the responsibilities being assumed by the directors, the Chairman of the Board, and committee chairs and members;

(b) Review periodically the Company's directors' and officers' insurance policy and make recommendations for its renewal or amendment or the replacement of the insurer;

(c) Administer, review, and recommend on all policies of or agreements by the Company with respect to the indemnification by the Company of its directors and officers, if any.

In respect of the Company's Officers and Employees and Compensation Plans:

1. Review and recommend to the Board the employment, appointment, and compensation arrangements of the CEO of the Company, and in conjunction with the CEO, the employment and appointment of the top executives of the Company and their compensation arrangements, and make changes in these arrangements upon annual reviews of their performance;
2. Review with the CEO the position descriptions for the executive employees, ensuring they remain current and accurate;
3. Oversee the evaluation of the Company's CEO;
4. Review the CEO's evaluation of the performance of the employees of the Company, and the CEO's recommendations with respect to the amount of compensation to be provided to such employees;
5. Review the equity compensation plans of the Company for the benefit of employees of the Company and its subsidiaries; review and approve corporate goals and objectives relevant to the CEO and Senior Management's compensation, evaluate the CEO and Senior Management's performance in light of those goals and objectives, and make recommendations with respect to the CEO and Senior Executives' compensation levels based on this evaluation; and make recommendations with respect to the CEO and Senior Executives' compensation, incentive-compensation plans and equity-based plans; and
6. Administer, review and recommend the stock option plans and awards of the Company.

7. **Other Board Committees -** If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

The Board has no other standing committees.

8. **Assessments -** Disclose what steps, if any, that the board takes to satisfy itself that the board, its committees, and its individual directors are performing effectively.

There is currently no formal assessment process in place due to the new composition of the Board. The assessment process will be reviewed in the future.

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Aurinia Pharmaceuticals Inc.
1203 – 4464 Markham Street
Victoria, BC V8Z 7X8
www.auriniapharma.com

Exhibit 99.38

FORM 51-102F3
Material Change Report

Item 1 Name and Address of Company

Isotechnika Pharma Inc. (the "Company")
5120 - 75 Street
Edmonton, AB T6E 6W2
Phone: (780) 487-1600

Item 2 Date of Material Change

September 20, 2013

Item 3 News Release

A news release was issued and disseminated by the Company via Globe Newswire on September 23, 2013.

Item 4 Summary of Material Change

Isotechnika Pharma Inc. (the "**Company**") has completed the merger and related transactions (the "**Merger Transactions**") that its shareholders approved on August 15, 2013, as more fully described in its Management Information Circular dated July 19, 2013. In addition, the Company completed a $6 million financing.

Item 5 Full Description of Material Change

The Company has completed the Merger Transactions that its shareholders approved on August 15, 2013, as more fully described in its Management Information Circular dated July 19, 2013.

In connection with the Merger Transactions, the Company has completed a private placement (the "**Offering**") of 133,333,332 units, comprised of one common share and one half of a full warrant, at a price of $0.045 per unit for gross proceeds of $5,999,999.94. Each whole warrant issuable in the Offering is exercisable to acquire a common share of the combined company for $0.05 for a period of three years from the date of issuance. All securities issued in connection with the Offering are subject to a four month hold period from the date of issuance in accordance with applicable securities law. The closing of the Offering is subject to regulatory approval.

Canaccord Genuity Corp. (the "**Agent**") acted as agent for the Offering and received a cash commission of $230,000 and 5,103,332 warrants, with each such warrant entitling them to acquire one common share at $0.045 per share for a period of three years from closing. The Agent also received 1,000,000 units as a corporate finance fee.

Dr. Richard M. Glickman will be leading the Company as Chairman, effectively immediately. In addition, the Company announced the following new appointments: Mr. Michael R. Martin as Chief Business Officer, Dr. Neil Solomons MD as Chief Medical Officer and Mr. Lawrence Mandt as Vice President of Regulatory Affairs and Quality.

The Company also appointed Benjamin (Beni) Rovinski, PhD, Managing Director of Lumira Capital, as a member of its Board of Directors, effective immediately.

In addition to Dr. Rovinsky, and as elected by its shareholders on August 15, 2013, the Company's board of directors consists of Dr. Richard Glickman, Dr. Robert Foster, Mr. Michael Martin, Dr. Peter Wijngaard, Mr. Donald Wyatt, Mr. Daniel Park and Dr. Chris Kim.

Item 5.2 Disclosure of Restructuring Transactions

Not applicable.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

No significant facts remain confidential in, and no information has been omitted from, this report.

Item 8 Executive Officer

For further information, please contact:

Dr. Robert Foster, President & Chief Executive Officer
780-909-5041
rfoster@isotechnika.com

Mr. Michael R. Martin, Chief Operating Officer
250-415-9713
mmartin@auriniapharma.com

Item 9 Date of Report

September 30, 2013

Exhibit 99.39

FORM 51-102F3
Material Change Report

Item 1 Name and Address of Company

Aurinia Pharmaceuticals Inc. (the "**Company**")
5120 - 75 Street
Edmonton, AB T6E 6W2

Item 2 Date of Material Change

February 14, 2014

Item 3 News Release

A news release was issued and disseminated by the Company through Globe Newswire via Comtex News Network, Inc. on February 14, 2014.

Item 4 Summary of Material Change

The Company has completed, subject to regulatory approval, a US$52 million private placement (the "**Offering**").

Item 5 Full Description of Material Change

Effective February 14, 2014, the Company completed the Offering. The Company intends to use the net proceeds from the Offering to advance the clinical and nonclinical development of its lead drug candidate, voclosporin, as a therapy for lupus nephritis and for general corporate purposes.

Under the terms of the Offering, the Company issued 18,919,404 units (the "**Units**") at a subscription price per Unit of US$2.7485 (C$3.038), each Unit consisting of one common share and one-quarter (0.25) of a common share purchase warrant (each whole common share purchase warrant, a "**Warrant**"), with each Warrant exercisable for a period of five years from the date of issuance at an exercise price of US$3.2204 (C$3.56). In addition, in the event that the Company does not reduce the size of its Board of Directors to seven directors within 90 days following closing, an additional 0.1 Warrants will be issued for each Unit purchased by a subscriber for every additional 90 day period delay, up to a maximum of 0.35 Warrants per Unit. This represents a maximum of 6,621,791 additional Warrants. If the Company does not obtain approval to list its common shares on NASDAQ within 12 months following the closing, the Company has agreed to issue an additional 0.1 Warrants for each Unit purchased by a subscriber for every 90 day period delay, up to a maximum of 0.35 Warrants per Unit. This represents a maximum of 6,621,791 additional Warrants. All securities issued in connection with the Offering will be subject to a four month hold period from the date of issuance in accordance with applicable securities law, which expires on June 15, 2014 for the securities issued at closing.

A Canadian dollar translation of U.S. dollar amounts is provided using the Bank of Canada closing exchange rate on February 10, 2014, the date of the closing price applicable to the price reservation form filed by the Company for the Offering, of C$1.00:US$0.9046.

Leerink Partners LLC acted as lead placement agent and Cannacord Genuity Inc. acted as co-placement agent for the Offering. The placement agents were paid a cash commission of 7.5% on certain subscriptions.

Item 5.2 Disclosure of Restructuring Transactions

Not applicable.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

No significant facts remain confidential in, and no information has been omitted from, this report.

Item 8 Executive Officer

For further information, please contact:

Mr. Michael R. Martin, Chief Operating Officer
250-415-9713
mmartin@auriniapharma.com

Item 9 Date of Report

February 24, 2014

Exhibit 99.40

Execution Copy

ISOTECHNIKA PHARMA INC.

and

AURINIA PHARMACEUTICALS INC.

and

ILJIN LIFE SCIENCE CO. LTD.

ARRANGEMENT AGREEMENT

August 6, 2013

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ARRANGEMENT AGREEMENT

THIS AGREEMENT made as of the 6th day of August, 2013

BETWEEN:

ISOTECHNIKA PHARMA INC., a corporation formed and existing under the *Business Corporations Act* (Alberta) and having its principal office at 5120-75th Street, Edmonton, Alberta, Canada;

("**Isotechnika**")

AND:

AURINIA PHARMACEUTICALS INC., a corporation formed and currently existing under the *Business Corporations Act* (British Columbia) and having its principal office at #1203-4464 Markham Street, Victoria, British Columbia, Canada;

("**Aurinia**")

AND:

ILJIN LIFE SCIENCE CO. LTD., a corporation formed and existing under the laws of the Republic of Korea and having its principal office at ILJIN Building, 50-1 Dowha-Dong, Mapu-Gu, Seoul, Korea;

("**ILJIN**")

WITNESSES THAT WHEREAS:

A. Isotechnika and Aurinia entered into a term sheet as of February 4, 2013 setting out the terms of the proposed acquisition of Aurinia by Isotechnika (the "**Term Sheet**");

B. Isotechnika, Aurinia and ILJIN entered into a tripartite settlement agreement as of April 3, 2013 as amended by letter agreement dated June 4, 2013 (together, the "**Settlement Agreement**");

C. The Parties intend to carry out certain of the transactions contemplated in the Term Sheet and the Settlement Agreement by way of an Arrangement to be completed under the arrangement provisions of Part 9, Division 5 of the *Business Corporations Act* (British Columbia) (the "**Arrangement**");

D. The board of directors of Aurinia has determined that the Arrangement is fair to the Aurinia Shareholders, is in the best interests of Aurinia, and has resolved to recommend that Aurinia Shareholders consent to the Aurinia Shareholders' Resolution;

E. The board of directors of Isotechnika has determined that the Arrangement is fair to the Isotechnika Shareholders, is in the best interests of Isotechnika, and has resolved to recommend that Isotechnika Shareholders vote their Isotechnika Shares in favour of the Isotechnika Shareholders' Resolution; and

F. The execution and delivery of this Agreement has been approved by the board of directors of Isotechnika and the board of directors of Aurinia.

NOW THEREFORE, in consideration of the mutual premises and the respective covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties agree as follows:

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

(a) "**Affiliate**" has the meaning attributed to that term in section 1.3 of the National Instrument 45-106 - *Prospectus and Registration Exemptions* adopted by the Canadian Securities Administrators;

(b) "**Agreement**" means this Arrangement Agreement;

(c) "**Arrangement**" means an arrangement of Aurinia pursuant to Part 9, Division 5 of the BCBCA on the terms and conditions set forth in the Plan of Arrangement, subject to any amendment or supplement thereto made in accordance therewith, herewith or made at the direction of the Court in the Court Order;

(d) "**Arrangement Filings**" means the filings, if any, that are required under the BCBCA to be made with the Registrar in order for the Arrangement to be effective;

(e) "**Aurinia**" means Aurinia Pharmaceuticals Inc., a corporation formed and currently existing under the *Business Corporations Act* (British Columbia) and having its principal office at #1203-4464 Markham Street, Victoria, British Columbia, Canada;

(f) "**Aurinia Board Approval**" has the meaning ascribed to such term in Section 2.6;

(g) "**Aurinia Financial Statements**" means each of Aurinia's audited consolidated balance sheets and related audited consolidated statements of operations and deficit, income, cash flows and changes in shareholders' equity (including the related notes) as at and for the period from incorporation on April 3, 2012 to December 31, 2012, and Aurinia's unaudited balance sheet and related statements of operations and deficit, income, cash flows and changes in shareholders' equity (including the related notes) for the three months ended March 31, 2013;

(h) "**Aurinia Shareholders**" means the registered holders of Aurinia Shares;

(i) "**Aurinia Shareholders' Resolution**" means the unanimous consent resolution of the Aurinia Shareholders approving the Arrangement in writing, substantially in the form of Schedule C hereto;

(j) "**Aurinia Shares**" means the common shares in the capital of Aurinia;

(k) "**Aurinia Subsidiaries**" means Aurinia Holdings Corp. and Aurinia Development Corp., each a corporation formed and currently existing under the laws of Barbados and having its principal office at #2 Rendezvous Road, Worthing, Christ Church, Barbados, BB15006;

(l) "**Aurinia Warrantholders**" means the holders of the Aurinia Warrants;

(m) "**Aurinia Warrants**" means the outstanding share purchase warrants of Aurinia, with each such Aurinia Warrant being exercisable to purchase one Aurinia Share at a price of $0.85 and expiring on December 31, 2018;

(n) "**Authorization**" means any authorization, order, permit, approval, grant, licence, registration, consent, right, notification, condition, franchise, privilege, certificate, judgment, writ, injunction, award, determination, direction, decision, decree, bylaw, rule or regulation, whether or not having the force of Law;

(o) "**BCBCA**" means the *Business Corporations Act* (British Columbia);

(p) "**business day**" means any day other than a Saturday, Sunday or a day when commercial banks are not open for business in Vancouver, British Columbia or Edmonton, Alberta;

(q) "**Consideration Shares**" means the Isotechnika Shares to be issued pursuant to the Arrangement;

(r) "**Court**" means the Supreme Court of British Columbia;

(s) "**Court Order**" means the order of the Court approving the Arrangement, as such order may be amended at any time prior to the Effective Date or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or as amended on appeal;

(t) "**Effective Date**" means the Effective Date as defined in the Plan of Arrangement;

(u) "**Effective Time**" means the Effective Time as defined in the Plan of Arrangement;

(v) "**Exchange**" means the Toronto Stock Exchange or, as applicable, the TSX Venture Exchange;

(w) "**Exchange Approval**" has the meaning ascribed to such term in Section 4.1(d);

(x) "**Fairness Opinion**" has the meaning ascribed to such term in Section 2.8(d);

(y) "**Governmental Entity**" means (i) any multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, agency, domestic or foreign (including the Exchange and Securities Authorities); (ii) any subdivision, agent, commission, board or authority of any of the foregoing; or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

(z) "**IFRS**" means International Financial Reporting Standards;

(aa) "**ILJIN**" means Iljin Life Science co. Ltd., a corporation formed and existing under the laws of the Republic of Korea and having its principal office at ILJIN Building, 50-1 Dowha-Dong, Mapu-Gu, Seoul, Korea;

(bb) "**Intellectual Property**" means any and all intellectual property or proprietary rights arising at law or in equity, including, without limitation, (i) patents, all patent rights and all patent rights and all applications therefor and all reissues, re-examinations, continuations, continuations-in-part, divisions, and patent term extensions thereof, (ii) inventions (whether patentable or not), discoveries, improvements, concepts, innovations and industrial models, (iii) registered and unregistered copyrights, copyright registrations and applications, mask works and mask work registrations and applications therefor, author's rights and works of authorship (including artwork of any kind and software of all types in whatever medium, inclusive of computer programs, source code, object code and executable code, firmware, development tools, files, databases, tables, records and data, and related documentation), (iv) URLs, web sites, web pages and any part thereof, (v) technical information, know-how, trade secrets, drawings, designs, design protocols, specifications, proprietary data, customer lists, databases, proprietary processes, technology, formulae, and algorithms, (vi) trade names, trade dress, trademarks, domain names, service marks, logos, business names, and registrations and applications therefor, (vii) industrial designs or design patents, whether or not patentable or registrable, patented or registered or the subject of applications for registration or patent or registration and all rights of priority, applications, continuations, continuations-in-part, divisions, re-examinations, reissues and other derivative applications and patents therefor, and (viii) the goodwill symbolized or represented by the foregoing;

(cc) "**Isotechnika**" means Isotechnika Pharma Inc., a corporation formed and existing under the *Business Corporations Act* (Alberta) and having its principal office at 5120-75th Street, Edmonton, Alberta, Canada;

(dd) "**Isotechnika Board Approval**" has the meaning ascribed to such term in Section 2.5;

(ee) "**Isotechnika Financial Statements**" means each of Isotechnika's audited balance sheet and related statements of operations and deficit, income, cash flows and changes in shareholders' equity (including the related notes) for the years ended December 31, 2012, 2011 and 2010, and each of Isotechnika's unaudited balance sheet and related statements of operations and deficit, income, cash flows and changes in shareholders' equity (including the related notes) as of and for each of the fiscal quarters ending at any time after December 31, 2012, all as contained in the Public Disclosure Documents;

(ff) "**Isotechnika Information Circular**" means the notice of the Isotechnika Meeting to be sent to Isotechnika Shareholders and the information circular to be prepared in connection with the Isotechnika Meeting, together with any amendments thereto or supplements thereof, and any other registration statement, information circular or proxy statement which may be prepared in connection with the Isotechnika Meeting;

(gg) "**Isotechnika Meeting**" means the meeting of Isotechnika Shareholders to be held to consider, among other things, the Isotechnika Shareholders' Resolution and related matters, and any adjournment thereof;

(hh) "**Isotechnika Shareholders**" means the registered holders of Isotechnika Shares;

(ii) "**Isotechnika Shareholders' Resolution**" means the resolutions of the Isotechnika Shareholders approving the issuance of such number of common shares in the capital of Isotechnika as may be required to be issued pursuant to the terms of the Arrangement, which resolutions are to be considered at the Isotechnika Meeting, substantially in the form of Schedule B hereto;

(jj) "**Isotechnika Shares**" means the common shares in the capital of Isotechnika;

(kk) "**Law**" means all laws, by-laws, statutes, regulations, principles of law, statutory rules, policies, orders, ordinances, protocols, codes, guidelines, directions, judgments and terms and conditions of any grant of approval, permission, authority or license of any court, Governmental Entity and the term "applicable" with respect to such Law and in the context that refers to one or more Persons, means that such Law applies to such Person or Persons or its or their business, undertaking, property or securities and emanates from a Governmental Entity having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities;

(ll) "**Liability**" means any debts, liabilities and obligations, whether accrued, absolute or contingent, matured or unmatured or determined or determinable;

(mm) "**Licensed IP**" means the Intellectual Property that is licensed to Aurinia or the Aurinia Subsidiaries and material to the operation of the business of Aurinia, as set out in Schedule D hereof;

(nn) "**Material Adverse Change**" or "**Material Adverse Effect**" when used in connection with a Party, means any change or effect, respectively, that:

(i) either individually or in aggregate, is, or would reasonably be expected to be, material and adverse to the business, condition (financial or otherwise) operations, assets, liabilities (whether absolute, accrued, conditional, contingent or otherwise), or capitalization of such Party and its Subsidiaries taken as a whole, other than any change or effect, event or occurrence:

(A) relating to the announcement of the Arrangement, this Agreement or any of the transactions contemplated hereby;

(B) relating to any change in IFRS;

(C) relating to any change in global or national political, economic, business, regulatory, or market conditions or in global or national financial, currency exchange or capital markets;

(D) affecting the pharmaceutical industry in general;

(E) relating to any change in an applicable Law or any proposed changes to any applicable Law; or

(F) relating to any change in the market prices or trading volume of any securities of such Party (provided, however, that such change is not itself the result of a "Material Adverse Change" or "Material Adverse Effect" with respect to such Party);

provided, however, that the change or effect referred to in clauses (B), (C), (D), (E) or (F) above does not primarily relate to (or have the effect of primarily relating to) a Party and its Subsidiaries or materially disproportionately adversely affect a Party and its Subsidiaries compared to other companies of similar size operating in the industry in which the Party and its Subsidiaries operate; or

(ii) either individually or in the aggregate prevents, or would reasonably be expected to prevent, the Party or any of its Subsidiaries from performing a material obligation to be performed by it under this Agreement in any material respect;

(oo) "**Material Contract**" when used in connection with a Party, means an agreement to which such Party is a party: (i) that has a term the balance of which is equal to or in excess of one year and involves expenditures by or payments to such Party from and after the date of this Agreement aggregating in excess of $20,000 in respect of Aurinia or any Aurinia Subsidiaries and $300,000 in respect of Isotechnika in any year; (ii) whose termination (other than those terminations by passage of time) could, individually or in the aggregate, reasonably be expected to cause a Material Adverse Effect on such Party; (iii) expressly limiting or restricting the ability of such Party to compete in, solicit in respect of, or otherwise to conduct, their respective businesses or operations; (iv) that contains any severance, change of control or termination pay or post-employment liabilities or obligations; (v) relating to material indebtedness, to the direct or indirect guarantee or assumption by such Party (contingent or otherwise) of any material payment or material performance obligations of any other Person; (vi) that is a securityholder agreement, securityholder declaration, voting trust or pooling agreement; (vii) relating to the disposition or acquisition by such Party after the date of this Agreement of a material amount of assets or pursuant to which such Party or any of its Subsidiaries has any material ownership interest in any other Person or other business enterprise other than Subsidiaries of such Party; (viii) relating to the acquisition or sale by such Party of any operating business or the capital stock or other ownership interest of any other Person and under which such Party has any material continuing Liability or obligation; (ix) relating to any indemnification obligation of such Party not entered into in the ordinary course of business; and (x) that is a joint venture, partnership agreement or any other contract that is outside the ordinary course of business or not consistent with past practice and is material to the business of such Party;

(pp) "**Order**" means any order, writ, judgment, injunction, decree, ruling, assessment, stipulation, determination or award entered by or with any Governmental Entity (in each case whether preliminary or final);

(qq) "**Parties**" means Isotechnika, Aurinia and ILJIN, and "**Party**" means any one of them;

(rr) "**Permits**" means all licenses, approvals, orders, consents, permits, authorities, grants, certificates, registrations and authorizations which are required, necessary or desirable for the conduct in the usual and ordinary course of the operation of the business of a Party, the ownership, leasing or use of its assets as the same are now owned, leased, used conducted or operated, in accordance with applicable Laws, as currently carried on or as planned to be carried on by a Party and the ownership or leasing of and the uses to which its assets have been and currently are put;

(ss) "**Person**" includes any individual, firm, partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee,

executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Governmental Entity, syndicate or other entity, whether or not having legal status;

(tt) "**Plan of Arrangement**" means a Plan of Arrangement substantially in the form and content of Schedule A attached hereto and any amendment or variation thereto made in accordance with Article 5 of the Plan of Arrangement or Section 6.4 of this Agreement;

(uu) "**Private Placement Securities**" means (i) the 22,655,555 Isotechnika Shares and 22,655,555 share purchase warrants (each such share purchase warrant entitling the holder thereof to purchase one Isotechnicka Share), and (ii) the 963,666 broker warrants (each such share purchase warrant entitling the holder thereof to purchase one Isotechnicka Share), issued on June 26, 2013;

(vv) "**Public Disclosure Documents**" means the documents as filed by Isotechnika on SEDAR at www.sedar.com prior to the date of this Agreement;

(ww) "**Registered IP**" means all Intellectual Property that is registered in the name of Aurinia or the Aurinia Subsidiaries, or the subject of an application for registration or registration procedures initiated by Aurinia or the Aurinia Subsidiaries with any government, regulatory body or third person, as set out in Schedule D hereof;

(xx) "**Registrar**" means the Registrar of Companies under the BCBCA;

(yy) "**Regulatory Approvals**" means those sanctions, rulings, consents, orders, exemptions, Permits and other approvals (including the lapse, without objection, of a prescribed time under a statute or regulation that states that a transaction may be implemented if a prescribed time lapses following the giving of notice without an objection being made) of Governmental Entities required in connection with the execution, delivery or performance of this Agreement or the consummation of the Amalgamation or any of the transactions otherwise contemplated hereby;

(zz) "**Replacement Warrant**" means a share purchase warrant entitling the holder to purchase shares in the capital of the Isotechnika;

(aaa) "**Representative**" means, when used with reference to either Party, any director, officer, employee, agent, legal counsel, advisor or consultant of such Party;

(bbb) "**Securities Authorities**" means the securities regulatory authorities in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador;

(ccc) "**Subsidiary**" has the meaning ascribed thereto in the BCBCA;

(ddd) "**Tax**" or "**Taxes**" means, with respect to any Person, all income taxes (including any tax on or based upon net income, gross income, income as specially defined, earnings, profits or selected items of income, earnings or profits) and all capital taxes, gross receipts taxes, environmental taxes, sales taxes, use taxes, royalties, *ad valorem* taxes, value added taxes, transfer taxes, franchise taxes, social service taxes, license taxes, withholding taxes, payroll taxes, health taxes, employer health taxes, employment taxes, Canada or Quebec Pension Plan premiums, excise taxes, social security premiums,

workers' compensation premiums, employment or unemployment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, property taxes, windfall profits taxes, alternative or add-on minimum taxes, goods and services tax, customs duties or other taxes, fees, imports, assessments or charges of any kind whatsoever, together with any interest and any penalties or additional amounts imposed by any taxing authority (domestic or foreign) on that Person, and any interest, penalties, additional taxes and additions to tax imposed with respect to the foregoing;

(eee) "**Termination Date**" means September 30, 2013, or such later date as may be agreed upon by the Parties;

(fff) "**Transaction Personal Information**" has the meaning ascribed to such term in Section 4.5; and

(ggg) "**Underlying Shares**" means the Isotechnika Shares issuable, following the Effective Date of the Arrangement, upon the exercise of the Replacement Warrants.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into Articles, Sections and other portions and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation hereof. Unless otherwise indicated, all references to an "**Article**", "**Section**" or "**Subsection**" followed by a number and/or a letter refer to the specified Article or Section of this Agreement. The terms "**this Agreement**", "**hereof**", "**herein**" and "**hereunder**" and similar expressions refer to this Agreement (including the Schedules hereto) and not to any particular Article, Section or other portion hereof and include any agreement or instrument supplementary or ancillary hereto. The word "including", when following a general statement or term, is not to be construed as limiting the general statement or term to any specific item or matter set forth or to similar items or matters, but rather as permitting the general statement or term to refer also to all other items or matters that could reasonably fall within its broadest possible scope. The word "or" is not exclusive.

1.3 Number and Gender

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

1.4 Date of Any Action

In the event that any date on which any action is required to be taken hereunder by any of the Parties hereto is not a business day, such action will be required to be taken on the next succeeding day which is a business day.

1.5 Currency

Unless otherwise stated, all references in this Agreement to sums of money are expressed in lawful money of Canada.

1.6 Statutory References

Any reference in this Agreement to a statute includes all rules and regulations made thereunder, all amendments to that statute or the rules and regulations made thereunder in force from time to time, and any statute or rule or regulation that supplements or supersedes that statute or the rules or regulations made thereunder.

1.7 Entire Agreement

This Agreement and the Settlement Agreement constitute the entire agreement between the Parties hereto pertaining to the terms of the Arrangement and supersede all other prior agreements, understandings, negotiations and discussions, whether oral or written, between the Parties. In the event of a conflict between the terms of this Agreement and the Settlement Agreement, the terms of this Agreement shall govern. For greater certainty, and without limitation to the foregoing, the parties acknowledge that sections 5, 6, 7, 9, 11, 12, 13, 15, 20, 21, 22, 24, 25, 26, 27, 28 and 29 of the Settlement Agreement shall survive the execution of this Agreement and the termination of this Agreement, and shall not be superceded by the terms of this Agreement.

1.8 Accounting Matters

Unless otherwise stated, all accounting terms used in this Agreement will have the meanings attributable thereto under IFRS except with respect to any references to the financial statements of Aurinia prior to its 2012 fiscal year which were reported in accordance with Canadian generally accepted accounting principles, and all determinations of an accounting nature required to be made hereunder in respect of Isotechnika will be made in a manner consistent with IFRS.

1.9 Knowledge

In this Agreement,

(a) references to "the knowledge of Isotechnika" means the actual knowledge of Robert Foster or Dennis Bourgeault, in each case, after making due enquiries regarding the relevant matter;

(b) references to "the knowledge of Aurinia" means the actual knowledge of Richard Glickman or Michael Martin, in each case, after making due enquiries regarding the relevant matter; and

(c) references to "the knowledge of ILJIN" means the actual knowledge of Daniel Park or Chris Kim, in each case, after making due enquiries regarding the relevant matter.

1.10 Schedules

The following are the Schedules to this Agreement, which form an integral part hereof:

Schedule A	–	Plan of Arrangement
Schedule B	–	Isotechnika Shareholders' Resolution
Schedule C	–	Aurinia Shareholders' Resolution
Schedule D	–	Aurinia Intellectual Property

ARTICLE 2
THE ARRANGEMENT

2.1 Arrangement

The Parties agree that, as of the Effective Time the Arrangement will be implemented in accordance with and subject to the terms and conditions contained in this Agreement and the Plan of Arrangement, and without limitation to the foregoing, at the Effective Time the Plan of Arrangement will become effective.

2.2 Implementation Steps

Aurinia covenants in favour of Isotechnika that Aurinia will act expeditiously and in good faith to:

(a) obtain the Aurinia Shareholders' Resolution;

(b) subject to obtaining the Aurinia Shareholders' Resolution, apply to the Court under Part 9, Division 5 of the BCBCA, as soon as reasonably practicable, for the Court Order approving the Arrangement;

(c) subject to obtaining the Court Order, as soon as reasonably practicable thereafter, but subject to the satisfaction or waiver of the other conditions contained in this Agreement in favour of each Party, deliver to the Registrar (including by online filing if required by the BCBCA) all Arrangement Filings and take all other steps or actions as may be required in connection with and to give effect to the Arrangement;

(d) instruct counsel acting for it to bring the application referred to in Section 2.2(b) in cooperation with counsel to Isotechnika; and

(e) permit Isotechnika and its counsel to review and comment upon drafts of all materials to be filed by Aurinia with the Court in connection with the Arrangement and provide counsel to Isotechnika on a timely basis with copies of any response to petition and evidence served on Aurinia or its counsel in respect of the application for the Court Order or any appeal therefrom and of any notice (written or oral) received by Aurinia indicating any intention to oppose the granting of the Court Order or to appeal the Court Order.

2.3 Court Order

Following the approval of the Aurinia Shareholders' Resolution, Aurinia will forthwith, and in any event within 5 business days after the approval of the Aurinia Shareholders' Resolution, apply to the Court for the Court Order, in terms consistent with this Agreement.

2.4 Arrangement Filings

Aurinia will make the Arrangement Filings at or prior to the Effective Time.

2.5 Isotechnika Board Approval

Isotechnika represents and warrants to Aurinia that the board of directors of Isotechnika has:

(a) received an oral opinion from Evans & Evans, Inc. to the effect that, as of the date of such opinion and subject to the assumptions, limitations and qualifications set out therein, the consideration to be paid by Isotechnika pursuant to this Agreement is fair from a financial point of view to Isotechnika;

(b) unanimously determined that the Arrangement is fair to the Isotechnika Shareholders;

(c) unanimously determined that the Arrangement and entry into this Agreement are in the best interests of Isotechnika; and

(d) unanimously resolved to recommend that the Isotechnika Shareholders vote in favour of the Isotechnika Shareholders' Resolution;

(the "**Isotechnika Board Approval**").

2.6 Aurinia Board Approval

Aurinia represents and warrants to Isotechnika that the board of directors of Aurinia has unanimously:

(a) determined that the Arrangement is fair to the Aurinia Shareholders;

(b) determined that the Arrangement and entry into this Agreement are in the best interests of Aurinia; and

(c) resolved to recommend that the Aurinia Shareholders vote in favour of the Aurinia Shareholders' Resolution,

(the "**Aurinia Board Approval**").

2.7 Conduct of Isotechnika Meeting

(a) Isotechnika agrees to convene and conduct the Isotechnika Meeting in accordance with the terms of this Agreement, its constating documents and applicable Laws as soon as reasonably practicable following the date hereof, but in any event not later than August 15, 2013, and not to propose to adjourn, postpone or cancel the Isotechnika Meeting without the prior consent of Aurinia and ILJIN:

(i) except as required for quorum purposes (in which case the Isotechnika Meeting will be adjourned and not postponed or cancelled) or by applicable Laws; or

(ii) except for an adjournment for the purpose of attempting to obtain the requisite approval of the Isotechnika Shareholders' Resolution.

(b) Unless: (i) Aurinia and ILJIN otherwise consent; (ii) this Agreement is terminated in accordance with its terms; or (iii) if required by applicable Law or by a Governmental Entity having jurisdiction, Isotechnika will continue to take all steps reasonably

necessary to hold the Isotechnika Meeting and to cause the Isotechnika Shareholders' Resolution to be voted on at such Isotechnika Meeting and will not propose to adjourn, postpone or cancel the Isotechnika Meeting other than as contemplated by Section 2.7(a).

(c) Subject to compliance with all applicable Laws, Isotechnika will use its commercially reasonable efforts to solicit proxies in favour of the approval of the Isotechnika Shareholders' Resolution.

(d) Isotechnika will give notice to Aurinia and ILJIN of the Isotechnika Meeting and allow Aurinia's and ILJIN's Representatives to attend the Isotechnika Meeting.

(e) Aurinia will provide Isotechnika with such assistance as may be reasonably required by Isotechnika for the purposes of holding the Isotechnika Meeting and receiving approval of the Isotechnika Shareholders' Resolution by Isotechnika Shareholders.

(f) Isotechnika will advise Aurinia and ILJIN as Aurinia and ILJIN may reasonably request, and at least on a daily basis on each of the last 14 business days prior to the date of the Isotechnika Meeting, as to the aggregate tally of proxies received by Isotechnika in respect of the Isotechnika Shareholders' Resolution.

2.8 Isotechnika Information Circular

(a) As soon as reasonably practicable, following the date hereof, Isotechnika will prepare and complete the Isotechnika Information Circular together with any other documents required by applicable Laws in connection with the Isotechnika Meeting and the proposed issuance of Isotechnika Shares under the Arrangement.

(b) Isotechnika will cause the Isotechnika Information Circular and other documentation required in connection with the Isotechnika Meeting to be filed and to be sent to each Isotechnika Shareholder and other Persons as required by applicable Laws, in each case so as to permit the Isotechnika Meeting to be held within the time required by Section 2.7(a).

(c) Isotechnika will ensure that the Isotechnika Information Circular complies in all material respects with all applicable Laws, and, without limiting the generality of the foregoing, that the Isotechnika Information Circular will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made (other than in each case with respect to any information furnished by Aurinia) and will provide Isotechnika Shareholders with information in sufficient detail to permit them to form a reasoned judgement concerning the matters to be placed before them at the Isotechnika Meeting and will include the recommendation of the board of directors of Isotechnika that Isotechnika Shareholders vote in favour of the Isotechnika Shareholders' Resolution.

(d) Isotechnika shall disclose in the Isotechnika Information Circular:

(i) that the Isotechnika Board has received a fairness opinion from Evans & Evans, Inc. to the effect that as of the date of such opinion, subject to the assumptions, limitations and qualifications set out therein, the consideration to be paid by Isotechnika pursuant to this Agreement is fair from a financial point of view to Isotechnika (the "**Fairness Opinion**"); and

(ii) the complete text of the fairness opinion from Evans & Evans, Inc.

(e) Aurinia, ILJIN and their respective legal counsel will be given a reasonable opportunity to review and comment on a draft of the Isotechnika Information Circular and other documents related thereto before they become final, and reasonable consideration will be given to any comments made by Aurinia and ILJIN and their respective legal counsel, provided that all information relating solely to Aurinia included in the Isotechnika Information Circular will be in form and content satisfactory to Aurinia, acting reasonably.

(f) Aurinia will timely furnish to Isotechnika all such information concerning Aurinia as may be reasonably required in the preparation of the Isotechnika Information Circular and other documents related thereto, including without limitation, the Aurinia Financial Statements.

(g) Isotechnika will promptly notify Aurinia if, at any time before the earlier of the Effective Date and the termination of this Agreement in accordance with its terms, it becomes aware that the Isotechnika Information Circular contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made, or that otherwise requires an amendment or supplement to the Isotechnika Information Circular, and the Parties will co-operate in the preparation of any amendment or supplement to the Isotechnika Information Circular, as required or appropriate, and Isotechnika will promptly mail or otherwise publicly disseminate any amendment or supplement to the Isotechnika Information Circular to the Isotechnika Shareholders and, if required by applicable Laws, file the same as required under securities Laws and as otherwise required.

2.9 Announcement and Shareholder Communications

Aurinia and Isotechnika will jointly and publicly announce the transactions contemplated hereby promptly following the execution of this Agreement, the text and timing of such Party's announcement to be approved by the other Party in advance, acting reasonably. The Parties agree to cooperate in the preparation of presentations, if any, to the Aurinia Shareholders or Isotechnika Shareholders regarding the transactions contemplated by this Agreement, and no Party will: (a) make any filing with any Governmental Entity with respect thereto without prior consultation with the other Parties; provided, however, that the foregoing will be subject to each Party's overriding obligation to make any disclosure or filing required under applicable Law or requirement of any Governmental Entity having jurisdiction, and the Party making such disclosure will use all commercially reasonable efforts to give prior oral or written notice to the other Party and reasonable opportunity to review or comment on the disclosure or filing, and if such prior notice is not possible, to give such notice immediately following the making of such disclosure or filing. To the extent possible, each Party will provide prior notice to the other Parties of any material public disclosure that it proposes to make regarding its business or operations, together with a draft copy of such disclosure. Such other Party and its legal counsel will be given a reasonable opportunity to review and comment on such information prior to such information being disseminated publicly or filed with any Governmental Entity, and reasonable consideration will be given to any comments made by such other Party and its legal counsel.

2.10 Replacement Warrants

The Parties agree that, as of the Effective Time all terms and conditions of a Replacement Warrant including the term to expiry, conditions to and manner of exercising, will be the same as the Aurinia Warrant for which it was exchanged.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of Isotechnika

Isotechnika hereby represents and warrants as follows to Aurinia and ILJIN, and hereby acknowledges that Aurinia and ILJIN are relying upon such representations and warranties in connection with entering into this Agreement and agreeing to complete the Arrangement:

(a) This Agreement has been duly executed and delivered by Isotechnika and constitutes a legal, valid and binding obligation of Isotechnika, enforceable against Isotechnika in accordance with its terms, subject to applicable laws of bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally, and to general principles of equity.

(b) Isotechnika is duly incorporated and organized, and validly existing, under the laws of its jurisdiction of incorporation, Isotechnika has all necessary corporate power, authority and capacity to execute and deliver this Agreement and to perform its covenants and obligations hereunder and Isotechnika has taken all necessary corporate action to authorize the execution and delivery of this Agreement.

(c) No proceedings have been taken or authorized by Isotechnika, or, to its knowledge, by any other person, with respect to its bankruptcy, insolvency, liquidation, dissolution or winding up, or with respect to any amalgamation, merger, consolidation, arrangement or other reorganization of Isotechnika, other than as contemplated by this Agreement.

(d) There are no suits, claims, action or other proceedings pending or, to its knowledge, threatened, against Isotechnika to prevent, or which, if successful, would prevent, the consummation of the Arrangement.

(e) The authorized capital of Isotechnika consists of an unlimited number of Isotechnika Shares. As of the date of this Agreement there are (i) 215,526,804 Isotechnika Shares duly and validly issued and outstanding as fully paid and non-assessable shares of Isotechnika; (ii) outstanding Isotechnika Options providing for the issuance of 15,693,667 Isotechnika Shares upon the exercise thereof; and (iii) outstanding share purchase warrants of Isotechnika providing for the issuance of 42,970,609 Isotechnika Shares upon the exercise thereof.

(f) The Isotechnika Financial Statements: (a) present fairly in all material respects the financial position of Isotechnika as of the dates thereof and the results of operations, cash flows and shareholders' equity as of and for each of the periods then ended, and (b) were prepared in accordance with IFRS applied on a consistent basis throughout the periods involved, in each case, except as otherwise indicated in the notes thereto.

(g) Isotechnika does not have any Subsidiary, and does not own, possess or have the right to acquire any securities of any other corporate entity.

(h) All material financial transactions of Isotechnika have been accurately recorded in the books and records of Isotechnika for the periods noted therein and the Isotechnika Financial Statements fairly present in all material respects the financial position and the affairs of Isotechnika for the periods noted therein.

(i) The execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the fulfillment of and compliance with the terms and provisions hereof do not and will not (i) violate any provision of Law or administrative regulation or any judicial or administrative order, award, judgment or decree applicable to Isotechnika, (ii) breach, violate or conflict with any of the terms, conditions or provisions of Isotechnika's articles or by-laws, or (iii) conflict with, result in a breach of, constitute a default under, or accelerate or permit the acceleration of the performance required by, any material agreement, commitment or instrument to which Isotechnika is a party or by which it is bound or to which its property is subject, or result in the cancellation, suspension or alteration in the terms of any licence, permit or authority held by Isotechnika, or result in the creation of any lien, charge, security interest or encumbrance upon any of the assets or property of Isotechnika or give to others any interest or rights, including rights of purchase, termination, cancellation or acceleration, under any such agreement or instrument.

(j) Other than as described herein, there are no releases, waivers, consents and approvals required to be obtained by Isotechnika in order to consummate the transactions set out in this Agreement.

(k) Since December 31, 2012, Isotechnika has not:

(i) transferred, assigned, sold or otherwise disposed of any of the assets shown or reflected in the Isotechnika Financial Statements or cancelled any debts or claims except in each case in the ordinary and usual course of business;

(ii) incurred or assumed any obligation or liability (fixed or contingent) over $50,000, except obligations and liabilities incurred in the ordinary and usual course of business;

(iii) other than the Private Placement Securities, issued or sold any shares in its capital or any warrants, bonds, debentures or other corporate securities or issued, granted or delivered any right, option or other commitment for the issue of any such or other securities;

(iv) discharged or satisfied any encumbrances, or paid any obligation or liability (fixed or contingent), other than current liabilities or the current portion of long term liabilities disclosed in the Isotechnika Financial Statements or current liabilities incurred since the date thereof in the ordinary and usual course of business;

(v) declared, made, or committed itself to make any payment of any dividend or other distribution in respect of any of its shares other than in the usual course, nor has it purchased, redeemed, subdivided, consolidated, or reclassified any of its shares;

(vi) entered into any material commitment or transaction not in the ordinary and usual course of business;

(vii) mortgaged, pledged, subjected to any lien, granted an option or a security interest in respect of or otherwise encumbered any of its assets or property, whether real or personal and whether tangible or intangible except as disclosed in the Isotechnika Financial Statements, or in the ordinary and usual course of business; or

(viii) authorized or agreed or otherwise have become committed to do any of the foregoing.

(l) Other than the Isotechnika Options, the share purchase warrants of Isotechnika described above under Section 3.1(e), and the Private Placement Securities, no person has any right, agreement or option, present or future, contingent or absolute, or any right capable of becoming a right, agreement or option, for the issue or allotment of any unissued Isotechnika Shares, or any other security convertible into or exchangeable for any such Isotechnika Shares, or to require Isotechnika to purchase, redeem or otherwise acquire any of its issued and outstanding shares.

(m) Isotechnika has no shareholders' rights plan or similar plan in effect.

(n) Isotechnika has conducted and is conducting its business in material compliance with applicable Laws of each jurisdiction in which its business is carried on and holds all material Authorizations required in order to enable its business to be carried on as now conducted or as proposed to be conducted, and all such Authorizations are valid and subsisting and in good standing and Isotechnika has not received any notice of proceedings relating to the revocation or modification of any such Authorizations.

(o) Except as disclosed in the Public Disclosure Documents, since December 31, 2012, there have not been:

(i) any changes in the condition or operations of the business, assets or financial affairs of Isotechnika which could, individually or in the aggregate, have a Material Adverse Effect; or

(ii) any damage, destruction or loss, labour trouble or other event, development or condition, of any character (whether or not covered by insurance) which is not generally known, which has or is reasonably likely to have a Material Adverse Effect.

(p) Isotechnika has filed all federal, provincial, territorial, municipal and local Tax returns which are required to be filed, or have requested extensions thereof, and has paid all Taxes required to be paid by it and any other assessment, fine or penalty levied against it, to the extent that any of the foregoing is due and payable.

(q) There are no liens for Taxes on the properties or assets of Isotechnika, there are no audits of any of the Tax returns of Isotechnika which are known by Isotechnika to be pending, and there are no claims which have been or may be asserted relating to any such Tax returns.

(r) Other than as set forth in the Isotechnika Financial Statements or as disclosed in the Public Disclosure Documents, no director, officer, employee or agent of Isotechnika or any other insider of Isotechnika, or any Affiliate or associate of any of them is a party to any loan, contract, arrangement or understanding or other transactions with Isotechnika that would be required to be disclosed pursuant to Securities Laws.

(s) Isotechnika has filed all documents and information required to be filed by it under applicable securities laws of Canada, or any rules or regulations promulgated thereunder (collectively, "**Securities Laws**") or with any stock exchange. The Public Disclosure Documents do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which and at the time they were made, not misleading (collectively a "**Misrepresentation**"). All of the Public Disclosure Documents, as of their respective dates (and as of the dates of any amendments thereto), complied as to both form and content in all material respects with the requirements of Securities Laws. Isotechnika has not filed any confidential material change report with any securities regulatory authority that at the date hereof remains confidential. There is no material fact concerning Isotechnika required to be disclosed under Securities Laws which has not been disclosed in the Public Disclosure Documents filed on or before the date hereof.

(t) As at the date hereof, Isotechnika is a reporting issuer (within the meaning of Canadian Securities Laws) in good standing in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland, and is not on the list of defaulting issuers as maintained by the Alberta Securities Commission for a default of any requirement of any Securities Laws, and no regulatory authority having jurisdiction over Isotechnika has issued any order preventing or suspending trading of any securities of Isotechnika.

(u) Policies of insurance in force as at the date hereof naming Isotechnika as an insured adequately cover all risks reasonably and prudently foreseeable in the operation and conduct of the business of Isotechnika which, having regard to the nature of such risk and the relative costs of obtaining insurance, are customary in the case of entities engaged in the same or similar businesses to seek rather than to provide for self insurance and Isotechnika has no reason to believe that it will not be able to renew such policies as and when such policies expire or to obtain similar policies from similar insurers.

(v) Isotechnika has good and marketable title to the assets included in the Isotechnika Financial Statements, free and clear of all encumbrances, except for as disclosed in the Isotechnika Financial Statements or incurred in the ordinary and usual course of business since December 31, 2012.

(w) Except as reflected or disclosed in the Isotechnika Financial Statements, Isotechnika does not have any Liabilities of any nature (whether accrued, absolute, contingent or otherwise), or any obligation to issue any debt securities, or guarantee, endorse or otherwise become responsible for, the obligations of any other person required to be reflected or disclosed therein, except obligations incurred in the ordinary and usual course of business since December 31, 2012.

(x) Other than Evans & Evans, Inc. in connection with the Fairness Opinion, there is no Person, firm or company acting or purporting to act for Isotechnika entitled to any brokerage or finders fees in connection with this Agreement or any of the transactions contemplated herein.

3.2 Representations and Warranties of Aurinia

Aurinia hereby represents and warrants to Isotechnika and ILJIN as follows, and hereby acknowledges that Isotechnika and ILJIN are relying upon such representations and warranties in connection with entering into this Agreement and agreeing to complete the Arrangement:

(a) This Agreement has been duly executed and delivered by Aurinia and constitutes a legal, valid and binding obligation of Aurinia, enforceable against Aurinia in accordance with its terms, subject to applicable laws of bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally, and to general principles of equity.

(b) Aurinia is duly incorporated and organized, and validly existing, under the laws of its jurisdiction of incorporation, Aurinia has all necessary corporate power, authority and capacity to execute and deliver this Agreement and to perform its covenants and obligations hereunder and Aurinia has taken all necessary corporate action to authorize the execution and delivery of this Agreement.

(c) No proceedings have been taken or authorized by Aurinia, or, to its knowledge, by any other person, with respect to its bankruptcy, insolvency, liquidation, dissolution or winding up, or with respect to any amalgamation, merger, consolidation, arrangement or other reorganization of Aurinia, other than as contemplated by this Agreement.

(d) There are no suits, claims, action or other proceedings pending or, to its knowledge, threatened, against Aurinia to prevent, or which, if successful, would prevent, the consummation of the Arrangement.

(e) The authorized capital of Aurinia consists of an unlimited number of Aurinia Shares, one Class A common share, and an unlimited number of preferred shares. As of the date of this Agreement there are (i) 6,079,159 Aurinia Shares duly and validly issued and outstanding as fully paid and non-assessable shares of Aurinia; (ii) one Class A common share; and (iii) outstanding Aurinia Warrants providing for the issuance of 35,294 Aurinia Shares upon the exercise thereof.

(f) The Aurinia Financial Statements: (a) present fairly in all material respects the financial position of Aurinia as of the dates thereof and the results of operations, cash flows and shareholders' equity as of and for each of the periods then ended, and (b) were prepared in accordance with Canadian Accounting Standards for Private Enterprises applied on a consistent basis throughout the periods involved, in each case, except as otherwise indicated in the notes thereto.

(g) Other than Aurinia Subsidiaries, Aurinia does not have any Subsidiaries, and does not own, possess or have the right to acquire any securities of any other corporate entity. The Aurinia Subsidiaries are duly organized and are validly existing under the Laws of their jurisdictions of incorporation. Aurinia beneficially owns, directly or indirectly, all of the issued and outstanding securities of the Aurinia Subsidiaries. All of the

outstanding shares in the capital of the Aurinia Subsidiaries are: (i) validly issued, fully-paid and non-assessable and all such shares are owned free and clear of all Encumbrances of any kind or nature whatsoever; and (ii) are free of any other restrictions including any restriction on the right to vote, sell or otherwise dispose of shares.

(h) All material financial transactions of Aurinia have been accurately recorded in the books and records of Aurinia for the periods noted therein and the Aurinia Financial Statements fairly present in all material respects the financial position and the affairs of Aurinia for the periods noted therein.

(i) The execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the fulfillment of and compliance with the terms and provisions hereof do not and will not (i) violate any provision of Law or administrative regulation or any judicial or administrative order, award, judgment or decree applicable to Aurinia, (ii) breach, violate or conflict with any of the terms, conditions or provisions of the constating documents of Aurinia, or (iii) conflict with, result in a breach of, constitute a default under, or accelerate or permit the acceleration of the performance required by, any material agreement, commitment or instrument to which Aurinia is a party or by which it is bound or to which its property is subject, or result in the cancellation, suspension or alteration in the terms of any licence, permit or authority held by Aurinia, or result in the creation of any lien, charge, security interest or encumbrance upon any of the assets or property of Aurinia or give to others any interest or rights, including rights of purchase, termination, cancellation or acceleration, under any such agreement or instrument.

(j) All necessary material releases, waivers, consents and approvals, including all necessary approvals from the lessors of any leased assets and real property, any party to the Material Contracts and all relevant governmental authorities, required to be obtained by Aurinia to consummate the transactions set out in this Agreement have been received.

(k) Since December 31, 2012, Aurinia has not:

(i) transferred, assigned, sold or otherwise disposed of any of the assets shown or reflected in the Aurinia Financial Statements or cancelled any debts or claims except in each case in the ordinary and usual course of business;

(ii) incurred or assumed any obligation or liability (fixed or contingent) over $20,000, except obligations and liabilities incurred in the ordinary and usual course of business;

(iii) issued or sold any shares in its capital or any warrants, bonds, debentures or other corporate securities or issued, granted or delivered any right, option or other commitment for the issue of any such or other securities, except in each case in the ordinary and usual course of business;

(iv) discharged or satisfied any encumbrances, or paid any obligation or liability (fixed or contingent), other than current liabilities or the current portion of long term liabilities disclosed in the Aurinia Financial Statements or current liabilities incurred since the date thereof in the ordinary and usual course of business;

(v) declared, made, or committed itself to make any payment of any dividend or other distribution in respect of any of its shares other than in the usual course, nor has it purchased, redeemed, subdivided, consolidated, or reclassified any of its shares;

(vi) entered into any material commitment or transaction not in the ordinary and usual course of business;

(vii) mortgaged, pledged, subjected to any lien, granted an option or a security interest in respect of or otherwise encumbered any of its assets or property, whether real or personal and whether tangible or intangible except as disclosed in the Aurinia Financial Statements, or in the ordinary and usual course of business; or

(viii) authorized or agreed or otherwise have become committed to do any of the foregoing.

(l) Other than the Aurinia Warrants described above in Section 3.2(e) and the Class A common share, no person has any right, agreement or option, present or future, contingent or absolute, or any right capable of becoming a right, agreement or option, for the issue or allotment of any unissued Aurinia Shares, common shares of the Aurinia Subsidiaries, or any other security convertible into or exchangeable for any such Aurinia Shares, common shares of the Aurinia Subsidiaries, or to require Aurinia or the Aurinia Subsidiaries, to purchase, redeem or otherwise acquire any of its issued and outstanding shares.

(m) Aurinia has no shareholders' rights plan or similar plan in effect.

(n) Other than as set forth in the Aurinia Financial Statements, neither Aurinia nor any of the Aurinia Subsidiaries own, beneficially or otherwise, or have any right to acquire any material interests in, any properties, business or assets.

(o) Neither Aurinia nor any of the Aurinia Subsidiaries is the subject of any international, foreign, federal, provincial, municipal or private action, suit, litigation, arbitration proceeding, governmental proceeding, investigation or claim.

(p) No actions, suits, inquiries or proceedings are pending or are contemplated or threatened to which either Aurinia or any Aurinia Subsidiary is a party or to which the property of either Aurinia or any Aurinia Subsidiary is subject.

(q) There are no judgments against Aurinia or any Aurinia Subsidiary, nor are there any consent decrees or injunctions to which either Aurinia or any Aurinia Subsidiary is subject.

(r) Each of Aurinia and the Aurinia Subsidiaries has conducted and is conducting its business in material compliance with all applicable Laws of each jurisdiction in which its business is carried on and holds all material Authorizations required in order to enable its business to be carried on as now conducted or as proposed to be conducted, and all such Authorizations are valid and subsisting and in good standing and neither Aurinia nor the Aurinia Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Authorizations.

(s) Since December 31, 2012, there have not been:

(i) any changes in the condition or operations of the business, assets or financial affairs of Aurinia which could, individually or in the aggregate, have a Material Adverse Effect; or

(ii) any damage, destruction or loss, labour trouble or other event, development or condition, of any character (whether or not covered by insurance) which is not generally known, which has or is reasonably likely to have a Material Adverse Effect.

(t) Aurinia has filed all federal, provincial, territorial, municipal and local Tax returns which are required to be filed, or have requested extensions thereof, and has paid all Taxes required to be paid by it and any other assessment, fine or penalty levied against it, to the extent that any of the foregoing is due and payable.

(u) There are no liens for Taxes on the properties or assets of Aurinia, there are no audits of any of the Tax returns of Aurinia which are known by Aurinia to be pending, and there are no claims which have been or may be asserted relating to any such Tax returns.

(v) Other than as set forth in the Aurinia Financial Statements, no director, officer, employee or agent of Aurinia or any other insider of Aurinia, or any Affiliate or associate of any of them is a party to any loan, contract, arrangement or understanding or other transactions with Aurinia.

(w) Policies of insurance in force as at the date hereof naming Aurinia as an insured adequately cover all risks reasonably and prudently foreseeable in the operation and conduct of the business of Aurinia which, having regard to the nature of such risk and the relative costs of obtaining insurance, are customary in the case of entities engaged in the same or similar businesses to seek rather than to provide for self insurance and Aurinia has no reason to believe that it will not be able to renew such policies as and when such policies expire or to obtain similar policies from similar insurers.

(x) Aurinia has good and marketable title to the assets in the Aurinia Financial Statements, free and clear of all encumbrances, except for as disclosed in the Aurinia Financial Statements or incurred in the ordinary and usual course of business since December 31, 2012.

(y) Other than as disclosed to Isotechnika in writing, and except as reflected or disclosed in the Aurinia Financial Statements, Aurinia does not have any Liabilities of any nature (whether accrued, absolute, contingent or otherwise), or any obligation to issue any debt securities, or guarantee, endorse or otherwise become responsible for, the obligations of any other person required to be reflected or disclosed therein, except obligations incurred in the ordinary and usual course of business since December 31, 2012.

(z) There is no Person, firm or company acting or purporting to act for Aurinia entitled to any brokerage or finders fees in connection with this Agreement or any of the transactions contemplated herein.

(aa) There is no Registered IP.

(bb) Schedule D sets forth a complete list of all Licensed IP, in each case with a description thereof as well as a description of the license agreements or arrangements (all of which are in good standing) relating to Aurinia's use thereof. There is no Intellectual Property that is material to the business of Aurinia other than the Licensed IP set out in Schedule D.

(cc) Aurinia is licensed to use the Licensed IP without payment of any royalty or fee except as set out in the agreements listed in Schedule D, and has not transferred, assigned, encumbered or granted any right, title or interest in the Licensed IP.

(dd) To the knowledge of Aurinia:

(i) None of Aurinia or the Aurinia Subsidiaries has received notice from any person of any claim or any intention to commence any legal proceeding with respect to infringement, adverse ownership, invalidity, misappropriation or misuse regarding any of the Licensed IP or challenging the right of Aurinia or the Aurinia Subsidiaries to use the Licensed IP or any of the products or services of Aurinia or the Aurinia Subsidiaries;

(ii) None of Aurinia or the Aurinia Subsidiaries have commenced or intend to commence any claim or legal proceeding challenging the Intellectual Property rights of any other person;

(iii) None of the operation, conduct and maintenance of the businesses of Aurinia or the Aurinia Subsidiaries as they are currently, and have historically been operated, conducted and maintained, nor the use by Aurinia or the Aurinia Subsidiaries of the Licensed IP, misappropriates, infringes, misuses or violates any (a) registered Intellectual Property rights of any third party, or (b) any obligation of confidentiality to any other person; and

(iv) There are no restrictions on the ability of Aurinia or the Aurinia Subsidiaries to use and exploit all rights in the Licensed IP, except as set out in the agreements listed in Schedule D, and none of the rights of Aurinia in the Licensed IP will be impaired or adversely affected in any way by the transaction contemplated by this Agreement.

3.3 Representations and Warranties of ILJIN

ILJIN hereby represents and warrants to Isotechnika and Aurinia as follows, and hereby acknowledges that Isotechnika and Aurinia are relying upon such representations and warranties in connection with entering into this Agreement and agreeing to complete the Arrangement:

(a) This Agreement has been duly executed and delivered by ILJIN and constitutes a legal, valid and binding obligation of ILJIN, enforceable against ILJIN in accordance with its terms, subject to applicable laws of bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally, and to general principles of equity.

(b) ILJIN is duly incorporated and organized, and validly existing, under the laws of its jurisdiction of incorporation, ILJIN has all necessary corporate power, authority and capacity to execute and deliver this Agreement and to perform its covenants and obligations hereunder and ILJIN has taken all necessary corporate action to authorize the execution and delivery of this Agreement.

(c) No proceedings have been taken or authorized by ILJIN, or, to its knowledge, by any other person, with respect to its bankruptcy, insolvency, liquidation, dissolution or winding up, or with respect to any amalgamation, merger, consolidation, arrangement or other reorganization of Isotechnika or Aurinia, other than as contemplated by this Agreement.

(d) There are no suits, claims, action or other proceedings pending or, to its knowledge, threatened, against ILJIN to prevent, or which, if successful, would prevent, the consummation of the Arrangement.

3.4 Survival of Representations and Warranties

The representations and warranties of Aurinia, Isotechnika and ILJIN contained herein will survive the execution and delivery of this Agreement and will terminate on the earlier of the termination of this Agreement in accordance with its terms and the Effective Time.

ARTICLE 4
COVENANTS

4.1 Covenants of Isotechnika Regarding the Arrangement

Subject to the terms of this Agreement, Isotechnika will perform all obligations required to be performed by Isotechnika under this Agreement, co-operate with Aurinia and ILJIN in connection therewith, and do all such other acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated in this Agreement and the Plan of Arrangement and, without limiting the generality of the foregoing, Isotechnika will:

(a) in a timely and expeditious manner, take all such actions and do all such acts and things as are specified in the Plan of Arrangement and the Court Order to be taken or done by Isotechnika;

(b) apply for and use commercially reasonable efforts to obtain all Regulatory Approvals relating to Isotechnika required in connection with this Agreement, the Arrangement or any of the other transactions contemplated herein, and, in doing so, keep Aurinia and ILJIN fully informed as to the status of the proceedings related to obtaining the Regulatory Approvals;

(c) use commercially reasonable efforts to obtain all necessary waivers, consents and approvals required to be obtained from, and to deliver all notices required to be delivered to, other parties to any of its Material Contracts in connection with this Agreement, the Arrangement or any of the other transactions contemplated herein;

(d) apply for and use commercially reasonable efforts to obtain conditional approval of the listing and posting for trading on the Exchange of the Consideration Shares and Underlying Shares, subject only to satisfaction by Isotechnika of customary listing conditions of the Exchange ("**Exchange Approval**");

(e) use commercially reasonable efforts to comply promptly with all requirements imposed by applicable Law with respect to the Arrangement and any other transactions contemplated herein;

(f) not knowingly take any action, refrain from taking any commercially reasonable action, or permit any action to be taken or not taken, which is inconsistent with this Agreement or which is or could reasonably be expected to impede or delay the completion of the transactions contemplated under this Agreement except as specifically permitted by this Agreement;

(g) defend all lawsuits or other legal, regulatory or other proceedings against Isotechnika challenging or affecting this Agreement or the consummation of the Arrangement or any of the other transactions contemplated hereby. Isotechnika will also provide to Aurinia's and ILJIN's legal counsel on a timely basis copies of any notice of appearance or other documents served on Isotechnika in respect of such lawsuit or proceeding. In addition, Isotechnika will not object to legal counsel to Aurinia and ILJIN seeking leave or standing to make such submissions in connection with such lawsuit or proceeding as such counsel considers appropriate, provided, however, that such submissions are consistent with this Agreement and the Arrangement;

(h) use commercially reasonable efforts to oppose, lift or rescind any injunction or restraining or other order or decree seeking to stop, or otherwise adversely affecting its ability to consummate, the Arrangement or any of the other transactions contemplated hereby; and

(i) use commercially reasonable efforts to fulfil, and cause to be fulfilled, all conditions to closing contained in this Agreement that are within Isotechnika's power and satisfy all provisions of this Agreement and the Arrangement applicable to Isotechnika.

4.2 Covenants of Aurinia Regarding the Arrangement

Subject to the terms of this Agreement, Aurinia will perform all obligations required to be performed by Aurinia under this Agreement, co-operate with Isotechnika and ILJIN in connection therewith, and do all such other acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated in this Agreement and the Plan of Arrangement and, without limiting the generality of the foregoing, Aurinia will:

(a) as soon as practicable but in any event no later than August 22, 2013, file, proceed with and diligently pursue an application to the Court for the Court Order;

(b) in a timely and expeditious manner, take all such actions and do all such acts and things as are specified in the Plan of Arrangement and the Court Order to be taken or done by Aurinia;

(c) apply for and use commercially reasonable efforts to obtain all Regulatory Approvals relating to Aurinia required in connection with this Agreement, the Arrangement or any of the other transactions contemplated herein, and, in doing so, keep Isotechnika and ILJIN fully informed as to the status of the proceedings related to obtaining the Regulatory Approvals;

(d) use commercially reasonable efforts to obtain all necessary waivers, consents and approvals required to be obtained from, and to deliver all notices required to be delivered to, other parties to any of its Material Contracts in connection with this Agreement, the Arrangement or any of the other transactions contemplated herein;

(e) use commercially reasonable efforts to comply promptly with all requirements imposed by applicable Law with respect to the Arrangement and any other transactions contemplated herein;

(f) not knowingly take any action, refrain from taking any commercially reasonable action, or permit any action to be taken or not taken, which is inconsistent with this Agreement or which is or could reasonably be expected to impede or delay the completion of the transactions contemplated under this Agreement except as specifically permitted by this Agreement;

(g) defend all lawsuits or other legal, regulatory or other proceedings against Aurinia challenging or affecting this Agreement or the consummation of the Arrangement or any of the other transactions contemplated hereby. Aurinia will also provide to Isotechnika's and ILJIN's legal counsel on a timely basis copies of any response to petition or other documents served on Aurinia in respect of such lawsuit or proceeding. In addition, Aurinia will not object to legal counsel to Isotechnika and ILJIN seeking leave or standing to make such submissions in connection with such lawsuit or proceeding as such counsel considers appropriate, provided, however, that such submissions are consistent with this Agreement and the Arrangement;

(h) use commercially reasonable efforts to oppose, lift or rescind any injunction or restraining or other order or decree seeking to stop, or otherwise adversely affecting its ability to consummate, the Arrangement or any of the other transactions contemplated hereby; and

(i) use commercially reasonable efforts to fulfil, and cause to be fulfilled, all conditions to closing contained in this Agreement that are within Aurinia's power and satisfy all provisions of this Agreement and the Arrangement applicable to Aurinia.

4.3 Covenants of ILJIN Regarding the Arrangement

Subject to the terms of this Agreement, ILJIN will perform all obligations required to be performed by Aurinia and Isotechnika under this Agreement, co-operate with Aurinia and Isotechnika in connection therewith, and do all such other acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated in this Agreement and the Plan of Arrangement and, without limiting the generality of the foregoing, ILJIN will:

(a) in a timely and expeditious manner, take all such actions and do all such acts and things as are specified in the Plan of Arrangement and the Court Order to be taken or done by ILJIN;

(b) apply for and use commercially reasonable efforts to obtain all Regulatory Approvals relating to ILJIN required in connection with this Agreement, the Arrangement or any of the other transactions contemplated herein, and, in doing so, keep Aurinia and Isotechnika fully informed as to the status of the proceedings related to obtaining the Regulatory Approvals;

(c) use commercially reasonable efforts to obtain all necessary waivers, consents and approvals required to be obtained from, and to deliver all notices required to be delivered to, other parties to any of its Material Contracts in connection with this Agreement, the Arrangement or any of the other transactions contemplated herein;

(d) use commercially reasonable efforts to comply promptly with all requirements imposed by applicable Law with respect to the Arrangement and any other transactions contemplated herein;

(e) not knowingly take any action, refrain from taking any commercially reasonable action, or permit any action to be taken or not taken, which is inconsistent with this Agreement or which is or could reasonably be expected to impede or delay the completion of the transactions contemplated under this Agreement except as specifically permitted by this Agreement;

(f) defend all lawsuits or other legal, regulatory or other proceedings against ILJIN challenging or affecting this Agreement or the consummation of the Arrangement or any of the other transactions contemplated hereby. ILJIN will also provide to Aurinia's and Isotechnika's legal counsel on a timely basis copies of any notice of appearance or other documents served on ILJIN in respect of such lawsuit or proceeding. In addition, ILJIN will not object to legal counsel to Aurinia and Isotechnika seeking leave or standing to make such submissions in connection with such lawsuit or proceeding as such counsel considers appropriate, provided, however, that such submissions are consistent with this Agreement and the Arrangement;

(g) use commercially reasonable efforts to oppose, lift or rescind any injunction or restraining or other order or decree seeking to stop, or otherwise adversely affecting its ability to consummate, the Arrangement or any of the other transactions contemplated hereby; and

(h) use commercially reasonable efforts to fulfil, and cause to be fulfilled, all conditions to closing contained in this Agreement that are within ILJIN's power and satisfy all provisions of this Agreement and the Arrangement applicable to ILJIN.

4.4 Access to Information

Subject to applicable Law, upon reasonable notice, each Party will afford the other Party and its Representatives access, during normal business hours from the date hereof and until the earlier of the Effective Date or the termination of this Agreement, to its properties, books, contracts and records as well as to its management personnel, as the other Party may reasonably request.

4.5 Privacy Matters

Each Party will comply with applicable privacy Laws in the course of collecting, using and disclosing personal information about identifiable individuals in connection with the transactions contemplated hereby (the "**Transaction Personal Information**"). No Party will disclose Transaction Personal Information originally collected by the other Parties to any Person other than to its Representatives who are evaluating and advising on the transactions contemplated by this Agreement.

The Parties will protect and safeguard the Transaction Personal Information against unauthorized collection, use or disclosure and will cause their Representatives to observe the terms of this Section 4.5

and to protect and safeguard all Transaction Personal Information in their possession. If this Agreement will be terminated, each Party will forthwith stop using the other Party's Transaction Personal Information and promptly deliver to the other Party's Transaction Personal Information originally collected from such other Party in its possession or in the possession of any of its Representatives, including all copies, reproductions, summaries or extracts thereof, except for electronic backup copies made automatically in accordance with the usual backup procedures of the Party returning such Transaction Personal Information.

4.6 Indemnification of Aurinia Directors and Officers

(a) Isotechnika and Aurinia agree that all rights to indemnification for acts or omissions occurring prior to or at the Effective Time existing as of the date of this Agreement in favour of the present and former directors and officers of Aurinia or of any of the Aurinia Subsidiaries (each such present or former director or officer of Aurinia or of any of the Aurinia Subsidiaries being herein referred to as an "**Indemnified Party**" and such persons collectively being referred to as the "**Indemnified Parties**") as provided in its constating documents or in written contracts in effect on the date of this Agreement (including all provisions relating to advances for the funding of costs and expenses in connection with indemnification arrangements) shall survive the completion of the Arrangement and shall continue in full force and effect and without modification until the sixth anniversary of the date of this Agreement, and Isotechnika will cause Aurinia and the Aurinia Subsidiaries (including any successors thereto), to honour such rights of indemnification and indemnify the Indemnified Parties pursuant thereto, with respect to actions or omissions of the Indemnified Parties occurring at or prior to the Effective Time.

(b) Proper provision shall be made so that such successors and assigns of Aurinia or, at Isotechnika's option, Isotechnika, shall assume the obligations set forth in this Section.

(c) Isotechnika will ensure that the constating documents of Aurinia and any successor to Aurinia and the constating documents of the Aurinia Subsidiaries (or any successor to any the Aurinia Subsidiaries), will contain provisions with respect to indemnification now set forth in the constating documents of Aurinia and the Aurinia Subsidiaries (or equivalent provisions), as the case may be, such that all rights to indemnification existing in favour of the Indemnified Parties as provided in the constating documents of Aurinia and of the Aurinia Subsidiaries, or equivalent provisions, will survive and continue in full force and effect and without modification, with respect to actions or omissions of the Indemnified Parties occurring prior to the Effective Time in accordance with the terms of such constating documents, or equivalent provisions, as at the Effective Time.

ARTICLE 5
CONDITIONS

5.1 Conditions Precedent

The respective obligations of each of the Parties to complete the Arrangement and any transactions otherwise contemplated hereby will be subject to the fulfillment, or waiver in writing, by each of Aurinia, Isotechnika and ILJIN, of each of the following conditions:

(a) the Aurinia Shareholders' Resolution will have been unanimously approved by the Aurinia Shareholders;

(b) at the Isotechnika Meeting, the Isotechnika Shareholders' Resolution will have been approved by the Isotechnika Shareholders in accordance with the requirements of all applicable Laws (including, for greater certainty, requirements regarding approval thresholds for the Isotechnika Shareholders' Resolution);

(c) the Court Order shall have been obtained on terms consistent with this Agreement, and shall not have been set aside or modified in a manner unacceptable to the Parties hereto, acting reasonably, on appeal or otherwise;

(d) the Exchange Approval will have been obtained;

(e) no action, suit or proceeding, will be pending or threatened by any Governmental Entity or other Person, in each case having a reasonable likelihood of success, and no applicable Law or Authorization will be in effect, which:

(i) makes the consummation of the Arrangement illegal or otherwise enjoins or prohibits the Arrangement or any transactions otherwise contemplated hereby;

(ii) renders this Agreement unenforceable in any way or frustrates the purpose and intent hereof or thereof; or

(iii) has had or would be reasonably expected to have a Material Adverse Effect on any Party;

(f) the Regulatory Approvals, if any, will have been obtained on terms and conditions satisfactory to Aurinia and Isotechnika and ILJIN, in each case acting reasonably; and

(g) this Agreement will not have been terminated pursuant to Article 6.

5.2 Additional Conditions Precedent to the Obligations of Isotechnika

The obligations of Isotechnika to complete the transactions contemplated by this Agreement will also be subject to the satisfaction, prior to the Effective Time of each of the following conditions precedent (each of which is for the exclusive benefit of Isotechnika and may be waived by Isotechnika and any one or more of which, if not satisfied or waived, will relieve Isotechnika of any obligation under this Agreement):

(a) all covenants of Aurinia and ILJIN under this Agreement to be performed on or before the Effective Date will have been duly performed by Aurinia and ILJIN, as applicable, in all material respects and Isotechnika will have received a certificate from each of Aurinia and ILJIN addressed to Isotechnika and dated the Effective Date, signed, without personal liability, on behalf of Aurinia and ILJIN, respectively, confirming the same as at the Effective Date;

(b) all representations and warranties of Aurinia and ILJIN under this Agreement will be true and correct as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, in which event such representations and warranties will be true and correct as of such earlier date, or except as affected by transactions contemplated or permitted by this Agreement), except in the case of the representations and warranties of Aurinia, where the failure of such representations and warranties to be true and correct, individually or in the aggregate,

would not result, or would not reasonably be expected to result, in a Material Adverse Change in respect of Aurinia and would not, or would not reasonably be expected to, materially delay completion of the Arrangement and the transactions otherwise contemplated hereby, and Isotechnika will have received a certificate from each of Aurinia and ILJIN addressed to Isotechnika and dated the Effective Date, signed, without personal liability, on behalf of Aurinia and ILJIN, respectively, confirming the same as at the Effective Date;

(c) the respective boards of directors of each of Aurinia and ILJIN will have adopted all necessary resolutions, and all other necessary corporate action will have been taken by each of Aurinia and ILJIN, to permit the consummation of the Arrangement and any transactions otherwise contemplated hereby;

(d) all consents, waivers, and approvals required to be obtained by Aurinia and ILJIN from a counter-party to a Material Contract of Aurinia or ILJIN, as applicable, required in connection with, or to permit the consummation of, the Arrangement or any transaction otherwise contemplated hereby, will have been obtained on terms and conditions satisfactory to Isotechnika acting reasonably; and

(e) since the date hereof, there will not have occurred a Material Adverse Change relating to Aurinia.

Isotechnika may not rely on the failure to satisfy any of the above conditions precedent as a basis for non-compliance by it with its obligations under this Agreement if the condition precedent would have been satisfied but for a material default by Isotechnika in complying with its obligations hereunder.

5.3 Additional Conditions Precedent to the Obligations of Aurinia

The obligations of Aurinia to complete the transactions contemplated by this Agreement will also be subject to the satisfaction, prior to the Effective Time, of each of the following conditions precedent (each of which is for the exclusive benefit of Aurinia and may be waived by Aurinia and any one or more of which, if not satisfied or waived, will relieve Aurinia of any obligation under this Agreement):

(a) all covenants of Isotechnika and ILJIN under this Agreement to be performed on or before the Effective Date will have been duly performed by Isotechnika and ILJIN, as applicable, in all material respects and Aurinia will have received a certificate from each of Isotechnika and ILJIN addressed to Aurinia and dated the Effective Date, signed, without personal liability, on behalf of Isotechnika and ILJIN, respectively, confirming the same as at the Effective Date;

(b) all representations and warranties of Isotechnika and ILJIN under this Agreement will be true and correct as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, in which event such representations and warranties will be true and correct as of such earlier date, or except as affected by transactions contemplated or permitted by this Agreement), except in the case of the representations and warranties of Isotechnika, where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not result, or would not reasonably be expected to result, in a Material Adverse Change in respect of Isotechnika and would not, or would not reasonably be expected to, materially delay completion of the Arrangement and the transactions otherwise contemplated hereby, and Aurinia will have received a certificate from each of

Isotechnika and ILJIN addressed to Aurinia and dated the Effective Date, signed, without personal liability, on behalf of Isotechnika and ILJIN, respectively, confirming the same as at the Effective Date;

(c) the respective boards of directors of each of Isotechnika and ILJIN will have adopted all necessary resolutions, and all other necessary corporate action will have been taken by Isotechnika and ILJIN, to permit the consummation of the Arrangement and any transactions otherwise contemplated hereby;

(d) all consents, waivers, and approvals required to be obtained by Isotechnika and ILJIN from a counter-party to a Material Contract of Isotechnika or ILJIN, as applicable, required in connection with, or to permit the consummation of, the Arrangement or any transaction otherwise contemplated hereby, will have been obtained on terms and conditions satisfactory to Aurinia acting reasonably;

(e) since the date hereof, there will not have occurred a Material Adverse Change relating to Isotechnika; and

(f) there will not be in force or threatened any order or decree of any Governmental Entity or other Person that has the effect of ceasing or restricting trading in the Isotechnika Shares.

Aurinia may not rely on the failure to satisfy any of the above conditions precedent as a basis for non-compliance by it with its obligations under this Agreement if the condition precedent would have been satisfied but for a material default by Aurinia in complying with its obligations hereunder.

5.4 Additional Conditions Precedent to the Obligations of ILJIN

The obligations of ILJIN to complete the transactions contemplated by this Agreement will also be subject to the satisfaction, prior to the Effective Time, of each of the following conditions precedent (each of which is for the exclusive benefit of ILJIN and may be waived by ILJIN and any one or more of which, if not satisfied or waived, will relieve ILJIN of any obligation under this Agreement):

(a) all covenants of Isotechnika and Aurinia under this Agreement to be performed on or before the Effective Date will have been duly performed by Isotechnika and Aurinia, as applicable, in all material respects and ILJIN will have received a certificate from each of Isotechnika and Aurinia addressed to ILJIN and dated the Effective Date, signed, without personal liability, on behalf of Isotechnika and Aurinia, respectively, confirming the same as at the Effective Date;

(b) all representations and warranties of Isotechnika and Aurinia under this Agreement will be true and correct as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, in which event such representations and warranties will be true and correct as of such earlier date, or except as affected by transactions contemplated or permitted by this Agreement), except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not result, or would not reasonably be expected to result, in a Material Adverse Change in respect of Isotechnika or Aurinia, as applicable, and would not, or would not reasonably be expected to, materially delay completion of the Arrangement and the transactions otherwise contemplated hereby, and ILJIN will have received a certificate from each of Isotechnika and Aurinia addressed to ILJIN and dated the Effective Date, signed, without personal liability, on behalf of Isotechnika and Aurinia, respectively, confirming the same as at the Effective Date;

(c) the respective boards of directors of each of Isotechnika and Aurinia will have adopted all necessary resolutions, and all other necessary corporate action will have been taken by Isotechnika and Aurinia, to permit the consummation of the Arrangement and any transactions otherwise contemplated hereby;

(d) all consents, waivers, and approvals required to be obtained by Isotechnika and Aurinia from a counter-party to a Material Contract of Isotechnika or Aurinia, as applicable, required in connection with, or to permit the consummation of, the Arrangement or any transaction otherwise contemplated hereby, will have been obtained on terms and conditions satisfactory to ILJIN acting reasonably;

(e) since the date hereof, there will not have occurred a Material Adverse Change relating to Isotechnika or Aurinia; and

(f) there will not be in force or threatened any order or decree of any Governmental Entity or other Person that has the effect of ceasing or restricting trading in the Isotechnika Shares.

ILJIN may not rely on the failure to satisfy any of the above conditions precedent as a basis for non-compliance by it with its obligations under this Agreement if the condition precedent would have been satisfied but for a material default by ILJIN in complying with its obligations hereunder.

5.5 Notice Provisions

Each of Aurinia, Isotechnika and ILJIN will give prompt notice to the other of the occurrence, or failure to occur, at any time until the earlier of the Effective Time or the time that this Agreement is terminated in accordance with its terms, of any event or state of facts which occurrence or failure would, or would be likely to:

(a) cause any of the representations or warranties of it contained herein to be untrue or inaccurate in any material respect on the date hereof or on the Effective Date; or

(b) result in the failure in any material respect to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it prior to the Effective Date.

5.6 Satisfaction of Conditions

The conditions precedent set out in Sections 5.1, 5.2, 5.3 and 5.4 will be conclusively deemed to have been satisfied, waived or released when the Arrangement has been effected in accordance with the terms and conditions of this Agreement.

5.7 Closing and Corollary Matters

Subject to the satisfaction or waiver of the conditions, the closing of the transactions contemplated herein shall take place on the Effective Date in Vancouver, British Columbia at such place as may be agreed to by the Parties.

ARTICLE 6
TERM, TERMINATION, AMENDMENT AND WAIVER

6.1 Term

This Agreement will be effective from the date hereof until the earlier of the Effective Time or the termination of this Agreement in accordance with its terms.

6.2 Termination

(a) This Agreement may be terminated at any time prior to the Effective Time (notwithstanding any approval of the Aurinia Shareholders' Resolution or Isotechnika Shareholders' Resolution, as applicable):

(i) by written agreement of the Parties;

(ii) by any of the Parties, if:

(A) the Effective Time will not have occurred on or before the Termination Date, except that the right to terminate this Agreement under this Subsection 6.2(a)(ii)(A) will not be available to any Party whose failure to perform any of its covenants or agreements or breach of any of its representations and warranties under this Agreement has been the cause of, or resulted in, the failure of the Effective Time to occur by the Termination Date;

(B) after the date hereof, there will be enacted or made any applicable Law that makes consummation of the Arrangement illegal or otherwise prohibited or enjoins the Parties from consummating the Arrangement and such applicable Law or enjoinment will have become final and non-appealable;

(C) approval of the Aurinia Shareholders' Resolution will not have been obtained; or

(D) approval of the Isotechnika Shareholders' Resolution will not have been obtained at the Isotechnika Meeting;

(iii) by Aurinia, if:

(A) prior to the Effective Time, the board of directors of Isotechnika fails to recommend, or withdraws, amends, modifies or qualifies, in a manner adverse to Aurinia its recommendation of the Isotechnika Shareholders' Resolution within three business days (and in any case prior to the Isotechnika Meeting), after having been requested in writing by Aurinia to do so;

(B) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Isotechnika set forth in this Agreement will have occurred that would cause the conditions set forth in Section 5.1 or Section 5.3 not to be satisfied, and such conditions are

incapable of being satisfied by the Termination Date, as reasonably determined by Aurinia; provided, however, that Aurinia is not then in breach of this Agreement so as to cause any condition in Section 5.1 or Section 5.2 not to be satisfied; or

(iv) by Isotechnika, if:

(A) prior to the Effective Time, the board of directors of Aurinia fails to recommend, or withdraws, amends, modifies or qualifies, in a manner adverse to Isotechnika its recommendation of the Aurinia Shareholders' Resolution within three business days, after having been requested in writing by Isotechnika to do so;

(B) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Aurinia set forth in this Agreement will have occurred that would cause the conditions set forth in Section 5.1 or Section 5.2 not to be satisfied, and such conditions are incapable of being satisfied by the Termination Date as reasonably determined by Isotechnika; provided, however, that Isotechnika is not then in breach of this Agreement so as to cause any condition in Section 5.1 or Section 5.3 not to be satisfied.

(b) The Party desiring to terminate this Agreement pursuant to this Section 6.2 (other than pursuant to Subsection 6.2(a)(i) will give notice of such termination to the other Party, specifying in reasonable detail the basis for such Party's exercise of its termination right.

(c) If this Agreement is terminated pursuant to this Section 6.2, this Agreement will become void and be of no further force or effect without liability of any Party (or any shareholder, director, officer, employee, agent, consultant or representative of such Party) to any other Party hereto, except that the provisions of this Section 6.2, and Sections 6.3, 7.1 and 7.4, and all related definitions set forth in Section 1.1, will survive any termination hereof pursuant to this Section 6.2.

6.3 Fees

In the event that this Agreement is terminated pursuant to Section 6.2, no fees, expenses or other payments will be payable by any Party to the others.

6.4 Amendment

This Agreement may, at any time and from time to time but not later than the Effective Time, be amended by written agreement of the Parties, without further notice to or authorization on the part of the Aurinia Shareholders or Isotechnika Shareholders, and any such amendment may without limitation:

(a) change the time for performance of any of the obligations or acts of the Parties;

(b) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant hereto;

(c) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the Parties; and

(d) waive compliance with or modify any mutual conditions precedent herein contained;

provided that this Agreement and the Plan of Arrangement may be amended in accordance with the Court Order, but in the event that the terms of the Court Order require any such amendment, the rights of the Parties under Sections 5.1, 5.2, 5.3, and Article 6 hereof shall remain unaffected.

ARTICLE 7
GENERAL MATTERS

7.1 Notices

All notices and other communications given or made pursuant to this Agreement will be in writing and will be deemed to have been duly given and received on the day it is delivered, provided, however, that it is delivered on a business day prior to 5:00 p.m. local time in the place of delivery or receipt. However, if notice is delivered after 5:00 p.m. local time or if such day is not a business day then the notice will be deemed to have been given and received on the next business day. Notice will be sufficiently given if delivered (either in Person, by courier service or other personal method of delivery), or if transmitted by facsimile or email to the Parties at the following addresses (or at such other addresses as will be specified by any Party by notice to the other given in accordance with these provisions):

(a) if to Aurinia:

Aurinia Pharmaceuticals Inc.
#1203 – 4464 Markham Street
Victoria, British Columbia

Attention: Chief Executive Officer
Fax No.: (250) 744-2498
Email: rglickman@shaw.ca

with a copy (which will not constitute notice) to:

Farris, Vaughan, Wills & Murphy LLP
2500 – 700 West Georgia Street
Vancouver, British Columbia
V7Y 1B3

Attention: Hector MacKay-Dunn, Q.C.
Facsimile: (604) 661-9349
Email: hmackay-dunn@farris.com

(b) if to Isotechnika:

Isotechnika Pharma Inc.
5120 – 75 Street
Edmonton, Alberta

Attention: Chief Executive Officer
Fax No.: (780) 484-4105
Email: rfoster@isotechnika.com

with a copy (which will not constitute notice) to:

Borden Ladner Gervais LLP
1200 – 200 Burrard Street
Vancouver, British Columbia
V7X 1T2

Attention: Kent D. Kufeldt
Facsimile: (604) 640-4195
Email: kkufeldt@blg.com

(c) if to ILJIN:

ILJIN Life Science Co. Ltd.
ILJIN Building, 50-1 Dowha-Dong
Mapo-Gu, Seoul, Korea

Attention: Chief Executive Officer
Fax No.: 82-2-707-9160
Email: hekim@iljin.co.kr or daniel@iljin.co.kr

7.2 Severability

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

7.3 Assignment

None of the Parties hereto may assign this Agreement or any of its rights hereunder or under the Arrangement without the prior written consent of the other Parties, which consent may be withheld without reason.

7.4 Governing Law

This Agreement will be governed by and construed in accordance with the laws of the Province of British Columbia (except with regard to the conflicts and choice of laws principles thereof) and the federal laws of Canada applicable therein, and will be treated in all respects as a British Columbia contract.

7.5 Dispute Resolution

Each party hereby irrevocably attorns to the exclusive jurisdiction of the courts of the Province of British Columbia (and, if necessary, the Supreme Court of Canada) in respect of all matters arising under or in relation to this Agreement and agrees not to commence any action, suit or proceeding relating thereto except in such courts.

7.6 Binding Effect on Parties

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

7.7 Waivers

No waiver of any nature, in any one or more instances, will be deemed or construed as a further or continued waiver of any condition or breach of any other term, representation or warranty in this Agreement.

7.8 Further Assurances

The Parties hereby agree that each will promptly furnish to the others any further documents and take or cause to be taken any further action as may reasonably be required in order to give effect to this Agreement and the Arrangement. The Parties hereto each agree to execute and deliver any instruments and documents as the other Parties hereto may reasonably require in order to carry out the intent of this Agreement.

7.9 Time of Essence

Time is of the essence of this Agreement.

7.10 Expenses

Each Party agrees that it will bear its own costs and expenses incurred in connection with the transactions contemplated in this Agreement and completing the Arrangement.

7.11 Counterparts

This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same instrument. The Parties will be entitled to rely upon delivery of an executed facsimile, pdf (via electronic mail) or similar executed electronic copy of this Agreement, and such facsimile, pdf (via electronic mail) or similar executed electronic copy will be legally effective to create a valid and binding agreement between the Parties.

[Signature Page Follows]

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

ISOTECHNIKA PHARMA INC.

By: (signed) “Robert Foster”
Authorized Signatory

AURINIA PHARMACEUTICALS INC.

By: (signed) “Michael Martin”
Authorized Signatory

ILJIN LIFE SCIENCE CO. LTD.

By: (signed) “Daniel Park”
Authorized Signatory

SCHEDULE A
PLAN OF ARRANGEMENT

(See attached)

SCHEDULE A
PLAN OF ARRANGEMENT

UNDER SECTION 288 OF THE
BRITISH COLUMBIA *BUSINESS CORPORATIONS ACT*

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, unless the context otherwise requires, capitalized terms used but not defined shall have the meanings ascribed to them in the Arrangement Agreement and the terms with the initial letter or letters thereof capitalized shall have the meanings ascribed to them below (and grammatical variations of such terms shall have corresponding meanings):

"**Arrangement**" means the arrangement of Aurinia pursuant to Part 9, Division 5 of the BCBCA on the terms and conditions set forth in this Plan of Arrangement, subject to any amendment or supplement thereto made in accordance therewith, herewith or made at the direction of the Court in the Court Order;

"**Arrangement Agreement**" means the arrangement agreement dated as of August 6, 2013 among Isotechnika, Aurinia and ILJIN, as amended, amended and restated or supplemented prior to the Effective Date;

"**Aurinia**" means Aurinia Pharmaceuticals Inc., a corporation formed and currently existing under the *Business Corporations Act* (British Columbia) and having its principal office at #1203-4464 Markham Street, Victoria, British Columbia, Canada;

"**Aurinia Letter of Transmittal**" means the letter of transmittal to be forwarded by Aurinia to Aurinia Shareholders or such other equivalent form of letter of transmittal acceptable to Isotechnika acting reasonably;

"**Aurinia Shareholders**" means the registered holders of Aurinia Shares;

"**Aurinia Shares**" means the common shares in the capital of Aurinia;

"**Aurinia Warrantholders**" means the holders of Aurinia Warrants;

"**Aurinia Warrants**" means the outstanding share purchase warrants of Aurinia, with each such Aurinia Warrant being exercisable to purchase one Aurinia Share at a price of $0.85 and expiring on December 31, 2018;

"**BCBCA**" means the *Business Corporations Act* (British Columbia);

"**business day**" means any day other than a Saturday, Sunday or a day when commercial banks are not open for business in Vancouver, British Columbia or Edmonton, Alberta;

"**Court**" means the Supreme Court of British Columbia;

"**Court Order**" means the order of the Court approving the Arrangement, as such order may be amended at any time prior to the Effective Date or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or as amended on appeal;

"**Depositary**" means any trust company, bank or other financial institution agreed to in writing by Aurinia and Isotechnika for the purpose of, among other things, exchanging certificates representing Aurinia Shares for certificates representing Isotechnika Shares in connection with the Arrangement;

"**Effective Date**" means the second business day after the date upon which the Parties have confirmed in writing (such confirmation not to be unreasonably withheld or delayed) that all conditions to the completion of the Arrangement have been satisfied or waived in accordance with Article 5 of the Arrangement Agreement and all documents and instruments required under the Arrangement Agreement, this Plan of Arrangement or the Court Order have been delivered;

"**Effective Time**" means 12:01 a.m. (Pacific Standard Time) on the Effective Date;

"**Encumbrance**" means, with respect to any property or asset, any mortgage, pledge, assignment, hypothec, charge, lien, security interest, adverse right or claim, other third party interest or encumbrance of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing;

"**Final Proscription Date**" shall have the meaning ascribed thereto in Section 4.4 of this Plan of Arrangement;

"**Former Aurinia Shareholder**" means, at and following the Effective Time, a person who, immediately prior to the Effective Time, was a registered holder of Aurinia Shares;

"**ILJIN**" means Iljin Life Science Co. Ltd., a corporation formed and existing under the laws of the Republic of Korea and having its principal office at ILJIN Building, 50-1 Dowha-Dong, Mapu-Gu, Seoul, Korea;

"**Isotechnika**" means Isotechnika Pharma Inc., a corporation formed and existing under the *Business Corporations Act* (Alberta) and having its principal office at 5120-75th Street, Edmonton, Alberta, Canada;

"**Isotechnika Meeting**" means the meeting of Isotechnika Shareholders to be held to consider the Isotechnika Shareholders' Resolution and related matters, and any adjournment thereof;

"**Isotechnika Shareholders**" means the registered holders of Isotechnika Shares;

"**Isotechnika Shares**" means the common shares in the capital of Isotechnika;

"**Parties**" means Aurinia, Isotechnika and ILJIN, and "**Party**" means any one of them;

"**Replacement Warrant**" means a share purchase warrant entitling the holder to purchase shares in the capital of Isotechnika;

"**Warrant Exchange Ratio**" means the exchange of 19.82974808 Replacement Warrants for each Aurinia Warrant; and

"Withholding Obligations" has the meaning ascribed thereto in Section 4.3 of this Plan of Arrangement.

In addition, words and phrases used herein and defined in the BCBCA and not otherwise defined herein or in the Arrangement Agreement shall have the same meaning herein as in the BCBCA unless the context otherwise requires.

1.2 Interpretation Not Affected by Headings

For the purposes of this Agreement, except as otherwise expressly provided:

(a) "this **Plan of Arrangement**" means this Plan of Arrangement, including the recitals and Appendices hereto, and not any particular Article, Section, Subsection or other subdivision, recital or Schedule hereof;

(b) the words "**hereof**", "**herein**", "**hereto**" and "**hereunder**" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section, Subsection, or other subdivision, recital or Schedule hereof;

(c) all references in this Plan of Arrangement to a designated "**Article**", "**Section**" or other subdivision, recital or "**Schedule**" hereof are references to the designated Article, Section, Subsection or other subdivision, recital or Schedule to, this Plan of Arrangement;

(d) the division of this Plan of Arrangement into Articles, Sections and other subdivisions, recitals or Schedules and the insertion of headings and captions are for convenience of reference only and are not intended to interpret, define or limit the scope, extent or intent of this Plan of Arrangement or any provisions hereof;

(e) a reference to a statute in this Plan of Arrangement includes all regulations, rules, policies or instruments made thereunder, all amendments to the statute, regulations, rules, policies or instruments in force from time to time, and any statutes, regulations, rules, policies or instruments that supplement or supersede such statute, regulations, rules, policies or instruments;

(f) the word "**or**" is not exclusive;

(g) the word "**including**" is not limiting, whether or not non-limiting language (such as "**without limitation**" or "**but not limited to**" or words of similar import) is used with reference thereto; and

(h) all references to "**approval**", "**authorization**" or "**consent**" in this Plan of Arrangement means written approval, authorization or consent.

1.3 Number, Gender and Persons

In this Plan of Arrangement, unless the context otherwise requires, words importing the singular shall include the plural and vice versa, words importing the use of either gender shall include both genders and neuter and the word person and words importing persons shall include a natural person, firm, trust, partnership, association, corporation, joint venture or government (including any governmental agency, political subdivision or instrumentality thereof) and any other entity or group of persons of any kind or nature whatsoever.

1.4 Date for any Action

If the date on which any action is required to be taken hereunder is not a business day, such action shall be required to be taken on the next succeeding day which is a business day.

1.5 Currency

Unless otherwise stated, all references in this Agreement to sums of money are expressed in lawful money of Canada and "$" refers to Canadian dollars.

1.6 Time

Time shall be of the essence in every matter or action contemplated hereunder. All times expressed herein are local time in Vancouver, British Columbia unless otherwise stipulated herein.

1.7 Statutory References

Any reference in this Plan of Arrangement to a statute includes all regulations made thereunder, all amendments to such statute or regulation in force from time to time and any statute or regulation that supplements or supersedes such statute or regulation.

ARTICLE 2
ARRANGEMENT AGREEMENT

2.1 Arrangement Agreement

This Plan of Arrangement is made pursuant to, and is subject to the provisions of, the Arrangement Agreement, except in respect of the sequence of the steps comprising the Arrangement, which shall occur in the order set forth herein unless otherwise stated.

2.2 Binding Effect

At the Effective Time, this Plan of Arrangement shall be binding on:

(a) Aurinia;

(b) all Aurinia Shareholders;

(c) all Aurinia Warrantholders;

(d) the registrar and transfer agent in respect of the Aurinia Shares;

(e) Isotechnika;

(f) the registrar and transfer agent in respect of the Isotechnika Shares; and

(g) ILJIN.

ARTICLE 3
ARRANGEMENT

3.1 Arrangement

Commencing at the Effective Time, except as otherwise noted herein, the following shall occur and shall be deemed to occur, in the following order, without any further act or formality required on the part of any person:

(a) each outstanding Aurinia Warrant which is outstanding and has not been exercised immediately prior to the Effective Time, will be exchanged for a Replacement Warrant to purchase from Isotechnika the number of Isotechnika Shares (rounded down to the nearest whole share) equal to the product of: (i) the Warrant Exchange Ratio multiplied by (ii) the number of Aurinia Shares that such Aurinia Warrant is convertible into immediately prior to the Effective Time. Such Replacement Warrant will provide for an exercise price per Isotechnika Share (rounded down to the nearest whole cent) equal to the quotient of: (x) the exercise price per Aurinia Share, as the case may be, otherwise purchasable pursuant to such Aurinia Warrants immediately prior to the Effective Time; divided by (y) the Warrant Exchange Ratio. The terms and conditions of a Replacement Warrant including the term to expiry, conditions to and manner of exercising, shall be the same as the Aurinia Warrant for which it was exchanged. With respect to each Aurinia Warrant, the holder thereof will cease to be the holder of such Aurinia Warrant, and will cease to have any rights as a holder and such holder's name will be removed from the register of Aurinia Warrants;

(b) 1,342,197 Aurinia Shares shall be issued from treasury to ILJIN, which shares shall be issued as duly paid and non-assessable shares in the capital of Aurinia;

(c) the one outstanding Class A common share of Aurinia shall be converted into 1,862,998 Aurinia Shares, which shares shall be issued from treasury to the holder of the Class A common share of Aurinia as duly paid and non-assessable shares in the capital of Aurinia;

(d) All Aurinia Shares registered in the name of Isotechnika immediately before the Effective Time shall be transferred to, and registered in the name of, ILJIN;

(e) 84,714,606 Isotechnika Shares shall be issued from treasury to ILJIN, which shares shall be issued as duly paid and non-assessable shares in the capital of Isotechnika;

(f) each outstanding Aurinia Share shall be transferred without any further act or formality by the holder thereof to Isotechnika in exchange for 19.82974808 Isotechnika Shares, which shares which shares shall be issued from treasury to the holder of such Aurinia Share, as duly paid and non-assessable shares in the capital of Isotechnika; and

(g) the names of the holders of the Aurinia Shares shall be removed from the register of Aurinia Shares and Isotechnika shall be recorded as the holder of all of the Aurinia Shares and shall be deemed to be the legal and beneficial owner thereto.

3.2 Post-Effective Time Procedures

(a) As soon as practicable following the Effective Time, Isotechnika shall deliver or arrange to be delivered to the Depositary the certificates representing the Isotechnika Shares required to be issued to Former Aurinia Shareholders in accordance with the provisions of Subsection 3.1(f) hereof, which certificates shall be held by the Depositary as agent and nominee for such Former Aurinia Shareholders for distribution to such Former Aurinia Shareholders in accordance with the provisions of Article 4 hereof.

(b) Subject to the provisions of Article 4 hereof, and upon return of a properly completed Aurinia Letter of Transmittal by a registered Former Aurinia Shareholder, together with certificates representing Aurinia Shares and such other documents as the Depositary may require, Former Aurinia Shareholders shall be entitled to receive delivery of the certificates representing the Isotechnika Shares to which they are entitled pursuant to Subsection 3.1(f) hereof.

(c) As soon as practicable following the Effective Time, Isotechnika shall deliver or arrange to be delivered to ILJIN the certificates representing the Isotechnika Shares required to be issued to ILJIN in accordance with the provisions of Subsections 3.1(e) and 3.1(f) hereof, subject to the receipt by Isotechnika of such documentation as Isotechnika may reasonably require in connection with the delivery of such certificates.

3.3 No Fractional Isotechnika Shares

Following the Effective Time, if the aggregate number of Isotechnika Shares to which a Former Aurinia Shareholder would otherwise be entitled would include a fractional share, then the number of Isotechnika Shares that such Former Aurinia Shareholder is entitled to receive shall be rounded down to the next whole number and no Former Aurinia Shareholder will be entitled to any compensation in respect of such fractional Isotechnika Share.

ARTICLE 4
DELIVERY OF ISOTECHNIKA SHARE CERTIFICATES

4.1 Delivery of Isotechnika Share Certificates

(a) Subject to Section 4.4 of this Plan of Arrangement, as soon as practicable following the later of the Effective Time and the date of surrender to the Depositary for cancellation of a certificate (if any) that immediately before the Effective Time represented one or more outstanding Aurinia Shares to be converted into Isotechnika Shares in accordance with Section 3.1(f) of this Plan of Arrangement, together with such other documents and instruments contemplated by the Aurinia Letter of Transmittal and such additional documents and instruments as the Depositary may reasonably require and after Isotechnicka has deposited the certificates representing the Isotechnika Shares payable and issuable, the holder of such surrendered certificate shall be entitled to receive, and the Depositary shall, and Aurinia and Isotechnika shall cause the Depositary to:

(i) forward or cause to be forwarded by first class mail (postage prepaid) to the Former Aurinia Shareholder at the address specified in the Aurinia Letter of Transmittal, as applicable; or

(ii) if requested by the holder in the Aurinia Letter of Transmittal, make available for pick-up by the Former Aurinia Shareholder, as applicable, at the offices of the Depositary specified in the Aurinia Letter of Transmittal; or

(iii) if the Aurinia Letter of Transmittal neither specifies an address as described in (i) above, nor contains a request as described in (ii) above, forward or cause to be forwarded by mail (postage prepaid) to the Former Aurinia Shareholder, as applicable, at the address of such holder as shown on the share register maintained by Aurinia as at the Effective Time,

a certificate representing the Isotechnika Shares that such Former Aurinia Shareholder is entitled to receive in accordance with Section 3.1(f) of this Plan of Arrangement.

(b) After the Effective Time and until surrendered for cancellation as contemplated by Section 4.1(a) hereof, each certificate that immediately prior to the Effective Time represented one or more Aurinia Shares shall be deemed at all times to represent only the right to receive in exchange therefor the Isotechnika Shares that the holder of such certificate is entitled to receive in accordance with Section 3.1(f) hereof.

4.2 Lost Certificates

If any certificate, that immediately prior to the Effective Time represented one or more outstanding Aurinia Shares to be converted into Isotechnika Shares in accordance with Section 3.1(f) of this Plan of Arrangement shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the holder claiming such certificate to be lost, stolen or destroyed, the Depositary shall deliver in exchange for such lost, stolen or destroyed certificate, a certificate representing the Isotechnika Shares that such holder is entitled to receive in accordance with Section 3.1 hereof. When authorizing delivery of a certificate for Isotechnika Shares that such holder is entitled to receive in exchange for such lost, stolen or destroyed certificate in accordance with this Section 4.2, the holder to whom such certificate is to be delivered shall, as a condition precedent to the delivery of such certificate, give a bond satisfactory to Isotechnika and the Depositary in such amount as Isotechnika and the Depositary may direct, or otherwise indemnify Isotechnika and the Depositary in a manner satisfactory to Isotechnika or the Depositary, against any claim that may be made against Isotechnika and the Depositary with respect to the certificate alleged to have been lost, stolen or destroyed and shall otherwise take such actions as may be required by the articles and by-laws of Isotechnika.

4.3 Withholding Rights

Aurinia, Isotechnika and the Depositary shall be entitled to deduct and withhold from any amount payable or otherwise deliverable to any person hereunder and from all dividends or other amounts payable or deemed to have been paid to any Former Aurinia Shareholder such amounts as Aurinia, Isotechnika and the Depositary may be required to deduct and withhold therefrom under any provision of applicable Laws in respect of Taxes (the "**Withholding Obligations**"). To the extent that such amounts are so deducted, withheld and remitted, such amounts shall be treated for all purposes under this Plan of Arrangement as having been paid to the person to whom such amounts would otherwise have been paid, provided that such withheld amounts are actually remitted to the appropriate taxing authority.

4.4 Limitation and Proscription

To the extent that a Former Aurinia Shareholder shall not have complied with the provisions of Section 4.1 or Section 4.2 hereof on or before the date that is six (6) years after the Effective Date (the "**Final Proscription Date**"), then the Isotechnika Shares that such Former Aurinia Shareholder was entitled to receive shall be automatically cancelled without any repayment of

capital in respect thereof and the Isotechnika Shares to which such Former Aurinia Shareholder was entitled, shall be delivered to Isotechnika by the Depositary and the interest of the Former Aurinia Shareholder in such Isotechnika Shares to which it was entitled shall be terminated as of such Final Proscription Date.

4.5 No Encumbrances

Any exchange or transfer of securities pursuant to this Plan of Arrangement shall be free and clear of any Encumbrances of any kind.

4.6 Paramountcy

From and after the Effective Time: (i) this Plan of Arrangement shall take precedence and priority over any and all Aurinia Shares and Aurinia Warrants issued prior to the Effective Time; and (ii) the rights and obligations of the registered holders of Aurinia Shares and Aurinia Warrants, and Aurinia, Isotechnika, ILJIN, the Depositary and any transfer agent or other depositary in relation thereto, shall be solely as provided for in this Plan of Arrangement.

ARTICLE 5
AMENDMENTS

5.1 Amendments to Plan of Arrangement

(a) Aurinia, Isotechnika and ILJIN may amend, modify or supplement this Plan of Arrangement at any time and from time to time; provided, however, that each such amendment, modification or supplement is: (i) set out in writing; (ii) agreed to in writing by Aurinia, Isotechnika and ILJIN; (iii) filed with the Court, (iv) unless such amendment, modification or supplement is, in the reasonable opinion of Aurinia, Isotechnika and ILJIN, of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and not adverse to the economic interest of any Former Aurinia Shareholder or former holder of Aurinia Warrants, approved by the Aurinia Shareholders, with or without any other prior notice or communication or by the Court; and (v) communicated to holders or former holders of Aurinia Shares if and as required by the Court. Each such amendment, modification or supplement shall become part of this Plan of Arrangement for all purposes.

(b) Notwithstanding Subsection 5.1(a) of this Plan of Arrangement, any amendment, modification or supplement to this Plan of Arrangement that is approved by the Court following the date of the approval of the Arrangement by the Aurinia Shareholders or the Isotechnika Meeting shall be effective only if: (i) set out in writing; (ii) agreed to in writing by Aurinia, Isotechnika and ILJIN; and (iii) if required by the Court, approved by Aurinia Shareholders or Isotechnika Shareholders voting in the manner directed by the Court.

(c) Notwithstanding Subsection 5.1(a) of this Plan of Arrangement, any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Time unilaterally by Isotechnika; provided, however, that it concerns a matter that, in the reasonable opinion of Isotechnika, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the economic interest of any Former Aurinia Shareholder or former holder of Aurinia Warrants.

(d) This Plan of Arrangement may be withdrawn prior to the Effective Time in accordance with the terms of the Arrangement Agreement.

ARTICLE 6
FURTHER ASSURANCES

6.1 Further Assurances

Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the Parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to further document or evidence any of the transactions or events set out therein.

SCHEDULE B
ISOTECHNIKA SHAREHOLDERS' RESOLUTION

BE IT RESOLVED, AS AN ORDINARY RESOLUTION, THAT:

1. The issuance of such number of common shares in the capital of Isotechnika Pharma Inc. ("**Isotechnika**") as may be required to be issued pursuant to the terms of the arrangement involving Isotechnika, Aurinia Pharmaceuticals Inc. ("**Aurinia**") and ILJIN Life Science Co. Ltd. ("**ILJIN**") pursuant to Section 288 of the *Business Corporations Act* (British Columbia) (the "**Arrangement**") up to a maximum of 299,200,000 common shares, as more particularly described and set forth in the Information Circular of Isotechnika dated July 19, 2013 (the "**Circular**") and as provided for in the arrangement agreement to be entered into between Isotechnika, Aurinia and ILJIN, as may be, or may have been, modified or amended in accordance with its terms (the "**Arrangement Agreement**"), and all transactions contemplated thereby, be and are hereby ratified, authorized and approved.

2. The issuance of such number of common shares in the capital of Isotechnika as may be required to be issued pursuant to the exercise of the replacement share purchase warrants to be issued by Isotechnika, as may be required to be issued pursuant to the terms of the Arrangement, up to a maximum of 800,000 common shares, as more particularly described and set forth in the Circular and as provided for in the Arrangement Agreement, and all transactions contemplated thereby, be and are hereby ratified, authorized and approved.

3. Notwithstanding that this resolution has been passed by the shareholders of Isotechnika, the directors of Isotechnika are hereby authorized and empowered, without further notice to, or approval of, the shareholders of Isotechnika:

    (a) to amend the Arrangement Agreement or the plan of arrangement (the "**Plan of Arrangement**") involving Isotechnika, Aurinia and ILJIN implementing the Arrangement (as the Plan of Arrangement may be, or may have been, modified or amended) to the extent permitted by the Arrangement Agreement or the Plan of Arrangement as it may deem appropriate in any manner, other than to increase the number of common shares in the capital of Isotechnika to be issued under the Arrangement; and

    (b) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement.

4. Any one or more directors or officers of Isotechnika is hereby authorized, for and on behalf and in the name of Isotechnika, to execute and deliver, whether under corporate seal of Isotechnika or otherwise, all such agreements, forms waivers, notices, certificates, confirmations and other documents and instruments and to do or cause to be done all such other acts and things as in the opinion of such director or officer may be necessary, desirable or useful for the purpose of giving effect to these resolutions, the Arrangement Agreement and the completion of the Arrangement in accordance with the terms of the Arrangement Agreement, including:

    (a) all actions required to be taken by or on behalf of Isotechnika, and all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities; and

    (b) the signing of the certificates, consents and other documents or declarations required under the Arrangement Agreement or otherwise to be entered into by Isotechnika,

such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

SCHEDULE C
AURINIA SHAREHOLDERS' RESOLUTION

BE IT RESOLVED, AS A UNANIMOUS SHAREHOLDERS' RESOLUTION, THAT:

1. The proposed arrangement involving Isotechnika Pharma Inc. ("**Isotechnika**"), Aurinia Pharmaceuticals Inc. ("**Aurinia**") and ILJIN Life Science Co. Ltd. ("**ILJIN**") pursuant to Section 288 of the *Business Corporations Act* (British Columbia) (the "**Arrangement**") as provided for in the arrangement agreement between Isotechnika, Aurinia and ILJIN, dated August 6, 2013, as may be, or may have been, modified or amended in accordance with its terms (the "**Arrangement Agreement**"), and all transactions contemplated thereby, be and are hereby ratified, authorized and approved.

2. The plan of arrangement (the "**Plan of Arrangement**") involving Isotechnika, Aurinia and ILJIN implementing the Arrangement, the full text of which is set out in Appendix A to this resolution, (as the Plan of Arrangement may be, or may have been, modified or amended), is hereby approved and adopted.

3. The Arrangement Agreement and all transactions contemplated therein, the actions of the directors of Aurinia in approving the Arrangement Agreement and the actions of the directors and officers of Aurinia in executing and delivering the Arrangement Agreement and any amendments thereto are hereby ratified, authorized and approved.

4. Aurinia be and is hereby authorized to apply for an order from the Supreme Court of British Columbia to approve the Arrangement on the terms set forth in the Arrangement Agreement and the Plan of Arrangement (as they may be amended, modified or supplemented).

5. Notwithstanding that this resolution has been passed (and the Arrangement approved) by the shareholders of Aurinia or that the Arrangement has been approved by the Supreme Court of British Columbia, the directors of Aurinia are hereby authorized and empowered, without further notice to, or approval of, the shareholders of Aurinia:

    (c) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement or the Plan of Arrangement; or

    (a) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement.

6. Any one or more directors or officers of Aurinia is hereby authorized, for and on behalf and in the name of Aurinia, to execute and deliver, whether under corporate seal of Aurinia or otherwise, all such agreements, forms waivers, notices, certificate, confirmations and other documents and instruments and to do or cause to be done all such other acts and things as in the opinion of such director or officer may be necessary, desirable or useful for the purpose of giving effect to the provisions of this resolution, the Arrangement Agreement or Plan of Arrangement and the completion of the Arrangement in accordance with the terms of the Arrangement Agreement and Plan of Arrangement, including:

    (a) all actions required to be taken by or on behalf of Aurinia, and all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities;

(b) the signing of the certificates, consents and other documents or declarations required under the Arrangement Agreement, the Plan of Arrangement, the *Business Corporations Act* (British Columbia) or otherwise; and

(c) such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

SCHEDULE D
AURINIA INTELLECTUAL PROPERTY

Licensed IP

1. The Intellectual Property licensed to Vifor (International) AG ("**Vifor**") from Isotechnika Pharma Inc. ("**Isotechnika**") pursuant to the Isotechnika Vifor Licensing & Collaboration Agreement entered into between Isotechnika and Vifor as of December 30, 2011, which rights were subsequently assigned from Vifor to Aurinia Development Corp. pursuant to the Vifor Aurinia Assignment & Assumption Agreement dated September 20, 2012, as amended, and the Isotechnika Consent Agreement dated September 20, 2012, as amended; and

2. The Intellectual Property licensed to Aurinia Pharmaceuticals Inc. ("**Aurinia**") from Vifor pursuant to the Vifor Aurinia ALMS Data Access Agreement entered into between Vifor and Aurinia as of September 20, 2012.

Exhibit 99.41

CONFIDENTIAL

REGISTRATION RIGHTS AGREEMENT

This **REGISTRATION RIGHTS AGREEMENT** (this "**Agreement**") is entered into as of February 14, 2014 by and among Aurinia Pharmaceuticals Inc., a Canadian corporation (the "**Company**"), and the "Subscribers" parties hereto.

The parties hereto agree as follows:

1. Certain Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings given such terms in that certain Subscription Agreement dated as of February 14, 2014 by and among the Company and the Subscribers, as the same may be amended and/or restated from time to time (the "**Subscription Agreement**"). As used in this Agreement, the following terms shall have the following meanings:

(a) **"Common Shares"** mean the Company's common shares and any securities into which such shares may hereinafter be reclassified.

(b) "**Effective Date**" shall mean, with respect to the Registration Statement, the date on which the Registration Statement shall have been declared effective by the SEC.

(c) "**Effectiveness Period**" shall mean with respect to each Holder the period from the Closing Date until the earlier of (i) the date on which all Registrable Securities covered by a Registration Statement, as amended from time to time, have been sold, (ii) the date on which all Registrable Securities held by such Holder may be sold by such Holder without restriction pursuant to Rule 144, (iii) four (4) years following the Closing Date and (iv) when the Holders own collectively less than 15% of the Company's outstanding Common Shares. The Company shall advise the Subscribers in writing when the Effectiveness Period has expired pursuant to clause (ii) of this Section 1(c); *provided, however* that the failure to so notify shall not affect the termination of such rights.

(d) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended, together with all rules and regulations promulgated thereunder.

(e) "**Holders**" means the Subscribers or any of their respective affiliates or permitted transferees.

(f) "**Prospectus**" means the prospectus included in a Registration Statement (including, without limitation, a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 424(b) promulgated under the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by the Registration Statement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

(g) "**Registrable Securities**" shall mean the Shares and the Warrant Shares, and any other securities issued or issuable with respect to or in exchange for Registrable Securities, but excluding (i) any such shares sold under an effective registration statement or (ii) any such shares sold pursuant to Rule 144 under the Securities Act.

(h) "**Registration Statement**" means any registration statement required to be filed under this Agreement, including the Prospectus, amendments and supplements to such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto, and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

(i) "**SEC**" means the U.S. Securities and Exchange Commission.

(j) "**Securities Act**" means the Securities Act of 1933, as amended, together with all rules and regulations promulgated thereunder.

2. Registration.

(a) Demand Registration. At any time following the date that is six (6) months after the Company's Common Shares are listed for trading on NASDAQ but prior to the expiration of the Effectiveness Period; *provided*, that the Holders continue to hold at least 66 2/3% of the Registrable Securities originally purchased pursuant to the Subscription Agreement, the Holders of a majority of the then outstanding Registrable Securities may request that the Company effect the registration under the Securities Act of the Registrable Securities (a "**Registration Request**") of an amount of the Common Shares with a market value at the time such Registration Request is made of at least Cdn$10,000,000. If the Company receives a Registration Request, then the Company shall (i) within ten (10) days of the receipt of such Registration Request, give written notice of such request to all Holders describing the terms of such registration and, if applicable, the underwriting and (ii) as soon as practicable cause to be prepared and filed with the SEC a Registration Statement providing for the resale of all Registrable Securities which Holders request to be registered; *provided, however*, that the Company shall be permitted to delay for one or more periods (each such period, a "***Delay***") any such Registration Request in the event that (x) the Company is engaged in any activity or transaction or preparations or negotiations for any activity or transaction that the Company desires to keep confidential for business reasons, if the Company determines in good faith that the public disclosure requirements imposed on the Company under the Securities Act in connection with the Registration Statement would require disclosure of such activity, transaction, preparations or negotiations, (y) any financial statements or other information required to be included or incorporated by reference in the Registration Statement are not available, or (z) the Company has timely filed a post-effective amendment to the Registration Statement to satisfy its undertakings under Item 512 of Regulation S-K promulgated under the Securities Act or to include any prospectus required by Section 10(a)(3) of the Securities Act and such amendment shall have not yet been declared effective by the Commission. The Company agrees to file such amendment, supplement or report or otherwise disclose such additional information as soon as reasonably practicable following such notice of such Delay. Notwithstanding the foregoing, the Company agrees that no Delay shall be for a period of longer than 40 days and no Delay or Delays shall be for an aggregate in any 365-day period of longer than 120 days; provided that

any Delay of up to 20 days pursuant to clause (z) of this Section 2(a) shall not count toward the calculation of such periods. The Registration Statement may be on Form S-1 or any other applicable form available to the Company. The Company shall cause the Registration Statement to be declared effective under the Securities Act as promptly as possible after the filing thereof. The Company shall keep the Registration Statement continuously effective under the Securities Act until the date when all Registrable Securities covered by such Registration Statement have been sold, but in no event longer than twelve (12) months. The Company shall not be obligated to file and cause to become effective more than two (2) Registration Statements pursuant to this Section 2(a). A Registration Statement shall not be counted for purposes of the foregoing until such time as such Registration Statement has been declared effective by the SEC and all of the Registrable Securities offered pursuant to such Registration Statement are sold thereunder upon the price and terms offered. Notwithstanding anything to the contrary contained herein, if the SEC specifically prohibits the Registration Statement from including all Registrable Securities ("**SEC Guidance**") (provided that the Company shall advocate with the SEC for the registration of all or the maximum number of the Registrable Securities permitted by SEC Guidance to be included in such Registration Statement, such maximum number, the "**Rule 415 Amount**"), then the Company will not be in breach of this provision by following such SEC Guidance, and the Company will file such additional Registration Statements at the earliest practicable date on which the Company is permitted by SEC Guidance to file such additional Registration Statements related to the Registrable Securities, each registering the Rule 415 Amount, seriatim, until all of the Registrable Securities have been registered.

(b) Each Holder will furnish to the Company in writing the information specified in Item 507 and/or 508 of Regulation S-K, as applicable, of the Securities Act for use in connection with any Registration Statement or prospectus or preliminary prospectus included therein. Each Holder agrees to promptly furnish additional information required to be disclosed in order to make the information previously furnished to the Company by such Holder not materially misleading.

(c) The Company shall notify each Holder in writing promptly (and in any event within one business day) after receiving notification from the SEC that a Registration Statement has been declared effective.

(d) Any Registration Statement required hereunder shall contain (except if otherwise directed by the Holders of at least a majority of the Registrable Securities included in such Registration Statement) the "Plan of Distribution" attached hereto as Annex A.

(e) Other than pursuant to this Agreement, the Company shall grant no registration rights without the written consent of the Holders of more than 66 2/3% of the then outstanding Registrable Securities unless the grant of such rights does not limit the registration rights of the Holders pursuant to this Agreement in any material respect.

3. Registration Procedures. In connection with the Company's registration obligations hereunder, the Company shall during the Effectiveness Period:

(a) (i) prepare and file with the SEC such amendments, including post-effective amendments, to the Registration Statement as may be necessary to keep the

Registration Statement continuously effective as to the Registrable Securities until the date when all Registrable Securities covered by such Registration Statement have been sold; (ii) cause the related Prospectus to be amended or supplemented by any required Prospectus supplement, and as so supplemented or amended to be filed pursuant to Rule 424; and (iii) respond as promptly as reasonably possible to any comments received from the SEC with respect to the Registration Statement or any amendment thereto and as promptly as reasonably possible provide each Holder copies of all correspondence from and to the SEC relating to the Registration Statement.

(b) Notify each Holder as promptly as reasonably possible, and confirm such notice in writing no later than one (1) trading day thereafter, of any of the following events: (i) the SEC notifies the Company whether there will be a "review" of the Registration Statement; (ii) the SEC comments in writing on the Registration Statement; (iii) the SEC or any other Federal or state governmental authority in writing requests any amendment or supplement to the Registration Statement or Prospectus or requests additional information related thereto; (iv) if the SEC issues any stop order suspending the effectiveness of the Registration Statement or initiates any action, claim, suit, investigation or proceeding (a "**Proceeding**") for that purpose; (v) the Company receives notice in writing of any suspension of the qualification or exemption from qualification of any Registrable Securities for sale in any jurisdiction, or the initiation or threat of any Proceeding for such purpose; or (vi) the financial statements included in the Registration Statement become ineligible for inclusion therein or any statement made in the Registration Statement or Prospectus or any document incorporated or deemed to be incorporated therein by reference is untrue in any material respect or any revision to the Registration Statement, Prospectus or other document is required so that it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(c) Use its reasonable best efforts to avoid the issuance of or, if issued, obtain the withdrawal of: (i) any order suspending the effectiveness of the Registration Statement or (ii) any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction, at the earliest practicable moment.

(d) Promptly deliver to each Holder, without charge, such reasonable number of copies of the Prospectus or Prospectuses (including each form of prospectus) and each amendment or supplement thereto as such Holder may reasonably request. The Company hereby consents to the use of such Prospectus and each amendment or supplement thereto by the Holders in connection with the offering and sale of the Registrable Securities covered by such Prospectus and any amendment or supplement thereto.

(e) The Company shall (i) use its commercially reasonable efforts to cause the Common Shares to be approved for listing on NASDAQ within (twelve) months following the Closing Date; and (ii) provide to each Holder notice of such listing. In the event that the Company has not caused the Common Shares to be approved for listing on NASDAQ within 12 months following the Closing Date, the Company agrees to issue to each Holder 0.10 of a whole Warrant (the "**Additional Warrants**") (the final such issuance to be adjusted to equal an aggregate issuance of Additional Warrants of the maximum number of Additional Warrants) for each Unit the Holder subscribed for on the Closing Date, for each 90 day period between such

deadline until the Company has caused the Common Shares to be approved for listing on NASDAQ, up to a maximum of 0.35 additional Warrants per Unit. The Company will issue and deliver such Additional Warrants to each Holder in accordance with the registration instructions provided by the Holder in their Subscription Agreement for no additional consideration within 5 business days after the commencement of each applicable 90 day period.

(f) Prior to any public offering of Registrable Securities, register or qualify or cooperate with the Holders in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities for offer and sale under the securities or "blue sky" laws of such jurisdictions within the United States as any Holder requests in writing, to keep each such registration or qualification (or exemption therefrom) effective until the date when all Registrable Securities covered by such Registration Statement have been sold and to do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Registrable Securities covered by a Registration Statement; *provided, however*, that the Company shall not be required for any such purpose to: (i) qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not be otherwise required to qualify but for the requirements of this Section (3)(f), or (ii) subject itself to taxation.

(g) Upon the occurrence of any event described in Section (3)(b)(vi) above, as promptly as reasonably possible, prepare a supplement or amendment, including a post-effective amendment, to the Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, and file any other required document so that, as thereafter delivered, neither the Registration Statement nor such Prospectus will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided, however*, that the Company may suspend sales pursuant to the Registration Statement for a period (such period being a **"Blackout Period"**) of up to sixty (60) days (unless the Holders of at least a majority of the Registrable Securities consent in writing to a longer delay of up to an additional thirty (30) days) no more than once in any twelve-month period if the Company furnishes to the Holders a certificate signed by the Company's Chief Executive Officer stating that in the good faith judgment of the Company's Board of Directors: (i) the offering could reasonably be expected to materially interfere with an acquisition, corporate reorganization or other material transaction then under consideration by the Company or (ii) there is some other material development relating to the operations or condition (financial or other) of the Company that has not been disclosed to the general public and as to which it is in the Company's best interests not to disclose; *provided further, however,* that the Company may not so suspend sales more than once in any calendar year without the written consent of the Holders of at least a majority of the Registrable Securities.

(h) Comply with all applicable rules and regulations of the SEC, NASDAQ and any other market on which the Registrable Securities are traded (each, a "**Principal Market**") with respect to the Company's obligations hereunder.

4. Underwritten Offerings.

(a) At the request (an "**Underwriting Request**") of the Holders of at least a majority of the then outstanding Registrable Securities (the "**Requesting Stockholders**"), the distribution of the Registrable Securities covered by a Registration Statement filed or to be filed pursuant to Section 2(a) hereof shall be effected by means of an underwriting.

(b) In the event of an Underwriting Request, the Company, together with all Holders proposing to distribute their securities through such underwriting (the "**Participating Stockholders**"), shall enter into an underwriting agreement in customary form with the managing underwriter(s) selected for such underwriting by the Requesting Stockholders, which underwriter(s) shall be reasonably acceptable to the Company; *provided, however,* that no Holder shall be required to make any representations or warranties concerning the Company or its business, properties, prospects, financial condition or related matters. Notwithstanding any other provision of this Section 4, if the managing underwriter(s) advises the Company and the Participating Stockholders in writing that because the number of shares requested by the Participating Stockholders to be included in the registration exceeds the number which can be sold in an orderly manner in such offering within a price range acceptable to the Requesting Stockholders or that marketing factors require a limitation of the number of shares to be underwritten on behalf of the Participating Stockholders (the "**Underwritten Registration Cutback**"), and such Underwritten Registration Cutback results in less than all of the Registrable Securities of the Participating Stockholders that are requested to be included in such registration to actually be included in such registration, then the Company will include in such registration, to the extent of the number which the Company is so advised can be sold in (or during the time of) such offering without such interference or affect on the price or sale, such number of Registrable Securities shared pro rata among all of the Participating Stockholders based on the total number of Registrable Securities held by each such Participating Stockholder. For the avoidance of doubt, the Company shall not sell shares in any underwritten offering in connection with a Registration Statement filed pursuant to Section 2(a) in the event of an Underwritten Registration Cutback.

(c) In the event of an Underwriting Request, the Company shall

(i) cooperate with the Participating Stockholders, the underwriters participating in the offering and their counsel in any due diligence investigation reasonably requested by the Participating Stockholders or the underwriters in connection therewith, and participate, to the extent reasonably requested by the Participating Stockholders and the underwriter for the offering, in efforts to sell the Registrable Securities under the offering (including, without limitation, participating in "roadshow" meetings with prospective investors) that would be customary for underwritten primary offerings of a comparable amount of equity securities by the Company;

(ii) cooperate, to the extent reasonably requested, with each underwriter participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with each Principal Market;

(iii) afford the Requesting Stockholders with the opportunity to participate in the drafting of the registration statement and the documentation relating thereto;

(iv) furnish, on the date on which such Registrable Securities are sold to the underwriter, (A) an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and (B) a "comfort" letter dated such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters; and

(v) take all other steps reasonably necessary to effect the registration of the Registrable Securities contemplated hereby.

5. Registration Expenses. The Company shall pay all fees and expenses incident to the performance of or compliance with this Agreement by the Company, including without limitation: (a) all registration and filing fees and expenses, including without limitation those related to filings with the SEC, each Principal Market and in connection with applicable state securities or "Blue Sky" laws, (b) printing expenses (including, without limitation, expenses of printing certificates for Registrable Securities and of printing copies of Prospectuses reasonably requested by a Holder), (c) messenger, telephone and delivery expenses, (d) fees and disbursements of counsel for the Company, and (e) fees and expenses of all other Persons retained by the Company in connection with the consummation of the transactions contemplated by this Agreement. Notwithstanding the foregoing, each Holder shall pay any and all costs, fees, discounts or commissions attributable to the sale of its respective Registrable Securities and the fees of their counsel.

6. Indemnification.

(a) Indemnification by the Company. In the event of a registration of any Registrable Securities under the Securities Act pursuant to this Agreement, the Company will indemnify and hold harmless each of the Holders, and their respective officers, directors and each other Person, if any, who controls or is an affiliate of such Holder within the meaning of the Securities Act, against any losses, claims, damages or liabilities (collectively, "**Losses**"), to which such Holder, or such Persons may become subject under the Securities Act or otherwise, insofar as such Losses arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement under which such Registrable Securities were registered under the Securities Act pursuant to this Agreement, any preliminary Prospectus or final Prospectus contained therein, or any amendment or supplement thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse the Holder, and each such Person for any reasonable legal or other expenses incurred by them in connection with investigating or defending any such Losses; *provided, however*, that the Company will not be liable in any such case if and to the extent that any such Losses arise out of or are based upon: (i) an untrue statement or alleged untrue

statement or omission or alleged omission so made in conformity with information furnished by or on behalf of such Holder or any such Person in writing specifically for use in any such document and specifically relating to such Holder, (ii) the failure of a Holder to deliver a Prospectus, to the extent that such Holder was required to do so under applicable securities laws, or (iii) in the case of an occurrence of an event of the type specified in Section (3)(b)(iii)-(vi) above, the use by such Holder of an outdated or defective Prospectus after the Company has notified such Holder in writing that the Prospectus is outdated or defective and prior to the receipt by such Holder of the Advice contemplated in Section 7 below.

(b) Indemnification by Holders. In the event of a registration of the Registrable Securities under the Securities Act pursuant to this Agreement, each Holder will severally, but not jointly, indemnify and hold harmless the Company, and its officers, directors and each other Person, if any, who controls the Company within the meaning of the Securities Act, against all Losses to which the Company or such Persons may become subject under the Securities Act or otherwise, insofar as such Losses arise out of or are based upon any untrue statement or alleged untrue statement of any material fact in the Registration Statement under which such Registrable Securities were registered under the Securities Act pursuant to this Agreement, any preliminary Prospectus or final Prospectus contained therein, or any amendment or supplement thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse the Company and each such Person for any reasonable legal or other expenses incurred by them in connection with investigating or defending any such Losses; *provided, however*, that a Holder will be liable in any such case if and only to the extent that any such Losses arise out of or are based upon an untrue statement or alleged untrue statement or omission or alleged omission so made in conformity with information furnished in writing to the Company by or on behalf of such Holder specifically for use in any such document and specifically relating to such Holder. In addition, the foregoing shall not inure to the benefit of a Holder (i) if such Holder fails to deliver a Prospectus, to the extent that such Holder was required to do so under applicable securities laws, or (ii) in the case of an occurrence of an event of the type specified in Section (3)(b)(iii)-(vi) above, by reason of the use by such Holder of an outdated or defective Prospectus after the Company has notified such Holder in writing that the Prospectus is outdated or defective and prior to the receipt by such Holder of the Advice contemplated in Section 7 below.

(c) Conduct of Indemnification Proceedings. If any Proceeding shall be brought or asserted against any Person entitled to indemnity hereunder (an "**Indemnified Party**"), such Indemnified Party shall promptly notify the Person from whom indemnity is sought (the "**Indemnifying Party**") in writing, and the Indemnifying Party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all reasonable fees and expenses incurred in connection with defense thereof, *provided*, that the failure of any Indemnified Party to give such notice shall not relieve the Indemnifying Party of its obligations or liabilities pursuant to this Agreement, except (and only) to the extent that such failure shall have prejudiced the Indemnifying Party. An Indemnified Party shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Parties unless: (i) the Indemnifying Party has agreed in writing to pay such fees and expenses; or (ii) the Indemnifying Party shall have failed promptly

to assume the defense of such Proceeding and to employ counsel reasonably satisfactory to such Indemnified Party in any such Proceeding; or (iii) the named parties to any such Proceeding (including any impleaded parties) include both such Indemnified Party and the Indemnifying Party, and such Indemnified Party shall have been advised by counsel that a conflict of interest is likely to exist if the same counsel were to represent such Indemnified Party and the Indemnifying Party (in which case, if such Indemnified Party notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall not have the right to assume the defense thereof and such counsel shall be at the expense of the Indemnifying Party; *provided, however*, that in the event that the Indemnifying Party shall be required to pay the reasonable fees and expenses of separate counsel, the Indemnifying Party shall only be required to pay the fees and expenses of one separate counsel for such Indemnified Party or Parties. The Indemnifying Party shall not be liable for any settlement of any such Proceeding affected without its written consent, which consent shall not be unreasonably withheld. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending Proceeding in respect of which any Indemnified Party is a party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Proceeding. All fees and expenses of the Indemnified Party (including reasonable fees and expenses to the extent incurred in connection with investigating or preparing to defend such Proceeding in a manner not inconsistent with this Section) shall be paid to the Indemnified Party, as incurred, within ten trading days of written notice thereof to the Indemnifying Party (regardless of whether it is ultimately determined that an Indemnified Party is not entitled to indemnification hereunder; provided, that the Indemnifying Party may require such Indemnified Party to undertake to reimburse all such fees and expenses to the extent it is finally judicially determined that such Indemnified Party is not entitled to indemnification hereunder).

(d) Contribution. If a claim for indemnification under Section 6(a) or (b) is unavailable to an Indemnified Party (by reason of public policy or otherwise), then each Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or related to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include any reasonable attorneys' or other reasonable fees or expenses incurred by such party in connection with any Proceeding to the extent such party would have been indemnified for such fees or expenses if the indemnification provided for in this Section 6 was available to such party in accordance with its terms.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 6(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding

paragraph. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(e) Notwithstanding the provisions of this Section 6, no Holder shall be required to pay indemnification or to contribute, in the aggregate, any amount in excess of the amount of proceeds actually received by such Holder from the sale of the Registrable Securities subject to the Proceeding.

(f) The indemnity and contribution agreements contained in this Section are in addition to any liability that the Indemnifying Parties may have to the Indemnified Parties.

7. Dispositions. Each Holder agrees that it will comply with the prospectus delivery requirements of the Securities Act as applicable to it in connection with sales of Registrable Securities pursuant to the Registration Statement. Each Holder further agrees that, upon receipt of a notice from the Company of the occurrence of any event of the kind described in Section 3(b)(iii)-(vi), such Holder will discontinue disposition of such Registrable Securities under the Registration Statement until such Holder's receipt of the copies of the supplemented Prospectus and/or amended Registration Statement contemplated by Section 3(g), or until it is advised in writing (the "**Advice**") by the Company that the use of the applicable Prospectus may be resumed, and, in either case, has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such Prospectus or Registration Statement. The Company may provide appropriate stop orders to enforce the provisions of this paragraph.

8. Piggy-Back Registrations. If at any time during the Effectiveness Period, the Company shall determine to prepare and file with the SEC a registration statement relating to an offering for its own account or the account of others under the Securities Act of any of its equity securities, other than on Form S-4 or Form S-8 (each as promulgated under the Securities Act) or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with stock option or other employee benefit plans, then the Company shall send to the each Holder written notice of such determination and if, within fifteen (15) days after receipt of such notice, any such Holder shall so request in writing, the Company shall include in such registration statement all or any part of such Registrable Securities such Holder requests to be registered; *provided, however*, that such registration rights may be waived in writing by Holders holding 85% of the Registrable Securities. Notwithstanding the foregoing, if the Company's proposed registration of equity securities hereunder is, in whole or in part, an underwritten public offering, and the managing underwriter of such proposed registration determines and advises in writing that the inclusion of all Registrable Securities proposed to be included in the underwritten public offering, together with any other issued and outstanding shares of the Company's common stock proposed to be included therein (such other shares hereinafter collectively referred to as the **"Other Shares"**), would interfere with the successful marketing of the Company's securities, then the total number of such securities proposed to be included in such underwritten public offering shall be reduced, (i) first by the shares requested to be included in such registration by the holders of Other Shares, and (ii) second, if necessary, (A) one-half (½) by the securities proposed to be issued by the Company, and (B) one-half (½) by the Registrable Securities proposed to be included in such

registration by the Holders, on a pro rata basis, based upon the number of Registrable Securities then held by each such Holder; *provided, however,* that in no event shall the Registrable Securities proposed to be included in such registration by the Holders be reduced to less than 15% of such registration. The Common Shares of the Company that are excluded from the underwritten public offering pursuant to the preceding sentence shall be withheld from the market by the holders thereof for a period, not to exceed ninety (90) days from the closing of such underwritten public offering, that the managing underwriter reasonably determines as necessary in order to effect such underwritten public offering. Notwithstanding anything to the contrary contained herein, the amount of Registrable Securities required to be included in the initial Registration Statement as described in this Section 8 shall be equal to the lesser of (a) the amount of Registrable Securities that Holders request to have so registered pursuant to this Section 8 and (b) the maximum amount of Registrable Securities which may be included in a Registration Statement without exceeding the Rule 415 Amount.

9. Reports Under Exchange Act. With a view to making available to the Holders the benefits of Rule 144 promulgated under the Securities Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration, the Company shall:

(a) make and keep public information available, as those terms are understood and defined in Rule 144, for so long as the Company has a listed security on either the TSX Venture Exchange or the NASDAQ;

(b) following a NASDAQ listing, file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(c) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144, the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC which permits the selling of any such securities without registration or pursuant to such form.

10. Mergers. The Company shall not, directly or indirectly, without the consent of the holders of 66 2/3% of the then outstanding Registrable Securities, enter into any merger, consolidation or reorganization in which the Company shall not be the surviving corporation unless the proposed surviving corporation shall, prior to such merger, consolidation or reorganization, agree in writing to assume the obligations of the Company under this Agreement, and for that purpose references hereunder to "Registrable Securities" shall be deemed to be references to the securities which the Holders would be entitled to receive in exchange for Registrable Securities under any such merger, consolidation or reorganization, *provided, however,* that the provisions of this Agreement shall not apply in the event of any merger, consolidation or reorganization in which the Company is not the surviving corporation if the

Holders are entitled to receive in exchange therefor (i) cash or (ii) securities of the acquiring corporation which may be immediately sold to the public pursuant to an effective registration statement under the Securities Act or pursuant to an exemption therefrom which permits sales without limitation as to volume or the manner of sale on a nationally recognized exchange in the United States or on a Principal Market.

11. Miscellaneous.

(a) Governing Law. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York, without giving effect to principles of conflicts of law or choice of law that would cause the laws of any other jurisdiction to apply.

(b) Transfer of Registration Rights. Any Holder that is a partnership, corporation or limited liability company may transfer or assign its registration rights provided pursuant to this Agreement with respect to any Registrable Securities to any partner, shareholder, member or affiliate of such Holder; *provided, however,* that (i) such Holder shall give the Company written notice prior to the time of such transfer or assignment stating the name and address of the transferee and identifying the Registrable Securities with respect to which the rights under this Agreement are being transferred and (ii) such transferee or assignee agrees in writing, the form and substance of which shall be reasonably satisfactory to the Company, to be bound as a Holder by the provisions of this Agreement, following which any such transferee or assignee shall be deemed a "Holder" pursuant to this Agreement.

(c) Amendment, Waiver and Termination. Any provision of this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively) and this Agreement may be terminated, only upon the written consent of both the Company and the Holders of not less than 66 2/3% of the then outstanding Registrable Securities.

(d) Entire Agreement. This Agreement, the Warrants and the Subscription Agreement constitute the entire agreement between the parties relative to the specific subject matter hereof. Any previous agreement among the parties relative to the specific subject matter hereof is superseded by this Agreement.

(e) Third Party Beneficiaries. There shall be no third party beneficiaries or intended beneficiaries of this Agreements.

(f) Notices. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given in accordance with the Subscription Agreement.

(g) Severability. In the event one or more of the provisions of this Agreement should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

(h) Counterparts. This Agreement may be executed in counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile or other electronic transmission, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile signature page were an original thereof.

(i) Successors and Assigns. The provisions hereof shall inure to the benefit of, and be binding upon, the successors and assigns of the parties hereto.

(j) Independent Nature of Holders' Obligations and Rights. The obligations of each Holder hereunder are several and not joint with the obligations of any other Holder hereunder, and no Holder shall be responsible in any way for the performance of the obligations of any other Holder hereunder. Nothing contained herein or in any other agreement or document delivered at any closing, and no action taken by any Holder pursuant hereto or thereto, shall be deemed to constitute the Holders as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Holders are in any way acting in concert with respect to such obligations or the transactions contemplated by this Agreement. Each Holder shall be entitled to protect and enforce its rights, including without limitation the rights arising out of this Agreement, and it shall not be necessary for any other Holder to be joined as an additional party in any proceeding for such purpose.

(k) Remedies. In the event of a breach by the Company or by a Holder, of any of their respective obligations under this Agreement, each Holder or the Company, as the case may be, in addition to being entitled to exercise all rights granted by law and under this Agreement, including recovery of damages, will be entitled to specific performance of its rights under this Agreement.

(l) Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have executed this Registration Rights Agreement as of the date and year first set forth above.

COMPANY:

AURINIA PHARMACEUTICALS INC.

By: *(signed) Stephen Zaruby*
Name: Stephen Zaruby
Title: Chief Executive Officer

SUBSCRIBERS:

[names and signatures of subscribers redacted]

ANNEX A

Plan of Distribution

The shares covered by this prospectus may be offered and sold from time to time by the selling stockholders. The term "selling stockholder" includes pledgees, donees, transferees or other successors in interest selling shares received after the date of this prospectus from each selling stockholder as a pledge, gift, partnership distribution or other non-sale related transfer. The number of shares beneficially owned by a selling stockholder will decrease as and when it effects any such transfers. The plan of distribution for the selling stockholders' shares sold hereunder will otherwise remain unchanged, except that the transferees, pledgees, donees or other successors will be selling stockholders hereunder. To the extent required, we may amend and supplement this prospectus from time to time to describe a specific plan of distribution.

The selling stockholders will act independently of us in making decisions with respect to the timing, manner and size of each sale. The selling stockholders may make these sales at prices and under terms then prevailing or at prices related to the then current market price. The selling stockholders may also make sales in negotiated transactions. The selling stockholders may offer their shares from time to time pursuant to one or more of the following methods:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- one or more block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- publicly or privately negotiated transactions;
- on NASDAQ (or through the facilities of any national securities exchange or U.S. inter-dealer quotation system of a registered national securities association, on which the shares are then listed, admitted to unlisted trading privileges or included for quotation);
- through underwriters, brokers or dealers (who may act as agents or principals) or directly to one or more purchasers;
- a combination of any such methods of sale; and
- any other method permitted pursuant to applicable law.

In connection with distributions of the shares or otherwise, the selling stockholders may:

- enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the shares in the course of hedging the positions they assume;
- sell the shares short and redeliver the shares to close out such short positions;
- enter into option or other transactions with broker-dealers or other financial institutions which require the delivery to them of shares offered by this prospectus, which they may in turn resell; and
- pledge shares to a broker-dealer or other financial institution, which, upon a default, they may in turn resell.

In addition to the foregoing methods, the selling stockholders may offer their shares from time to time in transactions involving principals or brokers not otherwise contemplated above, in a combination of such methods or described above or any other lawful methods. The selling stockholders may also transfer, donate or assign their shares to lenders, family members and others and each of such persons will be deemed to be a selling stockholder for purposes of this prospectus. The selling stockholders or their successors in interest may from time to time pledge or grant a security interest in some or all of the shares of common stock, and if the selling stockholders default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the shares of common stock from to time under this prospectus; provided however in the event of a pledge or then default on a secured obligation by the selling stockholder, in order for the shares to be sold under this registration statement, unless permitted by law, we must distribute a prospectus supplement and/or amendment to this registration statement amending the list of selling stockholders to include the pledgee, secured party or other successors in interest of the selling stockholder under this prospectus.

The selling stockholders may also sell their shares pursuant to Rule 144 under the Securities Act, which permits limited resale of shares purchased in a private placement subject to the satisfaction of certain conditions.

Sales through brokers may be made by any method of trading authorized by any stock exchange or market on which the shares may be listed or quoted, including block trading in negotiated transactions. Without limiting the foregoing, such brokers may act as dealers by purchasing any or all of the shares covered by this prospectus, either as agents for others or as principals for their own accounts, and reselling such shares pursuant to this prospectus. The selling stockholders may effect such transactions directly, or indirectly through underwriters, broker-dealers or agents acting on their behalf. In effecting sales, broker-dealers or agents engaged by the selling stockholders may arrange for other broker-dealers to participate. Broker-dealers or agents may receive commissions, discounts or concessions from the selling stockholders, in amounts to be negotiated immediately prior to the sale (which compensation as to a particular broker-dealer might be in excess of customary commissions for routine market transactions).

In offering the shares covered by this prospectus, the selling stockholders, and any broker-dealers and any other participating broker-dealers who execute sales for the selling stockholders, may be deemed to be "underwriters" within the meaning of the Securities Act in connection with these sales. Any profits realized by the selling stockholders and the compensation of such broker-dealers may be deemed to be underwriting discounts and commissions.

The Company is required to pay all fees and expenses incident to the registration of the shares.

The Company has agreed to indemnify the selling stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

AURINIA PHARMACEUTICALS INC.

SUBSCRIPTION AGREEMENT

INSTRUCTIONS

All Subscribers:

1. Complete and sign pages 2, 3 and 4 of the Subscription Agreement.
2. If you: (a) are a non-individual Subscriber, complete and sign the **TSX Venture Exchange Form 4C – Corporate Placee Registration Form – Appendix I**; (b) do not have a current accurate Form 4C on file with the TSX Venture Exchange; and (c) will hold more than 5% of the outstanding securities of Aurinia Pharmaceuticals Inc. after the closing of this Offering.
3. Also complete and sign the **Certificate – Appendix II.**
4. If you will hold more than 10% of the outstanding securities of Aurinia Pharmaceuticals Inc. after the closing of this Offering, submit a completed **TSX Venture Exchange Form 2A – Personal Information Form.** Please contact Leerink Partners, LLC (contact information below) if you require this form.
5. Complete and sign the **Registration Rights Agreement.**

U.S. Subscribers:

6. Also complete and sign the **U.S. Supplementary Subscription Agreement – Appendix III.**

PROCEDURE AND DELIVERY

Subscription forms (including appendices) should be filled out, signed, and delivered with payment, by no later than 5:00 p.m. (Pacific Standard time) on February 12, 2014 (or such other time, date or place as the Subscriber may be advised) to:

Leerink Partners, LLC
201 Spear Street, Ste. 1620
San Francisco, California 94105
Attention: Bryan Giraudo
Fax: (415) 905-7432
Email: bryan.giraudo@leerink.com

And if the Subscriber is not a U.S. Subscriber, with a copy to:

Borden Ladner Gervais LLP
1200 Waterfront Centre
200 Burrard Street
Vancouver, British Columbia V7X 1T2
Attention: Stephen P. Robertson
Fax: (604) 622.5932
Email: srobertson@blg.com

SUBSCRIPTION AGREEMENT

To: Aurinia Pharmaceuticals Inc. (the "Issuer") of 1203 – 4464 Markham Street, Victoria, British Columbia, V8Z 7X8

And to: Canaccord Genuity (the "Canadian Agent") if Subscriber is not a U.S. Subscriber

And to: Leerink Partners, LLC (the "U.S. Agent") if Subscriber is a U.S. Subscriber

The undersigned (the "Subscriber"), on its own behalf and, if applicable, on behalf of a Disclosed Principal (as hereinafter defined) for whom it is acting hereunder, hereby acknowledges that the Issuer is proceeding with a private placement of up to 18,919,411 units (the "Units") at a price of USD$2.7485 per Unit, each Unit being comprised of one common share in the capital of the Issuer (a "Share") and 0.25 of a common share purchase warrant (each whole such warrant, a "Warrant"), and irrevocably tenders to the Issuer this subscription offer which, upon acceptance by the Issuer, will constitute an agreement of the Subscriber to subscribe for, take up, purchase and pay for and, on the part of the Issuer, to issue and sell to the Subscriber the number of Units set out below on the terms and subject to the conditions set out in this Agreement. The Subscriber agrees, without limitation, that the Issuer and the Agents may rely upon the Subscriber's representations, warranties and covenants contained in this Agreement and the appendices thereto.

Number of Units: _____

Total Purchase Price at USD$2.7485 per Unit: _____

PLEASE MAKE CHEQUES AND BANK DRAFTS PAYABLE TO Wilmington Trust, N.A., fbo, Aurinia Pharmaceuticals Escrow or SEND WIRE TRANSFER to Wilmington Trust, N.A., ABA No. **[account number redacted]** for credit to Wilmington Trust, N.A., as Escrow Agent for Aurinia Pharmaceuticals Escrow, in accordance with the following wire transfer instructions:

[wire transfer instructions redacted]

DATED this 14th day of February, 2014.

[Personal information with respect to each subscriber redacted]

(Name of Subscriber – please print)	(Subscriber's Address)
by: _____ (Official Capacity or Title – please print)	
Authorized Signature	(Telephone Number)
(Please print name of individual whose signature appears above if different than the name of the Subscriber printed above	(Facsimile Number)
	(Email Address)

Please complete if purchasing as an agent for a principal (a "Disclosed Principal") and not deemed to be purchasing as principal under the Acts

Name of Disclosed Principal
Address of Disclosed Principal
Telephone number of Disclosed Principal

Registration Instructions:	**Delivery Instructions:**
Name	Name
Account reference, if applicable	Account reference, if applicable
Address	Contact Name
	Address
	Telephone Number
	Facsimile Number

Present Ownership of Securities

The Subscriber or, if applicable, the Disclosed Principal, either **[check appropriate box]**:

☐ owns directly or indirectly, or exercises control or direction over, no common shares in the capital of the Issuer or securities convertible into common shares in the capital of the Issuer; or

☐ owns directly or indirectly, or exercises control or direction over, common shares in the capital of the Issuer and convertible securities entitling the Subscriber to acquire an additional common shares in the capital of the Issuer**.**

Insider Status

The Subscriber or, if applicable, the Disclosed Principal, either **[check appropriate box]**:

☐ is an "Insider" of the Issuer as defined in the Securities Act (British Columbia); or

☐ is not an Insider of the Issuer**.**

Member of "Pro Group"

The Subscriber or, if applicable, the Disclosed Principal, either **[check appropriate box]**:

☐ is a Member of the "Pro Group" as defined in the Rules of the TSX Venture Exchange; or

☐ is not a member of the Pro Group**.**

This subscription is accepted by Aurinia Pharmaceuticals Inc**.** this 14th day of February 2014**.**

AURINIA PHARMACEUTICALS INC.

Per:

(signed) Stephen Zaruby
Authorized Signatory

1. INTERPRETATION

1.1. In this Agreement, unless the context otherwise requires:

(a) "1933 Act" means the United States Securities Act of 1933, as amended;

(b) "ABCA" means the Business Corporations Act (Alberta);

(c) "Acts" means the Alberta Act, the B.C. Act and the Ontario Act, collectively;

(d) "Agreement" means this subscription agreement as the same may be amended, supplemented or restated from time to time, including the appendices hereto;

(e) "Agents" means collectively, the Canadian Agent and the U.S. Agent;

(f) "Alberta Act" means the Securities Act (Alberta), the regulations and rules made thereunder and all published written instruments, blanket orders, notices, directions and rulings issued or adopted by the Alberta Securities Commission, all as amended;

(g) "Authorization" means any authorization, order, permit, approval, grant, licence, registration, consent, right, notification, condition, franchise, privilege, certificate, judgment, writ, injunction, award, determination, direction, decision, decree, by-law, rule or regulation, whether or not having the force of law;

(h) "B.C. Act" means the Securities Act (British Columbia), the regulations and rules made thereunder and all published written instruments, blanket orders, notices, directions and rulings issued or adopted by the British Columbia Securities Commission, all as amended;

(i) "Cash Commission" means the cash fee equal to 7.5% of the Subscription Proceeds, other than any Subscription Proceeds for Subscribers included on a written list provided by the Issuer to the Agents, payable at the Closing to the U.S. Agent;

(j) "Common Shares" means the previously issued common shares in the capital of the Issuer, as presently constituted;

(k) "Disclosed Principal" has the meaning ascribed to such term on the face page of this Agreement;

(l) "Escrow Agent" means Wilmington Trust, N. A., a national banking association, as escrow agent;

(m) "Escrow Agreement" means the escrow agreement entered into prior to the date hereof, by and among the Issuer, the Escrow Agent and the U.S. Agent, pursuant to which the Subscribers shall deposit Subscription Proceeds with the Escrow Agent to be applied to the transactions contemplated hereunder;

(n) "Exchange" means the TSX Venture Exchange;

(o) "Financial Statements" means the Predecessor Aurinia Financial Statements and the Isotechnika Financial Statements;

(p) "Governmental Entity" means (i) any multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, agency, domestic or foreign; (ii) any subdivision, agent, commission, board or authority of any of the foregoing; or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

(q) "Intellectual Property" means any and all intellectual property or proprietary rights arising at law or in equity, including, without limitation, (i) patents, all patent rights and all patent rights and all applications therefor and all reissues, re-examinations, continuations, continuations-in-part, divisions, divisionals, and patent term extensions thereof, (ii) inventions (whether patentable or not), discoveries, improvements, concepts, innovations and industrial models, (iii) registered and unregistered copyrights, copyright registrations and applications, mask works and mask work registrations and applications therefor, author's rights and works of authorship (including artwork of any kind and software of all types in whatever medium, inclusive of computer programs, source code, object code and executable code, firmware, development tools, files, databases, tables, records and data, and related documentation), (iv) URLs, web sites, web pages and any part thereof, (v) technical information, know-how, trade secrets, drawings, designs, design protocols, specifications, proprietary data, customer lists, databases, proprietary processes, technology, formulae, and algorithms, (vi) trade names, trade dress, trademarks, domain names, service marks, logos, business names, and registrations and applications therefor, (vii) industrial designs or design patents, whether or not patentable or registrable, patented or registered or the subject of applications for registration or patent or registration and all rights of priority, applications, continuations, continuations-in-part, divisions, divisionals, re-examinations, reissued and other derivative applications and patents therefor, and (viii) the goodwill symbolized or represented by the foregoing;

(r) "Isotechnika Financial Statements" means each of the Issuer's audited balance sheet and related statements of operations and deficit, income, cash flows and changes in shareholders' equity (including the related notes) for the years ended December 31, 2012, 2011 and 2010, and the Issuer's unaudited balance sheet and related statements of operations and deficit, income, cash flows, and changes in shareholders' equity (including the related notes) as of and for the nine months ended September 30, 2013 (the "Balance Sheet Date"), all as contained in the Public Disclosure Record;

(s) "Issuer" means Aurinia Pharmaceuticals Inc., a company incorporated under the ABCA;

(t) "Law" means all laws, by-laws, statutes, regulations, principles of law, statutory rules, policies, orders, ordinances, protocols, codes, guidelines, directions, judgments and terms and conditions of any grant of approval, permission, authority or license of any court, Governmental Entity and the term "applicable" with respect to such Law and in the context that refers to one or more Persons, means that such Law applies to such Person or Persons or its or their business, undertaking, property or securities and emanates from a Governmental Entity having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities;

(u) “Letter Agreement” means the engagement letter agreement between the Issuer and the U .S. Agent dated effective February 5, 2014 governing the terms and conditions of the proposed Offering;

(v) “Licensed IP” means the Intellectual Property that is licensed to the Issuer or the Subsidiaries and material to the operation of the business of the Issuer as follows: the Intellectual Property licensed to the Issuer from Vifor Pharma AG pursuant to the Vifor Aurinia ALMS Data Access Agreement entered into between Vifor Pharma AG and the Issuer as of September 20, 2012;

(w) “National Instrument 45-102” means National Instrument 45-102 “Resale of Securities” published by the Canadian Securities Administrators;

(x) “National Instrument 45-106” means National Instrument 45-106 “Prospectus and Registration Exemptions” published by the Canadian Securities Administrators;

(y) “National Instrument 51-102” means National Instrument 51-102 “Continuous Disclosure Obligations” published by the Canadian Securities Administrators;

(z) “Offering” means the offering of the Units;

(aa) “Ontario Act” means the Securities Act (Ontario), the regulations and rules made thereunder and all published written instruments, blanket orders, notices, directions and rulings issued or adopted by the Ontario Securities Commission, all as amended;

(bb) “Parties” or “Party” means the Subscriber, the Issuer or both, as the context requires;

(cc) “Person” means an individual, a firm, a corporation, a syndicate, a partnership, a trust, an association, an unincorporated organization, a joint venture, an investment club, a government or an agency or political subdivision thereof and every other form of legal or business entity of whatsoever nature or kind;

(dd) “Predecessor Aurinia” means Aurinia Pharmaceuticals Inc. prior to the acquisition by the Issuer on September 23, 2013;

(ee) “Predecessor Aurinia Financial Statements” means each of Predecessor Aurinia’s audited consolidated balance sheets and related audited consolidated statements of operations and deficit, income, cash flows and changes in shareholders’ equity (including the related notes) as at and for the period from incorporation on April 3, 2012 to December 31, 2012, and Predecessor Aurinia’s unaudited balance sheet and related statements of operations and deficit, income, cash flows, and changes in shareholders’ equity (including the related notes) for the three months ended March 31, 2013;

(ff) “Public Disclosure Record” means all information filed by or on behalf of the Issuer with the applicable securities commissions or securities regulatory authority in each of the provinces of Canada or the Exchange, and any other information filed with any applicable securities commissions or securities regulatory authority in each of the provinces of Canada or the Exchange in compliance, or intended compliance, with any applicable securities laws;

(gg) “Registered IP” means all Intellectual Property that is registered in the current or former name of the Issuer or the Subsidiaries, or the subject of an application for registration or registration procedures initiated by the Issuer or the Subsidiaries with any government, regulatory body or third person;

(hh) “Registration Rights Agreement” means the registration rights agreement to be entered into among the Subscribers and the Issuer, in a form acceptable to the Subscribers, acting reasonably;

(ii) “Regulation S” means Regulation S promulgated under the 1933 Act;

(jj) “Securities” means the Units, the Shares, the Warrants and the Warrant Shares;

(kk) “Shares” means the previously unissued common shares in the capital of the Issuer, as presently constituted, which comprise part of the Units;

(ll) “Subscriber’s Units” means those Units which the Subscriber has agreed to purchase under this Agreement;

(mm) “Subscription Proceeds” means the total gross proceeds from the sale of Units under the Offering;

(nn) “Subsidiaries” means Aurinia Pharma Corp**.**, a corporation incorporated under the laws of British Columbia and having its registered office at Borden Ladner Gervais LLP, 1200 Waterfront Center, 200 Burrard Street, Vancouver, British Columbia, Aurinia Pharmaceuticals, Inc**.**, a corporation formed and existing under the laws of the State of Delaware and having its principal address at 108 W 13th Street, Wilmington, Delaware, 19801, County of New Castle and Aurinia Holdings Corp**.** and Aurinia Development Corp**.**, each a corporation formed and currently existing under the laws of Barbados and having its principal office at #2 Rendezvous Road, Worthing, Christ Church, Barbados, BB15006;

(oo) “Tax” or “Taxes” means, with respect to any Person, all income taxes (including any tax on or based upon net income, gross income, income as specially defined, earnings, profits or selected items of income, earnings or profits) and all capital taxes, gross receipts taxes, environmental taxes, sales taxes, use taxes, royalties, ad valorem taxes, value added taxes, transfer taxes, franchise taxes, social service taxes, license taxes, withholding taxes, payroll taxes, health taxes, employer health taxes, employment taxes, Canada or Quebec Pension Plan premiums, excise taxes, social security premiums, workers’ compensation premiums, employment or unemployment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, property taxes, windfall profits taxes, alternative or add-on minimum taxes, goods and services tax, customs duties or other taxes, fees, imports, assessments or charges of any kind whatsoever, together with any interest and any penalties or additional amounts imposed by any taxing authority (domestic or foreign) on that Person, and any interest, penalties, additional taxes and additions to tax imposed with respect to the foregoing;

(pp) “United States” has that meaning ascribed to it in Regulation S;

(qq) "Units" means up to 18,919,411 units of the Issuer, each comprised of one Share and 0.25 of a Warrant, offered for sale by the Issuer under the Offering;

(rr) "U.S. Person" has that meaning ascribed to it in Regulation S;

(ss) "U.S. Subscriber" means any Subscriber that is a U.S. Person;

(tt) "Warrant Shares" means the previously unissued common shares in the capital of the Issuer, as presently constituted, which will be issued upon the due exercise of the Warrants; and

(uu) "Warrants" means the share purchase warrants of the Issuer which comprise part of the Units .

1.2. Time is of the essence of this Agreement and will be calculated in accordance with the provisions of the Interpretation Act (British Columbia).

1.3. This Agreement is to be read with all changes in gender or number as required by the context.

1.4. The headings in this Agreement are for convenience of reference only and do not affect the interpretation of this Agreement.

1.5. Unless otherwise indicated, all dollar amounts referred to in this Agreement are in lawful currency of Canada.

1.6. This Agreement is governed by, subject to and interpreted in accordance with the laws prevailing in the Province of British Columbia and the federal laws of Canada applicable therein, and the courts of the Province of British Columbia will have the exclusive jurisdiction over any dispute arising in connection with this Agreement.

2. THE UNITS

2.1. Each Unit will be comprised of one Share and 0.25 of a Warrant.

2.2. The Shares and Warrants will be issued and registered in the name of the Subscriber or its nominee, as directed by the Subscriber on page 3 of this Agreement.

2.3. Subject to applicable law, the Subscribers may assign and transfer, without any other Person's Authorization and without restriction, all or any portion of the Shares and the Warrants and the rights relating thereto.

3. THE WARRANTS

3.1. Each whole Warrant will entitle the holder, on exercise, for a term of 60 months from the Closing, to purchase one Warrant Share at a price of USD$3.2204 per Warrant Share, subject to adjustment in certain events.

3.2. The certificates representing the Warrants will, among other things, include provisions for the appropriate adjustment in the class, number and price of the Warrant Shares issued on exercise of the Warrants upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the Issuer's common shares, the payment of stock dividends and the amalgamation of the Issuer and will also include a mechanism for such Warrants to be exercised on a cashless basis, subject to the approval of such mechanism by the Exchange.

3.3. The issue of the Warrants will not restrict or prevent the Issuer from obtaining any other financing, or from issuing additional securities or rights, during the period within which the Warrants may be exercised.

3.4. No fractional Warrants will be issued. To the extent the Subscriber subscribes for a number of Units that would otherwise entitle them to a fraction of a whole Warrant, the number of Warrants to be issued to the Subscriber will be rounded down to the nearest whole number.

4. REPRESENTATIONS, WARRANTIES, COVENANTS AND ACKNOWLEDGEMENTS OF THE SUBSCRIBER

4.1. The Subscriber, on its own behalf, and, if applicable, on behalf of a Disclosed Principal for whom it is acting hereunder, hereby acknowledges, represents, and warrants to and covenants with the Issuer and the Agents as follows and acknowledges that the Issuer, the Agents and their respective counsel are relying on such acknowledgements, representations, warranties and covenants in connection with the transactions contemplated herein:

(a) the Units form part of a larger brokered private placement offering of an aggregate of up to 18,919,411 Units to be issued and sold by the Issuer through the Canadian Agent, with respect to Subscribers that are not U.S. Subscribers, and through the U.S. Agent, with respect to Subscribers that are U.S. Subscribers, pursuant to this Agreement for aggregate gross proceeds of up to USD$52,000,001.13;

(b) the Issuer is relying on an exemption from the requirements to provide the Subscriber with a prospectus under applicable securities legislation and, as a consequence of acquiring the Units pursuant to this exemption, (i) certain protections, rights and remedies provided by applicable securities legislation including statutory rights of rescission or damages, will not be available to the Subscriber, (ii) the common law may not provide investors with an adequate remedy in the event that they suffer investment losses in connection with securities acquired in a private placement, (iii) the Subscriber may not receive information that would otherwise be required to be given under applicable securities legislation, and (iv) the Issuer is relieved from certain obligations that would otherwise apply under applicable securities legislation;

(c) the Subscriber acknowledges that the publicly available information concerning the Issuer on which the Subscriber has relied on in connection with the investment in the Units purchased pursuant to this Agreement has not been independently investigated or verified by the Agents and agrees that the Agents and/or their respective directors, officers, employees, agents and representatives assume no responsibility or liability of any nature whatsoever for the accuracy or adequacy of any such publicly available information concerning the Issuer or as to whether all information concerning the Issuer that is required to be disclosed or filed by the Issuer has been so disclosed or filed;

(d) the Agents and/or their respective directors, officers, employees, agents and representatives assume no responsibility or liability of any nature whatsoever for any information given or statement made to the Subscriber by the Issuer in connection with the Issuer or the transaction contemplated by this Agreement;

(e) the Agents are acting solely as agents of the Issuer and not as financial advisers to, or as agents of, the Subscriber, except insofar as is necessary at the Closing to deliver payment for the Units purchased pursuant to this Agreement to the Issuer on behalf of the Subscriber and to accept and deliver such Units to the Subscriber after the Closing as contemplated herein;

(f) the U.S. Agent is not acting as the agent of the Issuer or any Subscriber with respect to any offer or sale of the Issuer's securities outside of the United States;

(g) the Subscriber hereby releases the Agents and/or their directors, officers, employees, agents and representatives from any claim that may arise in respect of this Agreement or the transaction contemplated hereby;

(h) the Subscriber is not relying upon the Agents to conduct any due diligence investigations concerning the Issuer's business, financial position, condition or prospects;

(i) legal counsel retained by the Issuer and the Agents are acting as counsel to the Issuer and the Agents, respectively, and not as counsel to the Subscriber;

(j) the Subscriber is resident, or if not an individual has its head office, in the jurisdiction set out on the second page of this Agreement and intends that the applicable securities laws of that jurisdiction govern the Subscriber's subscription. Such address was not created and is not used solely for the purpose of acquiring the Units and the Subscriber was solicited to purchase in only such jurisdiction;

(k) the Subscriber is purchasing the Subscriber's Units as principal for its own account and not for the benefit of any other person or is deemed under the Acts to be purchasing the Subscriber's Units as principal, and in either case is purchasing the Subscriber's Units for investment only and not with a view to the resale or distribution of all or any of the Subscriber's Units;

(l) if the Subscriber is contracting hereunder as trustee or agent for a fully managed account (including for greater certainty, a portfolio manager or comparable advisor) or as agent for a Disclosed Principal, the Subscriber is duly authorized to execute and deliver this Agreement and all other necessary documentation in connection with such subscription and if the Subscriber is acting as trustee or agent for a Disclosed Principal, who is subscribing as principal for its own account and not for the benefit of any other person, this Agreement has been duly authorized, executed and delivered by or on behalf of and constitutes a legal, valid and binding agreement of, such Disclosed Principal and the Subscriber acknowledges that the Issuer and/or Agents may be required by law to disclose to certain regulatory authorities the identity of such Disclosed Principal for whom it is acting;

(m) to comply with the laws of Alberta, British Columbia or Ontario to which the Issuer is subject, the Subscriber represents that:

(i) One or more of subparagraphs (A) or (B) below is applicable to you:

(A)

(I) in the case of the purchase by you of the Subscriber's Units as principal, you are purchasing the Subscriber's Units as principal for your own account, and not for the benefit of any other Person, or you are deemed under the Acts to be purchasing the Subscriber's Units as principal, and in either case you are purchasing the Subscriber's Units for investment only and not with a view to the resale or distribution of any or all of the Subscriber's Units and you will be purchasing a sufficient number of Units so that you have an aggregate acquisition cost for such Units of not less than $150,000 paid in cash at the time of the trade and you are not a corporation, syndicate, partnership or other form of incorporated or unincorporated entity or organization created solely, or used primarily, to permit the purchase of the Subscriber's Units without a prospectus by groups of individuals whose individual share of the aggregate acquisition cost of such Subscriber's Units is less than $150,000, or if you are created solely, or used primarily, for such purpose and you are a corporation, partnership, syndicate or other form of unincorporated entity, the share or any portion of each shareholder, member or partner of the corporation, partnership, syndicate or other unincorporated entity, as the case may be, of the aggregate acquisition cost to you is not less than $150,000; or

(II) in the case of the purchase by you of the Subscriber's Units as agent for a Disclosed Principal, such Disclosed Principal is purchasing as principal for its own account and not for the benefit of any other Person and is purchasing for investment only and not with a view to the resale of the Subscriber's Units and no other Person will have a beneficial interest in the Subscriber's Units, you are purchasing a sufficient number of Units so that such Disclosed Principal has an aggregate acquisition cost for such Units of not less than $150,000, such Disclosed Principal is resident in the Province of British Columbia, and you are an agent with proper authority to execute all documents required in connection with the purchase on behalf of the Disclosed Principal and such Disclosed Principal on whose behalf you are acting is not a corporation, syndicate, partnership or other form of incorporated or unincorporated entity or organization created solely, or used primarily, to permit the purchase of the Subscriber's Units without a prospectus by groups of individuals whose individual share of the aggregate acquisition cost of such Subscriber's Units is less than $150,000, or if such Disclosed Principal is created solely, or used primarily, for such purpose and such Disclosed Principal is a corporation, partnership, syndicate or other form of unincorporated entity, the share or any portion of each shareholder, member or partner of the corporation, partnership, syndicate or other unincorporated entity, as the case may be, of the aggregate acquisition cost to such Disclosed Principal is not less than $150,000; or

(B) You are:

(I) purchasing the Subscriber's Units as principal for your own account, and not for the benefit of any other Person and not with a view to the resale of the Subscriber's Units and you are an "accredited investor" within the meaning of National Instrument 45-106; or

(II) purchasing the Subscriber's Units as agent for a beneficial principal disclosed on the execution page of this Agreement, and you are an agent or trustee with proper authority to execute all documents required in connection with the purchase of the Subscriber's Units on behalf of such Disclosed Principal and such Disclosed Principal for whom you are acting is an "accredited investor" within the meaning of National Instrument 45-106 and is purchasing as principal for its own account, and not for the benefit of any other Person, and is purchasing for investment only and not with a view to resale or distribution; and

you have concurrently executed and delivered a Certificate in the form attached as Appendix II hereto and the provisions of paragraphs (i)(A) to (i)(B), as applicable, of this subsection 4.1(m) will be true and correct both as of the date of execution of this Agreement and as of the Closing; or

(n) if the Subscriber is not resident in British Columbia, the Subscriber certifies that the Subscriber is not resident in British Columbia and acknowledges that:

(i) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Securities;

(ii) there is no government or other insurance covering the Securities;

(iii) there are risks associated with the purchase of the Securities;

(iv) there are restrictions on the Subscriber's ability to resell the Securities and it is the responsibility of the Subscriber to find out what those restrictions are and to comply with them before selling the Securities;

(v) the Issuer has advised the Subscriber that the Issuer is relying on an exemption from the requirements to provide the Subscriber with a prospectus and, as a consequence of acquiring the Securities pursuant to this exemption, certain protections, rights and remedies provided by the applicable securities laws, including statutory rights of rescission or damages, will not be available to the Subscriber;

(o) if the Subscriber is resident outside of Canada and the United States, the Subscriber:

(i) is knowledgeable of, or has been independently advised as to the applicable securities laws of the securities regulatory authorities (the "Authorities") having application in the jurisdiction in which the Subscriber is resident (the "International Jurisdiction") which would apply to the acquisition of the Subscriber's Units, if any;

(ii) is purchasing the Subscriber's Units pursuant to exemptions from the prospectus and registration requirements under the applicable securities laws of the Authorities in the International Jurisdiction or, if such is not applicable, the Subscriber is permitted to purchase the Subscriber's Units under the applicable securities laws of the Authorities in the International Jurisdiction without the need to rely on any exemption;

(iii) the applicable securities laws of the Authorities in the International Jurisdiction do not require the Issuer to make any filings or seek any approvals of any nature whatsoever from any Authority of any kind whatsoever in the International Jurisdiction in connection with the issue and sale or resale of the Subscriber's Units; and

(iv) the purchase of the Subscriber's Units by the Subscriber does not trigger:

(A) any obligation to prepare and file a prospectus or similar document, or any other report with respect to such purchase in the jurisdiction in which the Subscriber is resident; or

(B) any continuous disclosure reporting obligation of the Issuer in the International Jurisdiction; and

the Subscriber will, if requested by the Issuer, deliver to the Issuer a certificate or opinion of local counsel from the International Jurisdiction which will confirm the matters referred to in subparagraphs (ii), (iii) and (iv) above to the satisfaction of the Issuer, acting reasonably;

(p) no Person has made to the Subscriber any written or oral representations:

(i) that any person will resell or repurchase any of the Securities;

(ii) that any person will refund the purchase price of any of the Securities;

(iii) as to the future price or value of any of the Securities; or

(iv) that any of the Securities will be listed and posted for trading on a stock exchange or that application has been made to list and post any of the Securities for trading on a stock exchange, other than the Shares and, if issued, the Warrant Shares on the Exchange;

(q) the Subscriber is not a "control person" and will not become a control person by virtue of the purchase of the Subscriber's Units, and does not intend to act in concert with any other person to form a control group of the Issuer;

(r) to the knowledge of the Subscriber, this subscription has not been solicited in any manner contrary to the Acts or the 1933 Act;

(s) unless the Subscriber has completed the "U.S. Supplementary Subscription Agreement For Units" set forth as Appendix III hereto, the Subscriber is not a "U.S. Person" (as defined under Regulation S, which definition includes an individual resident in the United States and an estate or trust of which any executor or administrator or trustee,

respectively, is a U.S. Person) and is not acquiring the Subscriber's Units for the account or benefit of a "U.S. Person" and the Subscriber acknowledges that the Securities have not been registered under the 1933 Act or the securities laws of any state of the United States and may not be offered or sold in the United States unless registered under the 1933 Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements is available, and that the Issuer has no obligation or present intention of filing a registration statement under the 1933 Act in respect of any of the Securities;

(t) unless the Subscriber has completed the "U.S. Supplementary Subscription Agreement For Units" set forth as Appendix III hereto, the Subscriber acknowledges and agrees and the Subscriber represents and warrants that:

(i) the offer to purchase the Subscriber's Units was not made to the Subscriber when the Subscriber was in the United States and, at the time the Subscriber's buy order was made, the Subscriber was outside the United States;

(ii) the Subscriber was outside the United States at the time this Agreement was executed and delivered;

(iii) the Subscriber is not and will not be purchasing the Securities for the account or benefit of any Person in the United States;

(iv) the current structure of this transaction and all transactions and activities contemplated hereunder is not a scheme to avoid the registration requirements of the 1933 Act;

(v) the Subscriber has no intention to distribute either directly or indirectly any of the Securities in the United States, except in compliance with the 1933 Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements; and

(vi) the Warrants may not be exercised in the United States or by or on behalf of a Person in the United States unless:

(A) an exemption is available from the registration requirements of the 1933 Act and any applicable state securities laws; and

(B) the holder has furnished to the Issuer a legal opinion reasonably satisfactory to the Issuer to such effect;

(u) the Subscriber has received and fully read a copy of and, in connection therewith, has had access to all materials, books, records, documents and information relating to the Issuer and the Securities as the Subscriber has requested and the Subscriber acknowledges that the Subscriber has been offered an opportunity to ask questions and receive answers concerning the Issuer and its Securities, and that any request for such information has been complied with to the Subscriber's satisfaction;

(v) the Subscriber has no knowledge of a "material fact" or "material change" (as those terms are defined in the B.C. Act) in the affairs of the Issuer that has not been generally disclosed to the public, save knowledge of this particular transaction;

(w) the Subscriber's decision to purchase the Subscriber's Units has been based entirely upon currently available public information concerning the Issuer and the representations and warranties contained herein and not upon any verbal or written representation as to fact or otherwise made by or on behalf of the Issuer or any other person;

(x) the offer made by this subscription is irrevocable, subject to the satisfaction of the closing conditions set out in Section 6, and requires only acceptance by the Issuer and conditional approval of the Exchange;

(y) the Issuer will have the right to accept this subscription offer in whole or in part and the acceptance of this subscription offer will be conditional upon the sale of the Subscriber's Units to the Subscriber being exempt from the prospectus requirements of the relevant securities legislation;

(z) the Subscriber has the legal capacity and competence to enter into and execute this Agreement and to take all actions required pursuant hereto and, if the Subscriber is an individual, is of full age of majority, and if the Subscriber is a Person other than a natural person, is duly incorporated or formed and validly subsisting under the laws of its jurisdiction of incorporation or formation, and all necessary approvals by its directors, managers, members, shareholders and others have been given to authorize the execution of this Agreement on behalf of the Subscriber;

(aa) the entering into of this Agreement and the transactions contemplated hereby will not result in the violation of any of the terms or provisions of any law applicable to, or the constating documents of, the Subscriber or of any agreement, written or oral, to which the Subscriber may be a party or by which it is or may be bound;

(bb) this Agreement has been duly executed and delivered by the Subscriber and constitutes a legal, valid and binding obligation of the Subscriber enforceable against the Subscriber;

(cc) there is no Person, firm or company acting or purporting to act for the Subscriber entitled to any brokerage or finders fees in connection with this Agreement or any of the transactions contemplated herein;

(dd) the Subscriber has been independently advised as to the applicable hold periods imposed in respect of the Securities by applicable securities legislation and regulatory policies and confirms that no representations by the Issuer have been made respecting the hold periods applicable to the Securities, and is aware of the risks and other characteristics of the Securities and of the fact that the Subscriber may not be able to resell the Securities purchased by it except in accordance with the applicable securities legislation and regulatory policies and that the Securities will be subject to resale restrictions and will bear legends to this effect and the Subscriber is solely responsible (and the Issuer is not responsible) for compliance with applicable resale restrictions;

(ee) if required by applicable securities legislation, policy or order or by any securities commission, stock exchange or other regulatory authority, the Subscriber will execute, deliver, file and otherwise assist the Issuer in filing, such reports, undertakings and other documents with respect to the issue of the Securities as may be required;

(ff) the Subscriber has not purchased the Units as a result of any form of general solicitation or general advertising, including advertisements, articles, notices or other communication published in any newspaper, magazine or similar media or broadcast over radio, television or internet or any seminar or meeting whose attendees have been invited by general solicitation or general advertising;

(gg) the Subscriber has such knowledge in financial and business affairs as to be capable of evaluating the merits and risks of its investment and is able to bear the economic risk of loss of its investment;

(hh) the Subscriber's investment in the Securities is speculative and involves a high degree of risk, substantial financing for the Issuer may be required in the future, and there is no assurance that any such additional financing can be obtained, and the Subscriber hereby represents that the Subscriber is able to bear such risks;

(ii) the Subscriber is able to bear the economic risks of an investment in the Securities, including, without limiting the generality of the foregoing, the risk of losing part or all of the Subscriber's investment, and the inability to sell, convert, exchange or transfer the Securities for a lengthy period of time or at a price which would enable the Subscriber to recoup its investment in the Securities;

(jj) the Subscriber, if a corporation or other non-individual entity, has filed or will file with the Exchange a Form 4C, Corporate Placee Registration Form, and represents and warrants that there has been no change to any of the information in the Corporate Placee Registration Form filed with the Exchange up to the date of this Agreement, or will deliver a completed Form 4C, Corporate Placee Registration Form in the form attached hereto as Appendix I to the Issuer in accordance with Section 6.2 of this Agreement;

(kk) the Subscriber acknowledges that the Issuer may be required by law or otherwise to disclose to regulatory authorities the identity of the Subscriber and each beneficial purchaser for whom the Subscriber may be acting and authorize all such disclosure by the Issuer;

(ll) the funds representing the aggregate subscription price which will be advanced by the Agents to the Issuer on behalf of the Subscriber will not represent proceeds of crime for the purposes of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada) (the "PCMLTFA") or the United States Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (the "PATRIOT Act") and the Subscriber acknowledges that the Issuer may in the future be required by Law to disclose the Subscriber's name and other information relating to this Agreement and the Subscriber's subscription hereunder, on a confidential basis, pursuant to the PCMLTFA or the PATRIOT Act**.** To the best of its knowledge, (a) none of the subscription funds to be provided by the Subscriber (i) have been or will be derived from or related to any activity that is deemed criminal under the law of Canada, the United States, or any other jurisdiction, or (ii) are being tendered on behalf of a person or entity who has not been identified to the Subscriber, and (b) the Subscriber shall promptly notify the Issuer if the Subscriber discovers that any of such representations ceases to be true, and to provide the Issuer with appropriate information in connection therewith; and

(mm) the Subscriber agrees that the above representations, warranties, covenants and acknowledgements in this subsection will be true and correct both as of the execution of this Agreement and as of the Closing Date (as defined below).

4.2. The foregoing representations, warranties, covenants and acknowledgements are made by the Subscriber with the intent that they be relied upon by the Issuer and the Agents in determining its suitability as a purchaser of Units, and the Subscriber hereby agrees to indemnify each of the Issuer and the Agents against all losses, claims, costs, expenses and damages or liabilities which it may suffer or incur as a result of reliance thereon. The Subscriber undertakes to notify the Issuer and the Agents immediately of any change in any representation, warranty or other information relating to the Subscriber set forth herein which takes place prior to the Closing.

5. REPRESENTATIONS, WARRANTIES, COVENANTS AND ACKNOWLEDGEMENTS OF THE ISSUER

5.1. The Issuer hereby represents and warrants to, and covenants with, the Subscriber as follows and acknowledges that the Subscriber is relying on such representations and warranties in connection with the transactions contemplated herein:

(a) Each of the Issuer and its Subsidiaries has been duly incorporated, continued or amalgamated and is, and will be at the Closing Time (as defined below), a valid and subsisting corporation validly existing and in good standing under the laws of the jurisdiction in which it is incorporated, continued or amalgamated and has all requisite corporate capacity, power and authority to carry on business, as now conducted and as presently proposed to be conducted by it, and to own its properties and assets;

(b) the Issuer is a “reporting issuer” in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador and the Issuer is not in default of any of the material requirements of the applicable securities laws of those jurisdictions;

(c) the Issuer has all necessary corporate power, authority and capacity to enter into and carry out its obligations under this Agreement and all other agreements and instruments to be executed by the Subscriber as contemplated by this Agreement;

(d) the execution of this Agreement and the issue and sale of the Securities by the Issuer do not and will not conflict with, and do not and will not result in a breach of, any of the terms of the Issuer’s constating documents, any provision of Law or administrative order, award, judgment or decree applicable to the Issuer, or any agreement or instrument to which the Issuer is a party, or result in the cancellation, suspension or alteration in the terms of any licence, permit or authority held by the Issuer, including in respect of the Licensed IP, or result in the creation of any lien, charge, security interest or encumbrance upon any of the assets or property of the Issuer or give to others any interest or rights, including rights of purchase, termination, cancellation or acceleration, under any such agreement or instrument;

(e) this Agreement and the Registration Rights Agreement have been or will be by the Closing, duly authorized by all necessary corporate action on the part of the Issuer, duly executed and delivered by the Issuer, constitute legal, valid and binding agreements of the Issuer enforceable against the Issuer, and the Issuer has full corporate power and authority to undertake the Offering and the issuance of the Securities hereunder have been duly authorized by all necessary corporate action on the part of the Issuer;

(f) the Issuer is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court or Governmental Entity in order for it to execute, deliver or perform any of its obligations under this Agreement in accordance with the terms hereof, or to issue and sell the Securities in accordance with the terms hereof, other than such as have been made or obtained, and except for any filings required to be made under the Acts, United States federal or state securities laws, filings with the Financial Industry Regulatory Authority (FINRA) and any required filings or notifications regarding the issuance or listing of additional shares with the Exchange;

(g) the Issuer has or will within the required time, as the case may be, file with the Exchange or any other applicable securities agency, any documents, reports and information, in the required form, required to be filed by applicable securities laws in connection with this Offering, together with any applicable filing fees and other materials;

(h) no order ceasing or suspending trading in the securities of the Issuer nor prohibiting the sale of such securities has been issued to the Issuer or its directors, officers or promoters and to the Issuer's knowledge, no investigations or proceedings for such purposes are pending or threatened;

(i) the Issuer's only subsidiaries are the Subsidiaries, none of which are material to the Issuer. All of the issued and outstanding shares in the capital of the Subsidiaries have been duly authorized and validly issued, are fully paid and are directly or indirectly beneficially owned by the Issuer, free and clear of any Liens (as defined below); and none of the outstanding shares in the capital of the Subsidiaries were issued in violation of the pre-emptive or similar rights of any security holder of the respective Subsidiaries. There exist no options, warrants, purchase rights, or other contracts or commitments that could require the Issuer to sell, transfer or otherwise dispose of any capital stock of the Subsidiaries. As used herein, "Liens" means any encumbrance or title defect or imperfection of whatever kind or nature, regardless of form, whether or not registered or registrable and whether or not consensual or arising by Law, including any mortgage, lien, charge, pledge or security interest, whether fixed or floating, or any assignment, lease, option, right of pre-emption, privilege, encumbrance, easement, servitude, right of way, restrictive covenant, right of use, or any other right or claim of any kind or nature whatever which affects ownership or possession of, or title to, any interest in, or right to use or occupy such property or assets;

(j) the share capital of the Subsidiaries are as follows: Aurinia Pharmaceuticals, Inc.: authorized share capital of 10,000 shares of common stock with a par value of US$0.01, with 1,000 common shares issued and outstanding; Aurinia Pharma Corp.: authorized

share capital of an unlimited number of common shares, an unlimited number of preferred shares, and 1 Class A common share with 9,284,354 common shares, no preferred shares and no Class A common shares issued and outstanding; Aurinia Holdings Corp.: authorized share capital of an unlimited number of common shares with 100 common shares issued and outstanding; and Aurinia Development Corp.: authorized share capital of an unlimited number of common shares with 100 common shares issued and outstanding;

(k) the authorized capital of the Issuer consists of an unlimited number of common shares without par value of which 12,375,089 Common Shares are issued and outstanding as at the date hereof; all of the issued and outstanding Common Shares have been duly authorized and validly issued and are fully paid and non-assessable. Neither the Issuer nor its Subsidiaries are party to any agreement, nor is the Issuer aware of any agreement, which in any manner affects the voting control of any securities of the Issuer or the Subsidiaries;

(l) the Common Shares are listed and posted for trading on the Exchange and the Issuer is not in default of any of the material listing or filing requirements of the Exchange;

(m) neither the Issuer nor any of its Subsidiaries has or will have taken, as of the Closing Date, any action which would be reasonably expected to result in the delisting or suspension of the Common Shares of the Issuer on or from the Exchange;

(n) the Issuer will allot and reserve for issuance a sufficient number of common shares to fulfill its obligations pursuant to this Agreement, including the issuance of the Shares and the Warrant Shares upon exercise of the Warrants;

(o) the Shares and Warrants, upon issuance, will not be issued in violation of or subject to any pre-emptive rights or contractual rights to purchase securities issued by the Issuer;

(p) other than pursuant to the Registration Rights Agreement to be entered into with the Subscribers immediately prior to the Closing, the Issuer has not granted any registration rights (whether demand, piggyback or otherwise) to any Person;

(q) no person has any right, agreement or option, present or future, contingent or absolute, or any right capable of becoming a right, agreement or option, for the issue or allotment of any unissued shares of the Issuer or any other security convertible into or exchangeable for any such shares or to require the Issuer to purchase, redeem or otherwise acquire any of the issued and outstanding shares of the Issuer, except for the following: (i) 276,000 options to acquire common shares pursuant to the Issuer's stock option plan with a weighted average price of $5.04; and (ii) 2,318,810 warrants to acquire common shares with a weighted average price of $2.65;

(r) the Issuer is in compliance in all material respects with its timely disclosure obligations under applicable securities laws and, without limiting the generality of the foregoing, there has not occurred any event, change, fact, or state of being which would reasonably be expected to have a significant and adverse effect on the business, affairs, capital, operation, permits, assets, liabilities (absolute, accrued, contingent or otherwise) or condition (financial or otherwise) of the Issuer and the Subsidiaries considered on a consolidated basis (a "Material Adverse Effect") since December 31,

2012, which has not been publicly disclosed, and the information and statements in the Issuer's Public Disclosure Record (the "Securities Documents") were true and correct in all material respects as of the respective dates of such information and statements and at the time the Securities Documents were filed on SEDAR and do not contain any material misrepresentations, and no material facts have been omitted therefrom which would make such information materially misleading, and the Issuer has not filed any confidential material change reports since December 31, 2012 which remain confidential as at the date hereof;

(s) the Financial Statements: (i) present fairly, in all material respects, the financial position of the Issuer and Predecessor Aurinia, as applicable, on a consolidated basis, the statements of operations, retained earnings, cash flow from operations and changes in financial information of the Issuer on a consolidated basis for the periods specified in such Financial Statements; and (ii) have been prepared in conformity with Canadian generally accepted accounting principles (including International Financial Reporting Standards, as applicable) applied on a consistent basis throughout the periods involved;

(t) neither the Issuer, nor any of the Subsidiaries, has any liabilities, obligations, indebtedness or commitments, whether accrued, absolute, contingent or otherwise, which are not disclosed or referred to in the Financial Statements or referred to or disclosed herein, other than liabilities, obligations or indebtedness or commitments: (i) incurred in the normal course of business since the Balance Sheet Date, or (ii) which would not reasonably be expected to have a Material Adverse Effect;

(u) since the Balance Sheet Date, except as described or referred to in the Securities Documents and except for cash expenditures in the ordinary course of business, there has not been any change in the assets, business, properties, financial condition or results of operations of the Issuer that would reasonably be expected to have a Material Adverse Effect. Since the Balance Sheet Date, (i) there has not been any dividend or distribution of any kind declared, set aside for payment, paid or made by the Issuer on any class of capital stock, and (ii) the Issuer has not sustained any material loss or interference with the Issuer's business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labour disturbance or dispute or any action, order or decree of any court or arbitrator or governmental or regulatory authority;

(v) the auditors who reported on and certified the Financial Statements for the fiscal year ended December 31, 2012 are independent with respect to the Issuer and Predecessor Aurinia, as applicable, within the meaning of applicable securities laws and there has never been a "reportable event" (within the meaning of National Instrument 51-102) with the present auditors of the Issuer;

(w) the Issuer maintains a system of internal accounting controls sufficient to provide commercially reasonable assurance that: (a) transactions are executed in accordance with management's general or specific authorizations; (b) transactions are recorded, proceeds, summarized and reported as necessary to permit preparation of financial statements within the time periods specified by, and in conformity with International Financial Reporting Standards and in accordance with applicable securities laws and

to maintain asset accountability; (c) access to assets is permitted only in accordance with management's general or specific authorization; and (d) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences;

(x) each of the Issuer and the Subsidiaries is qualified to carry on business under the laws of each jurisdiction in which it carries on a material portion of its business and has conducted and is conducting its business in material compliance with all applicable laws of each jurisdiction in which its business is carried on and holds all Authorizations required in order to enable its business to be carried on as now conducted or as proposed to be conducted, and all such Authorizations are valid and subsisting and in good standing and neither the Issuer nor the Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Authorizations;

(y) each of the Issuer and its Subsidiaries has filed all federal, provincial, territorial, municipal, local and foreign Tax returns which are required to be filed, or have requested extensions thereof, and has paid all Taxes set forth therein and any other assessment, fine or penalty levied against it, to the extent that any of the foregoing is due and payable;

(z) there are no Liens for Taxes on the properties or assets of the Issuer, there are no audits of any of the Tax returns of the Issuer which are known by the Issuer to be pending, and there are no claims which have been or, to the knowledge of the Issuer, may be asserted relating to any such Tax returns;

(aa) the Issuer has established on its books and records reserves which are adequate for the payment of all Taxes not yet due and payable;

(bb) other than as set forth in the Financial Statements, no director, officer, employee or agent of the Issuer or any other insider of the Issuer, or, to the knowledge of the Issuer, any affiliate or associate of any of them is a party to any loan, contract, arrangement, or understanding or other transactions with the Issuer;

(cc) policies of insurance in force as at the date hereof naming the Issuer as an insured adequately cover all risks reasonably and prudently foreseeable in the operation and conduct of the business of the Issuer which, having regard to the nature of such risk and the relative costs of obtaining insurance, are customary in the case of entities engaged in the same or similar businesses to seek rather than to provide for self insurance, and the Issuer has no reason to believe that it will not be able to renew such policies as and when such policies expire or to obtain similar policies from similar insurers;

(dd) the Issuer has good and marketable title to the assets listed in the Financial Statements, free and clear of all Liens, except for as disclosed in the Financial Statements or incurred in the ordinary and usual course of business since December 31, 2012;

(ee) other than the Agents, there is no Person, firm or company acting or purporting to act for the Issuer entitled to any brokerage or finders fees in connection with this Agreement or any of the transactions contemplated herein;

(ff) the Issuer and/or its Subsidiaries possess all Intellectual Property, including Registered IP, necessary for the conduct of the business of the Issuer and its Subsidiaries as currently conducted by the Issuer and its Subsidiaries, other than the Licensed IP, except where the failure to so possess such Intellectual Property would not reasonably be expected to have a Material Adverse Effect. The Issuer and/or its Subsidiaries are licensed to use the Licensed IP without payment of any royalty or fee except as set out in the agreements referred to in the definition of Licensed IP in this Agreement, and neither the Issuer nor any Subsidiary has transferred, assigned, encumbered or granted any right, title or interest in the Licensed IP;

(gg) to the knowledge of the Issuer:

(i) none of the Issuer nor any Subsidiary has received notice from any Person of any claim or any intention to commence any legal proceedings with respect to infringement, adverse ownership, invalidity, misappropriation or misuse regarding any of the Registered IP, the Licensed IP and any other Intellectual Property used by the Issuer, or challenging the right of the Issuer or any Subsidiary to use the Registered IP, the Licensed IP or any other Intellectual Property used or exploited by the Issuer, or any of the products or services of the Issuer or the Subsidiaries;

(ii) none of the Issuer nor any Subsidiary has commenced or intends to commence any claim or legal proceeding challenging the Intellectual Property rights of any other Person;

(iii) none of the operation, conduct and maintenance of the businesses of the Issuer or the Subsidiaries as they are currently, and have historically been operated, conducted and maintained, nor the use by the Issuer or the Subsidiaries of the Registered IP, the Licensed IP and any other Intellectual Property used or exploited by the Issuer, misappropriates, infringes, misuses or violates any (a) registered Intellectual Property rights of any third party, or (b) any obligation of confidentiality to any other Person; and

(iv) there are no restrictions on the ability of the Issuer or any of the Subsidiaries to use and exploit all rights in the Registered IP, the Licensed IP any other Intellectual Property used and exploited by the Issuer and , except as set out in the agreements referred to in the definition of Licensed IP in this Agreement, and none of the rights of the Issuer in the Registered IP, the Licensed IP or any other Intellectual Property used or exploited by the Issuer, will be impaired or adversely affected in any way by the transactions contemplated by this Agreement;

(hh) to the knowledge of the Issuer, no current or former employee or independent contractor of the Issuer or any of the Subsidiaries is in violation of any term of any non-disclosure, proprietary rights or similar agreements between such employee or independent contractor and the Issuer or any of the Subsidiaries;

(ii) all of the "material contracts" (within the meaning of National Instrument 51-102) of the Issuer and the Subsidiaries (collectively the "**Material Contracts**") have been disclosed in the Public Disclosure Record. Neither the Issuer nor the Subsidiaries has received written notification from any party claiming that the Issuer or the Subsidiaries is currently in breach or default under any Material Contract;

(jj) the Issuer has good and marketable title to, or has valid rights to lease or otherwise use, all items of real and personal property that are material to the business of the Issuer free and clear of all Liens except those that (i) do not materially interfere with the use of such property by the Issuer or (ii) would not reasonably be expected to have a Material Adverse Effect;

(kk) there is no action, suit, proceeding, inquiry or investigation before or brought by any court of governmental agency, governmental instrumentality or body, domestic or foreign, now pending or, to the knowledge of the Issuer, threatened against or affecting the Issuer or its Subsidiaries or any of their directors or officers which is required to be disclosed in the Public Disclosure Record, and which if not so disclosed, or which if determined adversely, would have a Material Adverse Effect, or would materially and adversely affect the consummation of the transactions contemplated in this Agreement or the performance by the Issuer of its obligations hereunder;

(ll) there are no judgments against the Issuer or any of its Subsidiaries which are unsatisfied, nor to the knowledge of the Issuer are there any consent decrees or injunctions to which the Issuer or any of its Subsidiaries is subject;

(mm) no material labour dispute with the employees of the Issuer or the Subsidiaries currently exists or, to the knowledge of the Issuer, is imminent. Neither the Issuer nor any of the Subsidiaries is a party to any collective bargaining agreement and, to the knowledge of the Issuer, no action has been taken or is contemplated to organize any employees of the Issuer or the Subsidiaries;

(nn) neither the Issuer nor any of the Subsidiaries nor to the knowledge of the Issuer, any employee or agent of the Issuer or the Subsidiaries, has made any unlawful contribution or other payment to any official of, or candidate for, any Canadian or United States federal, state, provincial or municipal office or any similar office of any other country, or failed to disclose fully any contribution, in violation of any Law, or made any payment to any federal, provincial, state or municipal governmental officer or official, or other person charged with similar public or quasi-public duties, other than payments required or permitted by applicable Law;

(oo) the Issuer is not, and as a result of the sale of the Units contemplated hereby will not be, an “investment company” within the meaning of the United States Investment Company Act of 1940, as amended;

(pp) the Issuer is a “foreign issuer” (as such term is defined in Regulation S) and there is no “substantial U.S. market interest” (as such term is defined in Regulation S) in the Securities;

(qq) with respect to offers or sales of the Securities, neither the Issuer nor any of its affiliates, nor any person acting on its or their behalf (i) has made or will make any “directed selling efforts” (as such term is defined in Regulation S) in the United States, or (ii) has engaged in or will engage in any form of “general solicitation” or “general advertising” (as such terms are defined in Rule 502(c) under Regulation D of the 1933 Act) in the United States;

(rr) the Issuer is not required to file reports under Section 13(a) or Section 15(d) of the United States Securities Exchange Act of 1934, as amended;

(ss) the Issuer has not taken, nor will it take, directly or indirectly any action designed to stabilize or manipulate the price of its Common Shares or any security of the Issuer to facilitate the sale or resale of any of the Securities;

(tt) the Issuer has not, for a period of six months prior to the date hereof, sold, offered for sale or solicited any offer to buy any of its securities in a manner that would be integrated with the offer and sale of the Units and would cause the exemption from registration set forth in Rule 506 of Regulation D of the 1933 Act or Rule 903 of Regulation S to become unavailable with respect to the offer and sale of the Securities;

(uu) the Issuer will use its commercially reasonable best efforts to remain a "foreign issuer" (as such term is defined in Regulation S) for a period of two years from the Closing; provided, however, the foregoing shall not prohibit the Issuer from entering into one or more transactions which may result in the loss of the Issuer's foreign issuer status if the Issuer's board of directors (the "Board") reasonably determines that such transaction(s) is in the best interest of the Issuer and its shareholders;

(vv) other than securities issuable on exercise of previously issued convertible securities or securities issued under director and employee incentive plans, the Issuer will not issue any common shares or securities convertible into common shares for a period ending six months after the Closing Date;

(ww) the Issuer will use the proceeds from the Offering for general corporate purposes, including growth initiatives and capital expenditures;

(xx) the Issuer agrees that if, during the period ending three years from the Closing Date, the Issuer issues, pursuant to a private placement transaction, common shares or any other class or series of its share capital, or any security convertible into, exchangeable or exercisable for common shares or any other class or series of its share capital, the Issuer will offer to Subscribers who hold at least 66 2/3% of their Shares held on the Closing Date the right of first refusal to purchase up to its pro rata share of all or any part of the securities contemplated to be so issued on equivalent terms and conditions to any such proposal from the Issuer to issue such securities. The Issuer will give the Subscriber notice in writing of such private placement transaction on or prior to the date on which any such private placement transaction is announced, and in any event not less than ten Business Days before such private placement transaction is scheduled to close, together with the form of subscription agreement (if any) for such private placement transaction and any other documentation required to be completed by the Subscriber as a subscriber to such private placement transaction. In order to exercise the right of first refusal, the Subscriber must return the completed subscription agreement (if required) and related subscription documentation, together with certified funds for the aggregate subscription amount, to the Issuer not less than two Business Days before the scheduled closing date of the equity financing specified in the original notice (provided that, if the scheduled closing date is extended, the date

on which the Subscriber must deliver its documents and subscription funds shall be extended for the same period), failing which the right of first refusal in respect of that equity financing shall expire. If the Issuer has not issued any securities within 90 days from the date it has given notice to the Subscribers of the private placement transaction, the Issuer shall not thereafter proceed with such offering without providing the Subscribers with another opportunity to exercise their right of first refusal;

(yy) the Issuer will enter into the Registration Rights Agreement with the Subscribers;

(zz) for a period ending 12 months after the Closing Date, the Issuer and the Subsidiaries will not:

(i) make any expenditure or investment, or otherwise spend, in excess of 125% of the Issuer's budget entitled "Aurinia Budget and Cash Flow 2014-2016" dated January 10, 2014;

(ii) take any action that authorizes, creates or issues any class of securities having voting, dividend, liquidation or other preferences superior to or on a parity with the Shares;

(iii) amend the Issuer's articles or by-laws or enter into any indenture that adversely affects the rights of the Shares;

(iv) take any action that would result in the Issuer incurring or guaranteeing any form of additional debt not outstanding as of January 27, 2014, except commercial bank operating loans or lines of credit, in excess of $100,000 (or such other amount as may be agreed to between the Purchaser and the Issuer in writing);

(v) create any subsidiary, affiliate, or cause the issuance of any shares of any subsidiary to any Person other than to the Issuer; or

(vi) enter into any contract, arrangement or understanding to do any of the foregoing,

provided that the compliance with any of the covenants set out in this Section 5.1(zz) may be waived by a document in writing evidencing the unanimous approval of the board of directors of the Issuer, including the Minority Directors (as defined below).

5.2. Notwithstanding Section 5.1(zz), the representations, warranties and covenants contained in this Agreement and any certificate or document delivered pursuant to or in connection with this Agreement will survive the Closing and continue in full force and effect notwithstanding any subsequent disposition or exchange of the Securities (other than as provided herein) for a period of two years.

5.3. The foregoing representations, warranties, covenants and acknowledgements are made by the Issuer with the intent that they be relied upon by the Subscriber in determining the suitability of purchasing the Units, and the Issuer hereby agrees to indemnify the Subscriber against all losses, claims, costs, expenses and damages or liabilities which it may suffer or incur as a result of reliance thereon. The Issuer undertakes to notify the Subscriber immediately of any change in any representation, warranty or other information relating to the Issuer set forth herein which takes place prior to the Closing.

6. CLOSING

6.1. Delivery and sale of the Shares and Warrants comprising the Units and payment of the Subscription Proceeds will be completed (the "Closing") at the offices of the U.S. Agent's Canadian counsel, Blake, Cassels & Graydon LLP in Vancouver, British Columbia, at 11:00 a.m. (Pacific Standard Time) (the "Closing Time") on February 14, 2014 or such other place or date or time as the Issuer and the U.S. Agent may mutually agree (the "Closing Date"). If, on or prior to the Closing Time, the terms and conditions contained in this Agreement have been complied with to the satisfaction of the U.S. Agent, or waived by the U.S. Agent, the U.S. Agent shall cause the Escrow Agent to deliver to the Issuer payment of the Subscription Proceeds (less the Cash Commission and expenses of the U.S. Agent in accordance with the Letter Agreement between the U.S. Agent and the Issuer which shall be delivered to the U.S. Agent by the Escrow Agent at Closing) for all of the Units sold pursuant to the Agreements against delivery by the Issuer of the certificate(s) representing the Shares and Warrants comprising the Units, and such other documentation as may be required pursuant to this Agreement. If, prior to the Closing Time, the terms and conditions contained in this Agreement have not been complied with to the satisfaction of the U.S. Agent, or waived by it, the Agents, the Issuer and the Subscriber will have no further obligations under this Agreement.

6.2. Without limitation, this subscription and the transactions contemplated hereby are conditional upon and subject to:

(i) the Issuer receiving the Exchange's conditional approval of this subscription and the transactions contemplated hereby, including confirmation that no shareholder approval under Policy 4.1 of the Exchange is required;

(ii) the aggregate gross proceeds of the Offering being no less than USD$40,000,000, but no more than USD$52,000,001.14;

(iii) the Issuer preparing and filing all required filings and reports for the Offering under applicable securities laws;

(iv) the Subscribers having completed their due diligence review of the Issuer to their satisfaction;

(v) all representations and warranties of the Issuer in this Agreement being true and correct as of the Closing Date, and the Issuer having complied with all of its covenants in this Agreement to the extent such covenants are to be completed on or before the Closing Date;

(vi) there shall have been no material adverse change in the business of the Issuer prior to the Closing Date;

(vii) there shall not have occurred any event of national or international consequence or any other event, action, condition, law, governmental action of any nature whatsoever which, in the reasonable opinion of the Subscriber, could result in a Material Adverse Effect to the business, operations, assets or affairs of the Issuer; and

(viii) all other consents, approvals, exemptions and authorizations required to validly complete and implement the transactions contemplated in this Agreement shall have been received.

6.3. Upon execution of this Agreement, the Subscriber will deliver to the U.S. Agent, the Canadian Agent, or the Escrow Agent, as applicable:

(a) this subscription form, duly executed;

(b) payment by the Subscriber to the Escrow Agent of the aggregate subscription price for the Subscriber's Units in such manner as may be directed by the U.S. Agent or the Canadian Agent, as applicable, by wire transfer to the account specified in the Escrow Agreement;

(c) if the Subscriber or its Disclosed Principal, as the case may be, is not an individual, does not have a current accurate Form 4C on file with the TSX Venture Exchange and will hold more than 5% of the outstanding securities of the Issuer after the closing this Offering, a fully executed corporate placee registration form in the form set out in Appendix I, unless the Subscriber has previously filed such a form with the Exchange;

(d) a fully executed Certificate in the form set out in Appendix II;

(e) if the Subscriber is subject to the laws of the United States of America, a fully executed U.S. Supplementary Subscription Agreement in the form set out in Appendix III;

(f) if the Subscriber will hold greater than 10% of the outstanding common shares of the Issuer following the closing of the Offering, a personal information form in the form set out in Form 2A to the Exchange's corporate finance manual; and

(g) the Registration Rights Agreement, duly executed.

6.4. At Closing, the Issuer will deliver to the Subscriber the certificates representing the Shares and Warrants comprised in the Subscriber's Units registered in the name of the Subscriber or its nominee, as directed by the Subscriber on page 2 hereof, and the Registration Rights Agreement, duly executed.

6.5. At Closing, the Issuer will cause its legal counsel to deliver the opinions in the form set out as Appendix IV hereto, such opinions to be addressed to the Subscribers, as well as customary certificates of officers of the Issuer.

6.6. The Issuer acknowledges and agrees to reimburse venBio Select Fund, L.P. ("**venBio**"), the lead investor for the Offering, for all of the fees and expenses incurred by venBio (including any fees and expense of venBio's legal counsel and due diligence activities) in connection with the subscription for Units hereunder and any ancillary transactions or documentations, up to a maximum amount of $50,000 which shall be paid on the Closing Date.

7. POWER OF ATTORNEY

7.1. The Subscriber irrevocably authorizes the Canadian Agent (if such Subscriber is not a U.S. Subscriber) or the U.S. Agent (if such Subscriber is a U.S. Subscriber), in its discretion, to act as the Subscriber's representative at the Closing, and hereby appoints such Agent, with full power of substitution, as its true and lawful attorney with full power and authority in the Subscriber's place and stead:

(a) to accept delivery of the Shares and Warrants comprising the Units, to execute in the Subscriber's name and on its behalf all closing receipts and required documents, to complete and correct any errors or omissions in any form or document provided by the Subscriber, including this Agreement and the appendices hereto, in connection with the subscription for the Units;

(b) to approve any opinions, certificates or other documents addressed to the Subscriber in connection with the subscription for the Units; and

(c) to extend such time periods and to waive, in whole or in part, any representations, warranties, covenants or conditions for the Subscriber's benefit contained in this Agreement, and the Letter Agreement, or any ancillary or related document.

In addition, the Subscriber irrevocably authorizes the U.S. Agent, in its discretion, and hereby appoints such Agent, with full power of substitution, as its true and lawful attorney with full power and authority in the Subscriber's place and stead:

(a) to terminate, prior to Closing, this Agreement if any condition precedent is not satisfied, in such manner and on such terms and conditions as the U.S. Agent in its sole discretion may determine; and

(b) without limiting the generality of the foregoing, to negotiate, settle, execute, deliver and amend the Agreement and any ancillary documents in connection with the Private Placement.

The foregoing powers of attorney are irrevocable, are coupled with an interest and have been given for valuable consideration, the receipt and adequacy of which are acknowledged. Such powers of attorney and other rights and privileges granted under this Section 7.1 will survive any legal or mental incapacity, dissolution, bankruptcy or death of the Subscriber and extends to the heirs, executors, administrators, other legal representatives and successors, transferees and assigns of the Subscriber (as the case may be). Any person dealing with the Agents may conclusively presume and rely upon the fact that any document, instrument or agreement executed by an attorney acting pursuant to this Section 7.1 or any action taken by an attorney acting pursuant to this Section 7.1, is authorized and binding on the Subscriber, without further inquiry. The Subscriber agrees (on its own behalf and, if applicable, on behalf of any Disclosed Principal) to be bound by any representations or actions made or taken by any such attorney and waives any and all defences that may be available to contest, negate or disaffirm any action of any such attorney taken in good faith under the foregoing powers of attorney.

8. RESALE RESTRICTIONS

8.1. The Subscriber understands and acknowledges that the Shares and the Warrants comprising the Units and the Warrant Shares issuable on exercise of the Warrants will be subject to certain resale restrictions under the Acts and the Exchange's policies, and, if the Subscriber is a

U.S. Subscriber, United States securities laws, the terms of which will be endorsed on the certificates representing such Securities, and the Subscriber agrees to comply with such resale restrictions. The Subscriber also acknowledges that it has been advised to consult its own independent legal advisor with respect to the applicable resale restrictions and the Subscriber is solely responsible for complying with such restrictions and the Issuer is not in any manner responsible for ensuring compliance by the Subscriber with the applicable resale restrictions.

8.2. The Subscriber realizes that the Securities are not, and will not be, registered under the 1933 Act, and that the Issuer does not file periodic reports with the Securities and Exchange Commission pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended. The Subscriber understands and acknowledges that the Issuer has not covenanted to register the Securities under the 1933 Act and that absent registration or exemption therefrom, the Securities may not be offered for sale, sold or otherwise transferred or assigned, directly or indirectly, in the United States or to a U.S. Person.

9. BOARD COMPOSITION AND OPERATIONS

9.1. Each Subscriber acknowledges the following rights, which the Issuer has agreed to grant:

(a) For so long as venBio and its affiliates hold at least 66 2/3% of the Shares originally purchased by venBio in this Offering (not including any Shares to be issued upon the exercise of the Warrant Shares), venBio shall have the right to designate one (1) nominee for election to the Board in addition to having the right to vote for the directors elected by the shareholders of the Issuer**.** The Minority Director (as defined below) nominated by venBio shall be appointed to the Board immediately following the Closing, or if venBio has not delivered the name of such nominee to the Issuer prior to Closing, then as soon as practicable after such name has been delivered, in either case subject to the Issuer's articles and the ABCA governing increases to the number of directors of the Issuer and the residency and other requirements for directors.

(b) For so long as the Subscribers (excluding venBio and any insider of the Issuer at the time of this Offering) and their affiliates (the "**Minority Purchasers**") each hold at least 66 2/3% of the Shares originally purchased by the Minority Purchasers in this Offering (not including any Shares to be issued upon the exercise of the Warrants Shares), the Minority Purchasers, as a group, shall have the right to designate one (1) nominee for election to the Board, in addition to having the right to vote for the directors elected by the shareholders of the Issuer**.** The Minority Purchasers will determine their nominee based on their pro rata percentage holdings of the Issuer at the time of such nomination. The Minority Director nominated by the Minority Purchasers shall be appointed to the Board immediately following the Closing, or if the Minority Purchasers have not delivered the name of such nominee to the Issuer prior to Closing, then as soon as practicable after such name has been delivered, in either case subject to the Issuer's articles and the ABCA governing increases to the number of directors of the Issuer and the residency and other requirements for directors.

(c) The nominees of venBio and the Subscribers are referred to as the "**Minority Directors**"**.** The Issuer agrees to appoint such Minority Directors only if such

nominees meet the eligibility requirements for directors under applicable Law (including the rules and regulations of the Exchange and of the NASDAQ (if applicable) and provided that following such appointment the Issuer complies with the residency requirements for directors contained in the ABCA).

(d) In the event that, within 90 days following Closing, the size of the Board is not reduced to seven directors in total, including the Minority Directors, the Issuer agrees to issue to each Subscriber an additional 0.10 of a whole Warrant (the "Additional Warrants") (the final such issuance to be adjusted to equal an aggregate issuance of Additional Warrants of the maximum number of Additional Warrants) for each Subscriber's Unit they subscribed for, for each 90 day period between such deadline until the size of the Board is reduced to seven directors in total, including the Minority Directors, up to a maximum of 0.35 Additional Warrants per Unit. The Issuer will issue and deliver such Additional Warrants to each Subscriber in accordance with the registration instructions provided by the Subscriber in this Agreement for no additional consideration within 5 business days after the commencement of each applicable 90 day period.

(e) Subject to the requirements in Sections 9.1(a) and 9.1(b) as applicable, at any subsequent meeting of the shareholders of the Issuer at which the election of directors is a matter to be acted upon, venBio and the Subscribers, as a group, will each be granted the right to name one (1) nominee for election to the Board. The Minority Directors shall be nominated by the Issuer for election as part of the Issuer's nominations of directors in connection with any meeting of shareholders called for the purpose of electing directors and the Issuer shall recommend that the shareholders of the Issuer vote in favour of the Minority Directors.

9.2. The Issuer agrees and undertakes that, so long as venBio and its affiliates hold at least 66 2/3% of the Shares originally purchased by venBio in this Offering (not including any Shares to be issued upon the exercise of the Warrant Shares) and the Subscribers (including venBio and any insider of the Issuer at the time of this Offering) and their affiliates each hold at least 66 2/3% of the Shares originally purchased by such Subscribers in this Offering (not including any Shares to be issued upon the exercise of the Warrants Shares), a quorum of any Board meeting shall consist of a majority of the directors then in office, including the Minority Directors. The Minority Director nominated by venBio shall have the right, subject to applicable law (including the rules and policies of NASDAQ), to be appointed to the Audit Committee and Compensation Committee of the Issuer. In the event the Minority Director nominated by venBio is appointed to the Audit Committee or Compensation Committee of the Issuer, a quorum for a meeting of the applicable committee(s) shall be a majority of the directors on such committee, including the Minority Director nominated by venBio.

9.3. The Issuer agrees to not make any material decisions or changes with respect to compensation of its officers and employees until after the Closing Date and the Minority Directors have been appointed to the Board and, if the Minority Director nominated by venBio so elects, the Audit Committee and Compensation Committee of the Issuer.

9.4. In the event a Minority Director ceases to serve as a director of the Issuer, whether due to such Minority Director's death, disability, resignation or removal, the Issuer shall cause the Board to appoint a replacement Minority Director designated by either venBio or the Subscribers, as applicable, to fill the vacancy by such death, disability, resignation or removal.

9.5. The parties acknowledge and agree that the provisions of this Section 9 will continue in full force and effect notwithstanding any subsequent disposition or exchange of the Securities (other than as provided herein).

10. MISCELLANEOUS

10.1. The Subscriber (on its own behalf and, if applicable, on behalf of any person for whose benefit the Subscriber is subscribing) acknowledges and consents to the collection by the Issuer of the Subscriber's (and any beneficial purchaser's) personal information for the purpose of completing the Subscriber's subscription. The Subscriber (on its own behalf and, if applicable, on behalf of any person for whose benefit the Subscriber is subscribing) acknowledges and consents to the Issuer retaining the personal information for as long as permitted or required by applicable law or business practices. The Subscriber (on its own behalf and, if applicable, on behalf of any person for whose benefit the Subscriber is subscribing) further acknowledges and consents to the Issuer disclosing as required by applicable securities laws, stock exchange rules, and Investment Industry Regulatory Organization of Canada rules to regulatory authorities any personal information provided by the Subscriber respecting itself (and any beneficial purchaser). The Subscriber represents and warrants that it has the authority to provide the consents and acknowledgements set out in this paragraph on behalf of all beneficial purchasers. The Subscriber consents to the filing of any documents that may be required to be filed with any stock exchange or securities regulatory authority in connection with the Offering.

10.2. Each Subscriber and its joint actors (as defined below) shall be subject to the following restrictions on conversion and exercise set forth this section 10.2:

(a) no Warrant or other Convertible Securities acquired prior or pursuant to this Agreement (which, for greater certainty, includes any acquisition pursuant to section 5.1(xx)) will be convertible or exercisable by the Subscriber, if after giving effect to, and as a result of, such conversion or exercise, the Subscriber, together with any person acting jointly or in concert with the Subscriber within the meaning of the *Securities Act* (British Columbia) (a "**joint actor**", and collectively with the Subscriber, the "**Holders**") would beneficially own or exercise control or direction over Common Shares in excess of the Maximum Percentage (as defined below);

(b) for purposes of this section 10.2, the "**Maximum Percentage**" will be 9.98% of the issued and outstanding common shares; provided that, by written notice to the Issuer, a Holder may elect to decrease or increase the Maximum Percentage applicable to such Holder to any other percentage specified in such notice; provided further that any increase (but not decrease) will not be effective until the 61st day after such notice is delivered to the Issuer; and provided further that the Maximum Percentage will not exceed:

(i) 9.99% of the issued and outstanding common shares unless, to the extent the common shares are then listed and posted for trading on the Exchange or the Toronto Stock Exchange, the Holder has first provided:

A. the Exchange with a Personal Information Form ("**PIF**") pursuant to Section 7 of Policy 3.2 of the Exchange (or the equivalent provision in the Toronto Stock Exchange Company Manual, if applicable) and such PIF has been approved by the Exchange; and

B. a copy of the approval of the PIF by the Exchange to the Issuer; and

(ii) 19.99% of the issued and outstanding common shares, unless the Issuer, at the Issuer's sole cost and expense, has obtained approval of such increase from (A) the Exchange and (B) the holders of common shares in accordance with the applicable policies of the Exchange and the Issuer covenants and agrees to call and hold the meeting of shareholders related to such approval and to recommend to shareholders to vote in favour of such approval. The Holders and the Issuer agree that the Issuer shall be under no obligation to call and hold a special meeting of shareholders to solely address the approval of the Holder becoming a control person of the Issuer and may delay such approval until the holding of its annual meeting of shareholders;

(c) for purposes of this section 10.2, the issued and outstanding common shares will be calculated and "beneficial ownership" will be determined in accordance with the post-conversion beneficial ownership provision in National Instrument 55-104. In determining beneficial ownership, a Holder may rely on the number of issued and outstanding common shares as reflected in:

(i) the Issuer's most recent filing under Section 5.4 of National Instrument 51-102 or other public filing filed by the Issuer on SEDAR;

(ii) a more recent public announcement by the Issuer; or

(iii) a written confirmation to the Subscriber by the Issuer or the Issuer's transfer agent setting forth the number of common shares issued and outstanding.

Upon the written request of a Holder given for any reason and at any time, the Issuer will provide, or will cause its registrar and transfer agent to provide, within two Business Days of receipt of a written request from the Holder, confirmation in writing to the Holder the number of common shares then issued and outstanding;

(d) the Subscriber agrees that it will not transfer beneficial ownership of the unconverted Convertible Securities to another person (other than an affiliate) unless such person either (i) agrees for the benefit of the Issuer to be bound by the subject to the provisions of this section 10.2 or (ii) is already subject to restrictions on conversion, exercise and transfer substantially similar to those contained in this section 10.2;

(e) as long as this section 10.2 is in force and effect and subject to section 10.2(f), in no event will the Holders exercise votes attaching to the Shares purchased by or acquired by the Subscriber pursuant to this Agreement (which, for greater certainty, includes any purchase or acquisition pursuant to section 5.1(xx)) in excess of the votes attaching to 19.99% of the issued and outstanding common shares as of the record date for determining shareholders entitled to vote; and

(f) this section 10.2 will terminate and cease to be of any further force or effect if the Holder makes an election under subsection 10.2(b) and Exchange and shareholder approval are obtained by the Issuer in accordance with subsection 10.2(b)(ii).

10.3. The Subscriber is hereby notified that:

(a) the Issuer will deliver to the Ontario Securities Commission certain personal information pertaining to the Subscriber, including such Subscriber's full name, residential address and telephone number, the number of Units purchased by such Subscriber, the total purchase price paid for such Units, the prospectus exemption relied on by the Issuer and the date of distribution of the Units,

(b) such information is being collected indirectly by the Ontario Securities Commission under the authority granted to it in securities legislation,

(c) such information is being collected for the purposes of the administration and enforcement of the securities legislation of Ontario, and

(d) the Subscriber may contact the following public official in Ontario with respect to questions about the Ontario Securities Commission's indirect collection of such information at the following address and telephone number:

Administrative Assistant to the Director of Corporate Finance
Ontario Securities Commission
Suite 1903, Box 55, 20 Queen Street West
Toronto, Ontario M5H 3S8
Telephone: 416-593-8086

and the Subscriber authorizes the indirect collection of information by the Ontario Securities Commission.

10.4. This Agreement, which includes any interest granted or right arising under this Agreement, may not be assigned or transferred.

10.5. Except as expressly provided in this Agreement with respect to the Letter Agreement, and in the agreements, instruments and other documents contemplated or provided for herein, this Agreement contains the entire agreement between the Parties with respect to the Securities and there are no other terms, conditions, representations or warranties whether expressed, implied, oral or written, by statute, by common law, by the Issuer or by anyone else.

10.6. The Parties may amend this Agreement only in writing.

10.7. This Agreement enures to the benefit of and is binding upon the Parties and, as the case may be, their respective heirs, executors, administrators and, successors.

10.8. A Party will give all notices or other written communications to the other Party concerning this Agreement to the Agents and, if applicable, by hand or by registered mail addressed to such other Party's respective address which is noted on page 2 of this Agreement.

10.9. The Agreement, any amendment, addendum or supplement thereto, and all matters arising with respect thereto shall be governed by and construed in accordance with the internal laws of the Province of British Columbia, and the laws of Canada applicable therein, governing contracts made and to be performed wholly therein, and without reference to its principles governing the choice or conflict of laws. The parties hereto irrevocably attorn and submit to the exclusive jurisdiction of the courts of the Province of British Columbia, sitting in the City of Vancouver, with respect to any dispute related to or arising out of this Agreement.

10.10. This Agreement may be executed in counterparts, each of which when delivered will be deemed to be an original and all of which together will constitute one and the same document and the Issuer will be entitled to rely on delivery by facsimile machine or .pdf format of an executed copy of this subscription, and acceptance by the Issuer of such facsimile copy or .pdf file will be equally effective to create a valid and binding agreement between the Subscriber and the Issuer as if the Issuer had accepted the subscription originally executed by the Subscriber.

10.11. The obligations of each Subscriber under any document concerning the transactions contemplated hereby are several and not joint with the obligations of any other Subscriber, and no Subscriber shall be responsible in any way for the performance of the obligations of any other Subscriber under any transaction document, including this Agreement. Nothing contained herein or in any transaction document, and no action taken by any Subscriber pursuant thereto, shall be deemed to constitute the Subscribers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Subscribers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by any transaction document, including this Agreement. Each Subscriber shall be entitled to independently protect and enforce its rights, including without limitation, the rights arising out of this Agreement or out of the other transaction documents, and it shall not be necessary for any other Subscriber to be joined as an additional party in any proceeding for such purpose. Each Subscriber has been represented by its own separate legal counsel in their review and negotiation of the transaction documents. The Issuer has elected to provide all Subscribers with the same terms and transaction documents for the convenience of the Issuer and not because it was required or requested to do so by the Subscribers.

10.12. It is the express wish of the Subscriber that the Agreement and any related documentation be drawn up in English only**.** *Il est de la volonté expresse du souscripteur que la convention de souscription ainsi que tout document connexe soient rédigés en langue anglaise uniquement***.**

APPENDIX I

FORM 4C

CORPORATE PLACEE REGISTRATION FORM

This Form will remain on file with the Exchange and must be completed if required under section 4(b) of Part II of Form 4B. The corporation, trust, portfolio manager or other entity (the "Placee") need only file it on one time basis, and it will be referenced for all subsequent Private Placements in which it participates**.** If any of the information provided in this Form changes, the Placee must notify the Exchange prior to participating in further placements with Exchange listed Issuers**.** If as a result of the Private Placement, the Placee becomes an Insider of the Issuer, Insiders of the Placee are reminded that they must file a Personal Information Form (2A) or, if applicable, Declarations, with the Exchange**.**

1. Placee Information:

   (a) Name: _____

   (b) Complete Address: _____

   (c) Jurisdiction of Incorporation or Creation: _____

2. (a) Is the Placee purchasing securities as a portfolio manager: (Yes/No)? _____

   (b) Is the Placee carrying on business as a portfolio manager outside of Canada: (Yes/No)? _____

3. If the answer to 2(b) above was "Yes", the undersigned certifies that:

   (a) it is purchasing securities of an Issuer on behalf of managed accounts for which it is making the investment decision to purchase the securities and has full discretion to purchase or sell securities for such accounts without requiring the client's express consent to a transaction;

   (b) it carries on the business of managing the investment portfolios of clients through discretionary authority granted by those clients (a "portfolio manager" business) in [jurisdiction], and it is permitted by law to carry on a portfolio manager business in that jurisdiction;

   (c) it was not created solely or primarily for the purpose of purchasing securities of the Issuer;

   (d) the total asset value of the investment portfolios it manages on behalf of clients is not less than $20,000,000; and

   (e) it has no reasonable grounds to believe, that any of the directors, senior officers and other insiders of the Issuer, and the persons that carry on investor relations activities for the Issuer has a beneficial interest in any of the managed accounts for which it is purchasing.

4. If the answer to 2(a). above was "No", please provide the names and addresses of Control Persons of the Placee:

Name *	City	Province or State	Country

* If the Control Person is not an individual, provide the name of the individual that makes the investment decisions on behalf of the Control Person.

5. Acknowledgement – Personal Information and Securities Laws

(a) "Personal Information" means any information about an identifiable individual, and includes information contained in sections 1, 2 and 4, as applicable, of this Form.

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

(i) the disclosure of Personal Information by the undersigned to the Exchange (as defined in Appendix 6B) pursuant to this Form; and

(ii) the collection, use and disclosure of Personal Information by the Exchange for the purposes described in Appendix 6B or as otherwise identified by the Exchange, from time to time.

(b) The undersigned acknowledges that it is bound by the provisions of applicable Securities Law, including provisions concerning the filing of insider reports and reports of acquisitions.

Dated and certified (if applicable), acknowledged and agreed, at
on

(Name of Purchaser – please print)

(Authorized Signature)

(Official Capacity – please print)

(Please print name of individual whose signature appears above)

APPENDIX II

CERTIFICATE

TO: AURINIA PHARMACEUTICALS INC**.**

AND TO: LEERINK PARTNERS LLC

AND TO: CANACCORD GENUITY CORP**.**

AND TO: BORDEN LADNER GERVAIS LLP

In connection with the purchase by the undersigned purchaser (the "Subscriber") of units (the "Subscriber's Units") of Aurinia Pharmaceuticals Inc**.** (the "Issuer"), the Subscriber hereby represents, warrants, covenants and certifies that:

1. the Subscriber is purchasing the Subscriber's Units as principal for its own account;

2. the Subscriber is (please initial the appropriate line):

   (a) an "accredited investor" within the meaning of National Instrument 45-106, Prospectus and Registration Exemptions, by virtue of satisfying the indicated criterion as set out in Schedule A to this certificate (**YOU MUST ALSO INITIAL SCHEDULE A TO THIS CERTIFICATE**); or

   (b) purchasing Units with an aggregate value of not less than $150,000;

3. the above representations, warranties and covenants will be true and correct both as of the execution of this certificate and as of the closing time of the purchase and sale of the Subscriber's Units and will survive the completion of the issue of the Subscriber's Units; and

4. the foregoing representations, warranties and covenants are made by the undersigned with the intent that they be relied upon in determining the suitability of the undersigned as a purchaser of the Subscriber's Units and the undersigned undertakes to immediately notify the Issuer of any change in any statement or other information relating to the Subscriber set forth herein which takes place prior to the closing time of the purchase and sale of the Subscriber's Units.

Dated: _____, 2014**.**

_____
Print name of Subscriber

By: _____
Signature

_____
Title

_____
(please print name of individual whose signature appears above, if different from name of purchaser printed above)

IMPORTANT: PLEASE INITIAL THE APPLICABLE ITEM ON SCHEDULE A ATTACHED TO THIS CERTIFICATE.

Schedule A to Appendix II

Accredited Investor—(defined in National Instrument 45-106) means:

_____ (a) a Canadian financial institution, or a Schedule III Bank,

_____ (b) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada),

_____ (c) a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary,

_____ (d) a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer, other than a person registered solely as a limited market dealer under one or both of the Securities Act (Ontario) or the Securities Act (Newfoundland and Labrador),

_____ (e) an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (d),

_____ (f) the Government of Canada or jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada,

_____ (g) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec;

_____ (h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government,

_____ (i) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada,

_____ (j) an individual who, either alone or with a spouse, beneficially owns financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds $1,000,000,

_____ (k) an individual whose net income before taxes exceeded $200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a spouse exceeded $300,000 in each of the two most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year,

_____ (l) an individual who, either alone or with a spouse, has net assets of at least $5,000,000,

_____ (m) a person, other than an individual or investment fund, that has net assets of at least $5,000,000 as shown on its most recently prepared financial statements,

_____ (n) an investment fund that distributes or has distributed its securities only to

_____ (i) a person that is or was an accredited investor at the time of the distribution,

_____ (ii) a person that acquires or acquired securities in the circumstances referred to in sections 2.10 [Minimum amount investment], and 2.19 [Additional investment in investment funds], or

_____ (ii) a person described in paragraph (i) or (ii) that acquires or acquired securities under section 2.18 [Investment fund reinvestment],

_____ (o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Québec, the securities regulatory authority, has issued a receipt,

_____ (p) a trust company or trust corporation registered or authorized to carry on business under the Trust and Loan Companies Act (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be,

_____ (q) A person acting on behalf of a fully managed account managed by that person, if that person

_____ (i) is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction, and

_____ (ii) in Ontario, is purchasing a security that is not a security of an investment fund;

_____ (r) a registered charity under the Income Tax Act (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded,

_____ (s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) or paragraph (i) in form and function,

_____ (t) a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are accredited investors,

_____ (u) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser, or

_____ (v) a person that is recognized or designated by the securities regulatory or, except in Ontario or Quebec, the regulator as an accredited investor.

NOTE: The investor should initial beside the portion of the above definition applicable to it. For the purposes hereof:

(a) "*control person*" has the same meaning as in securities legislation except in Manitoba, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island and Québec, where control person means any person that holds or is one of a combination of persons that holds

(i) a sufficient number of any of the securities of an issuer so as to affect materially the control of the issuer, or

(ii) more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holding of those securities does not affect materially the control of that issuer;

(b) "*eligibility adviser*" means

(i) a person that is registered as an investment dealer or in an equivalent category of registration under the securities legislation of the jurisdiction of a purchaser and authorized to give advice with respect to the type of security being distributed, and

(ii) in Saskatchewan or Manitoba, also means a lawyer who is a practising member in good standing with a law society of a jurisdiction of Canada or a public accountant who is a member in good standing of an institute or association of chartered accountants, certified general accountants or certified management accountants in a jurisdiction of Canada provided that the lawyer or public accountant must not

(A) have a professional, business or personal relationship with the issuer, or any of its directors, executive officers, founders or control persons, and

(B) have acted for or been retained personally or otherwise as an employee, executive officer, director, associate or partner of a person or company that has acted for or been retained by the issuer or any of its directors, executive officers, founders or control persons within the previous 12 months;

(c) "*financial assets*" means;

(i) cash,

(ii) securities, or

(iii) a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purposes of securities legislation;

(d) "*founder*", means, in respect of an issuer, a person who,

(i) acting alone, in conjunction, or in concert with one or more persons, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of the issuer, and

(ii) at the time of the distribution or trade is actively involved in the business of the issuer;

(e) "*fully managed account*" means an account of a client for which a person makes the investment decisions if that person or company has full discretion to trade in securities for the account without requiring the client's express consent to a transaction;

(f) "*non-redeemable investment fund*" means an issuer,

(i) whose primary purpose is to invest money provided by its securityholders,

(ii) that does not invest,

(A) for the purpose of exercising or seeking to exercise control of an issuer, other than an issuer that is a mutual fund or a non-redeemable investment fund, or

(B) for the purpose of being actively involved in the management of any issuer in which it invest, other than an issuer that is a mutual fund or a non-redeemable investment fund, and

(iii) that is not a mutual fund,

(g) "*related liabilities*" means

(i) liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets, or

(ii) liabilities that are secured by financial assets.

All monetary references are in Canadian Dollars

APPENDIX III

U.S. SUPPLEMENTARY SUBSCRIPTION AGREEMENT FOR UNITS
(ACCREDITED INVESTORS)

AURINIA PHARMACEUTICALS INC.

Aurinia Pharmaceuticals Inc.
1203 – 4464 Markham Street
Victoria, British Columbia V8Z 7X8

Dear Sir/Madam:

1. Subscription. The Undersigned hereby irrevocably subscribes for and agrees to acquire units (the "Units") of common shares and warrants (collectively, "Securities") of Aurinia Pharmaceuticals Inc. (the "Company"), a Canadian corporation, all in the amount and in accordance with and subject to the terms and conditions as set forth below. This U.S. Supplementary Subscription Agreement is made in addition to that certain "Subscription Agreement" by and between the Company and the Undersigned, and in the event of any conflict the terms of this U.S. Supplementary Subscription Agreement shall, unless otherwise mandated by applicable laws, govern.

2. Representations and Warranties. The Undersigned hereby represents and warrants to the Company that:

(a) The Undersigned understands that the Company is relying upon the truthfulness and accuracy of the following representations of the Undersigned.

_____
Initial if True

(b) The Undersigned acknowledges that it has had the opportunity to access and review the Company's public Internet filings on the System for Electronic Document Analysis and Retrieval at www.sedar.com, and to consult with its legal and tax advisors with regard thereto.

_____
Initial if True

(c) The Securities subscribed for hereby are being and will be acquired by the Undersigned for investment purposes only, for the Undersigned's own account and not with the view to any public resale or distribution thereof.

_____
Initial if True

(d) The Undersigned acknowledges that the Undersigned has been offered the opportunity to ask questions and receive answers from management concerning the Company and its Securities, and that any request for such information has been complied with to the Undersigned's satisfaction.

_____
Initial if True

(e) The Undersigned has such knowledge and experience in financial and business matters that the Undersigned is capable of evaluating the merits and risks of purchasing the Securities, or the Undersigned has, together with the Undersigned's advisor(s), such knowledge and experience in financial and business matters that the Undersigned and such advisor(s) are capable of evaluating the merits and risks of this purchase, and the Undersigned is able to bear the economic risk of purchasing the Securities.

_____
Initial if True

(f) The Undersigned has adequate means of providing for the current needs of the Undersigned and possible contingencies, and the Undersigned has no need for liquidity with respect to the Securities.

_____
Initial if True

(g) The Undersigned understands that a purchase of the Securities involves certain significant elements of risk, and the Undersigned hereby represents that the Undersigned is able to bear such risks.

_____
Initial if True

(h) The Undersigned is authorized and otherwise duly qualified to acquire the Securities.

_____
Initial if True

(i) The Undersigned is a bona fide resident of the jurisdiction set forth below his/her signature to this U.S. Supplementary Subscription Agreement, and satisfies one or more of the categories of "accredited investor" (as that term is defined under Rule 501(a) as promulgated under Regulation D of the 1933 Act) as are indicated by the Undersigned's initials next to the appropriate category:

(please place your initials next to the appropriate category and "BP" next to the appropriate category for each beneficial purchaser, if any)

_____ Category 1. A bank, as defined in Section 3(a)(2) of the 1933 Act, whether acting in its individual or fiduciary capacity; or

_____ Category 2. A savings and loan association or other institution as defined in Section 3(a)(5)(A) of the 1933 Act, whether acting in its individual or fiduciary capacity; or

_____ Category 3. A broker or dealer registered pursuant to Section 15 of the United States Securities Exchange Act of 1934; or

_____ Category 4. An insurance company as defined in Section 2(13) of the 1933 Act; or

_____ Category 5. An investment company registered under the United States Investment Company Act of 1940; or

_____ Category 6. A business development company as defined in Section 2(a)(48) of the United States Investment Company Act of 1940; or

_____ Category 7. A Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301 (c) or (d) of the United States Small Business Investment Act of 1958; or

_____ Category 8. A plan established and maintained by a state, its political subdivisions or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, with total assets in excess of U.S. $5,000,000; or

_____ Category 9. an employee benefit plan within the meaning of Title I of the United States Employee Retirement Income Security Act of 1974, provided that the investment decision is made by a plan fiduciary, as defined in section 3(21) of such act, and the plan fiduciary is either a bank, savings and loan association, insurance company or registered investment adviser or provided that the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, the investment decisions are made solely by persons who are Accredited Investors (if a self-directed plan with more than one investment account, (1) each participant must maintain a separate investment account within the plan and (2) the funds of the separate investment accounts within the plan must not be commingled); or

_____ Category 10. A private business development company as defined in Section 202(a)(22) of the United States Investment Advisers Act of 1940; or

_____ Category 11. An organization described in Section 501(c)(3) of the United States Internal Revenue Code, a corporation, a Massachusetts or similar business trust, or a partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of U.S. $5,000,000; or

_____ Category 12. Any director, executive officer, or general partner of the Company, or any director, executive officer, or general partner of a general partner of that Company; or

_____ Category 13. A natural person whose individual net worth, or joint net worth with that person's spouse, at the date hereof exceeds U.S.$1,000,000; or

_____ Category 14. A natural person who had an individual income in excess of U.S.$200,000 in each of the two most recent years or joint income with that person's spouse in excess of U.S.$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year; or

_____ Category 15. A trust, with total assets in excess of U.S.$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) under the 1933 Act; or

_____ Category 16. Any entity in which all of the equity owners meet the requirements of at least one of the above categories.

For purposes of the above, "net worth" means the excess of total assets at fair market value (including personal and real property, but excluding the estimated fair market value of a person's primary home) over total liabilities**.** Total liabilities excludes any mortgage on the primary home in an amount of up to the home's estimated fair market value as long as the mortgage was incurred more than 60 days before the Securities are purchased, but includes (i) any mortgage amount in excess of the home's fair market value and (ii) any mortgage amount that was borrowed during the 60-day period before the closing date for the sale of Securities for the purpose of investing in the Securities**.**

(j) At no time was the Undersigned presented with or solicited by any leaflet, public promotional meeting, circular, newspaper or magazine article, radio or television advertisement, Internet communication or any other form of general advertising in connection with this offering.

_____
Initial if True

3. Restrictions on Transferability of Securities**.** The Undersigned realizes that the Securities are not, and will not be, registered under the U**.**S**.** Securities Act of 1933, as amended (the "Act") and the sale contemplated hereby is being made in reliance on SEC Rule 506**.** The Undersigned also understands that the Company has not agreed, and has no duty, to register the Securities for distribution in accordance with the provisions of the Act or any applicable U**.**S**.** state securities laws**.** Hence, the Undersigned understands and agrees that if it decides to offer, sell or otherwise transfer such Securities, they may be offered, sold or otherwise transferred only pursuant to applicable foreign laws and the terms of the following legend, which will be placed on all certificates evidencing Securities purchased pursuant to this U**.**S**.** Supplementary Subscription Agreement noted on the transfer records of the Company:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY ACQUIRING SUCH SECURITIES, AGREES FOR THE BENEFIT OF THE COMPANY THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE COMPANY; (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT; OR (C) WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY IN ACCORDANCE WITH ANY OTHER REGISTRATION EXEMPTION, EVIDENCED BY AN OPINION OF COUNSEL OF RECOGNIZED STANDING AND REASONABLY ACCEPTABLE TO THE COMPANY AND THE TRANSFER AGENT, AVAILABLE UNDER THE SECURITIES ACT AND APPLICABLE STATE LAWS. DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE "GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA OR ELSEWHERE.

EXCEPT AS TO CERTAIN AFFILIATES OF THE COMPANY, AND FOR SO LONG AS THE COMPANY REMAINS A "FOREIGN ISSUER" WITH NO "SUBSTANTIAL U.S. MARKET INTEREST" AS DEFINED IN SEC REGULATION S, A NEW CERTIFICATE BEARING NO LEGEND (OTHER THAN AS MAY BE REQUIRED BY APPLICABLE FOREIGN LAW) MAY BE OBTAINED FROM THE COMPANY'S TRANSFER AGENT UPON DELIVERY OF THIS CERTIFICATE AND A DULY EXECUTED DECLARATION, IN A FORM SATISFACTORY TO THE TRANSFER AGENT AND THE COMPANY, TO THE EFFECT THAT THE SALE OF THE SECURITIES REPRESENTED HEREBY IS BEING MADE IN COMPLIANCE WITH RULE 904 OF SEC REGULATION S UNDER THE SECURITIES ACT.

A duly executed declaration in the form attached to this U**.**S**.** Supplementary Subscription Agreement as "Schedule A" shall be deemed satisfactory for purposes of effecting Rule 904 resales of the Securities as described in the foregoing paragraph**.**

4. Applicable Law**.** This U**.**S**.** Supplementary Subscription Agreement, any amendment, addendum or supplement thereto, and all matters arising with respect thereto shall be governed by and construed in accordance with the internal laws of the Province of British Columbia, and the laws of Canada applicable therein, governing contracts made and to be performed wholly therein, and without reference to its principles governing the choice or conflict of laws**.**

5. Venue. The parties hereto irrevocably attorn and submit to the exclusive jurisdiction of the courts of the Province of British Columbia, sitting in the City of Vancouver, with respect to any dispute related to or arising out of this U.S. Supplementary Subscription Agreement.

IN WITNESS WHEREOF, the Undersigned has executed this U.S. Supplementary Subscription Agreement this day of , 2014.

Amount of Subscription: Units, for a total of USD$ (@ USD$2.7485 per Unit).

By: _____

_____
Name of Subscriber
(Please Print)

Signature of Authorized Signatory

_____
Name and Title of Authorized Signatory
(Please Print)

_____
Address of Subscriber

_____
U.S. Federal Tax I.D. Number of Subscriber

_____
City, State, Zip

ACCEPTED:

AURINIA PHARMACEUTICALS INC.

By _____ Date: _____
Its Authorized Officer

SCHEDULE A TO APPENDIX III

Declarations for Removal of U.S. Restrictive Legend

To: **Computershare Trust Company of Canada**, as registrar and transfer agent for the shares of Aurinia Pharmaceuticals Inc**.** (the "Company")**.**

The undersigned (A) acknowledges that the sale of shares of the Company, represented by certificate number , to which this declaration relates, has been made in reliance on Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the "1933 Act"), and (B) certifies that (1) the undersigned is not an "affiliate" (as defined in Rule 405 under the 1933 Act) of the Company; (2) the offer of such securities was not made to a "US Person" or to a person in the United States and either (a) at the time the buy order was originated, the buyer was outside the United States, or the seller and any person acting on its behalf reasonably believe that the buyer was outside the United States, or (b) the transaction was executed on or through the facilities of the TSX Venture Exchange, and neither the seller nor any person acting on its behalf knows that the transaction was prearranged with a buyer in the United States; and (3) neither the seller nor any person acting on its behalf engaged in any directed selling efforts in connection with the offer and sale of such securities**.** Terms used herein have the meanings given to them by Regulation S**.**

By: _____ Date: _____
Signature

Name (please print) _____

Affirmation by Seller's Broker-Dealer

We have read the foregoing representations of our customer, (the "Seller"), dated , with regard to our sale, for such Seller's account, of the shares, represented by certificate number (the "Shares"), of the Company described therein, and on behalf of ourselves we certify and affirm that (A) we have no knowledge that the transaction had been prearranged with a buyer in the United States, (B) the transaction was executed on or through the facilities of the TSX Venture Exchange and (C) neither we, nor any person acting on our behalf, engaged in any directed selling efforts in connection with the offer and sale of such securities**.** Terms used herein have the meanings given to them by Regulation S**.**

_____
Name of Firm

By: _____
Authorized officer

Date: _____

APPENDIX IV

FORM OF LEGAL OPINION

1. The Company is a valid and subsisting corporation under the laws of the Province of Alberta and has all requisite corporate power and authority to carry on its business as now conducted by it and to own its properties and assets.

2. The Company has all necessary corporate power and authority to execute and deliver the Subscription Agreement and the Warrant Certificates and to perform its respective obligations set out therein, and the Subscription Agreement and Warrant Certificates have been duly authorized by all necessary corporate action on the part of the Company and the Subscription Agreement and the Warrant Certificates have been duly executed and delivered by the Company, and constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their terms.

3. The execution and delivery by the Company of the Subscription Agreement and the Warrant Certificates and the performance of and compliance with the terms of the Subscription Agreement and the Warrant Certificates do not and will not result in a breach of, or constitute a default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or constitute a default under applicable securities laws or result in any breach of any term of provision of the certificate or articles or by-laws of the Company.

4. The authorized capital of the Company consists of an unlimited number of common shares of which [•] common shares are outstanding as at [date immediately prior to the Closing Date] prior to the issuance of the Units.

5. The Units have been duly authorized, and upon issuance and delivery against payment therefor in accordance with the terms of the Subscription Agreement, the Common Shares will be duly authorized and validly issued as fully paid and non-assessable common shares.

6. The Warrant Shares have been allotted and reserved for issuance and, upon proper exercise of the Warrants and receipt by the Company of full payment of the exercise price therefor in accordance with the terms of the Warrant Certificates, will be validly issued as fully paid and non-assessable common shares.

7. The TSX Venture Exchange (the "Exchange") has conditionally approved the listing of the Common Shares and Warrant Shares on the Exchange, subject only to the filing of the documents and payment of the applicable fees as set forth in the letter from the Exchange**.**

8. The offering, issue, sale and delivery of the Units by the Company to the Subscribers in accordance with the terms and conditions of the Subscription Agreement are exempt from the prospectus requirements of the applicable securities laws and no documents are required to be filed, no proceedings taken and no approvals, permits, consents, orders or authorizations obtained pursuant to the applicable securities laws to permit such offering, issuance, sale and delivery of the Units by the Company to the Subscribers, however the Company is required to file, as applicable within ten days from the date of each such issue and sale, reports of exempt distribution on a Form D prepared and executed in accordance with applicable securities laws and accompanied by the requisite filing fees and related documents, and reports of exemption distribution under applicable Canadian securities laws.

9. No filings, proceedings, approvals, consents or authorizations are required to be made, taken or obtained pursuant to applicable securities laws to permit the first trade of the Common Shares or

Warrant Shares through registrants registered under the applicable securities laws who comply with the applicable securities laws, provided that:

(a) the Company is and has been a "reporting issuer" (within the meaning of applicable securities laws) in a "jurisdiction of Canada (as defined in National Instrument 14-101 – Definitions ("NI 14-101")) for the four months immediately preceding the trade;

(b) at least four months have elapsed from the "distribution date" (as defined in section 1.1 of National Instrument 45-102 – Resale of Securities and Regulation 45-102 respecting resale of securities ("NI 45-102"));

(c) any certificates representing the Common Shares and, unless the Warrant Shares are issued at least four months after the "distribution date" of the Units, any certificates representing the Warrant Shares carry the legend prescribed by section 2.5(2)(3)(a) of NI 45-102;

(d) the trade is not a "control distribution" (as defined in section 1.1 of NI 45-102);

(e) no unusual effort is made to prepare the market or to create a demand for the Common Shares or Warrant Shares that are the subject of the trade (within the meaning of applicable securities laws);

(f) no extraordinary commission or consideration is paid to a person or company in respect of such trade (within the meaning of applicable securities laws); and

(g) if the selling security holder is an "insider" or "officer" of the Company (within the meaning of applicable securities laws), such selling security holder has no reasonable grounds to believe that the Company is in default of "securities legislation" (as defined in NI 14-101).

10. No prospectus is required nor are there any other documents required to be filed, proceedings taken or approvals, permits, consents or authorizations of regulatory authorities obtained under applicable securities laws to permit the issuance and delivery by the Company of the Warrant Shares, in accordance with the terms and conditions set out in the Warrant Certificates to holders of the Warrants.

11. The Company is a reporting issuer in British Columbia, Alberta and Ontario and is not noted in default or as having to provide disclosure or pay fees on any of the lists of defaulting issuers or list of reporting issuers maintained by the securities regulatory authorities governing such jurisdictions.

12. The offer and sale of the Units are exempt from the registration requirements of the 1933 Act.

13. The Company is not, and, after giving effect to the offering and sale of the Units, will not be required to register as an "investment company" under the Investment Company Act.

Exhibit 99.43

Isotechnika Pharma Inc.

NEWS RELEASE

ILJIN WITHDRAWS DAMAGES CLAIMS AGAINST ISOTECHNIKA

EDMONTON, Alberta, January 15, 2013—Isotechnika Pharma Inc. (TSX:ISA) ("Isotechnika" or the "Company") is pleased to announce that ILJIN Life Sciences Co. Ltd. ("ILJIN") has formally notified Isotechnika and the arbitral tribunal that ILJIN has withdrawn all claims for damages in the parties' pending arbitration arising from the Development, Distribution and License Agreement (the "DDL"). As previously reported, the DDL was declared to be in full force and effect after a Partial Award in the proceedings in November 2012.

Isotechnika's CEO, Dr. Robert Foster, said, "While we believed that our defences would prevail, we are pleased to have these claims formally withdrawn so that we can get on with the business of developing voclosporin."

About Isotechnika Pharma Inc.

Isotechnika Pharma Inc. is a biopharmaceutical company focused on the discovery and development of immunomodulating therapeutics designed to offer key safety advantages over currently available treatments. Its lead drug, voclosporin, is a calcineurin inhibitor, and is targeted at the estimated US$3.0 billion market for this class of immunosuppressants. Isotechnika Pharma Inc. trades on the Toronto Stock Exchange under the symbol "ISA". More information on Isotechnika Pharma can be found at www.isotechnika.com or www.sedar.com.

Forward-looking Statements

This press release contains forward-looking statements. The forward-looking statements may include, without limitation, statements regarding the JSC determination under the DDL, the ability of the Company to obtain future financing and the Company's ability to conduct clinical trials.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward looking statements. Such risks and uncertainties include, among others, the Company's belief as to the potential of its products and in particular voclosporin, its ability to protect its intellectual property rights, securing and maintaining corporate alliances and partnerships, the need to raise additional capital and the effect of capital market conditions and other factors on capital availability, the potential of its products, the success and timely completion of clinical studies and trials, and the Company's and its partners' ability to successfully obtain regulatory approvals and commercialize voclosporin on a timely basis. These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. For additional information on risks and uncertainties relating to these forward-looking statements, investors should consult the Company's ongoing quarterly filings, annual reports and the Annual Information Form and other filings found on SEDAR at www.sedar.com.

We seek Safe Harbour.

For Further Information:

Dr. Robert Foster
CEO
780-487-1600 (x247)
rfoster@isotechnika.com

Dr. Launa Aspeslet
Chief Operating Officer
780-487-1600 (x225)
laspeslet@isotechnika.com

Leonard Zehr
Managing Director
Kilmer Lucas Inc.
905-486-1158
leonard@kilmerlucas.com

Exhibit 99.44

Isotechnika Pharma Inc.

NEWS RELEASE

Isotechnika Merger with Aurinia to Create Leading Nephrology Company

EDMONTON, Alberta, February 5, 2013—Isotechnika Pharma Inc. (TSX:ISA) ("Isotechnika" or the "Company") and privately-held Aurinia Pharmaceuticals Inc. ("Aurinia") announced today the signing of a Binding Term Sheet ("Term Sheet") for the merger of the two companies, creating a premier clinical stage pharmaceutical company focused on the global nephrology market.

Aurinia is a spin-out from Vifor Pharma ("Vifor"), a company of the Switzerland-based Galenica Group ("Galenica"). In January 2012, Isotechnika announced that it had granted Vifor an exclusive license for the Company's lead drug, voclosporin, for the treatment of lupus and proteinuric nephrology indications. Aurinia's current leadership team is comprised primarily of former senior managers, Directors and Officers of Aspreva Pharmaceuticals ("Aspreva"), which Galenica acquired for C$915 million in 2008. While at Aspreva, this management team executed one of the largest and most important lupus nephritis studies ever conducted, called the Aspreva Lupus Management Study ("ALMS"), which resulted in the emergence of mycophenolate mofetil as a new standard treatment for patients suffering from this devasting and potentially fatal disease. Aurinia now holds certain rights to this large ALMS database and holds the license for voclosporin in lupus nephritis. Aurinia's lupus rights and database will be combined in the newly merged company with the transplantation and autoimmune rights, and the database held by Isotechnika.

The Term Sheet sets forth the main criteria to be incorporated into a definitive merger agreement under which Isotechnika will acquire 100% of the outstanding securities of Aurinia. The merger is expected to be effected by an exchange of Isotechnika shares for securities of Aurinia, resulting in a 60:40 post-merger ownership split between Isotechnika and Aurinia, respectively. In addition, Isotechnika and Aurinia have negotiated a tripartite settlement with ILJIN Life Science Co. Ltd. ("ILJIN") pursuant to which, upon the successful completion of the proposed merger, the combined company will re-acquire full rights to voclosporin for autoimmune indications including lupus, and transplantation in the United States, Europe and other regions of the world, outside of Canada, Israel, South Africa, China, Taiwan and Hong Kong. In return, ILJIN will be entitled to receive certain pre-defined future milestone payments in the aggregate amount of C$10 million, plus up to C$1.6 million upon the new company reaching certain financing milestones. ILJIN will own 25% of the issued and outstanding shares of the merged company.

The transaction is subject to certain closing conditions including, among others, the negotiation and completion of a merger agreement, acceptance and approval by the Toronto Stock Exchange (the "TSX"), the approval of Isotechnika's shareholders and Isotechnika securing a minimum of C$3 million in debt or equity financing satisfactory for it to fulfill its obligations as contemplated by the Term Sheet. The companies currently expect that a formal merger agreement will be negotiated and executed before March 15, 2013. The merged entity will adopt Aurinia Pharmaceuticals Inc. as its new corporate name.

Leading the combined company as Chief Executive Officer will be Dr. Robert Foster, who is the current President & CEO of Isotechnika. Michael Martin, Aurinia's current CEO, will serve as the new company's President and Chief Business Officer. The new company's Chief Financial Officer will be Dennis Bourgeault, who is currently CFO of Isotechnika. Neil Solomons MD, will be the new company's Chief Medical Officer. Together, these executives bring with them a wealth of industry, operational and business transformation experience.

The Board of Directors of the new company will be comprised primarily of members from both Isotechnika's and Aurinia's current Boards of Directors. Dr. Richard Glickman, who is a major Aurinia shareholder and was the co-founder, Chairman and Chief Executive Officer of Aspreva, prior to its acquisition by Galenica, will assume the Chairmanship of the new company's Board. Isotechnika's current Chairman, Dr. Peter Wijngaard, will serve as Vice-Chairman.

"While there have been a number of advances in the treatment of lupus nephritis, there is no question that significant unmet medical need remains," commented Dr. Solomons. "Aurinia has used and benefited from the ALMS dataset to develop and adequately power a new study in which voclosporin will be layered on top of standard of care in a multi-target approach to treating lupus nephritis. It is our belief that this combination has the potential to rapidly and significantly improve patient outcomes. To that end, we expect to launch this phase IIB study of voclosporin in lupus nephritis in 2013."

"The consolidation of the intellectual property of these two companies ensures that this significant market opportunity is well protected and provides a powerful platform to create true stakeholder value," added Dr. Glickman.

"This combination provides a solid foundation upon which to build a successful voclosporin franchise within the area of nephrology. It is designed to achieve better patient care and enhanced shareholder value over both the near- and long-term. In addition to the significant cost synergies provided by the merger, the Aurinia team brings a tremendous amount of expertise in lupus nephritis to the table," said Dr. Foster.

About Isotechnika Pharma Inc.

Isotechnika Pharma Inc. is a biopharmaceutical company focused on the discovery and development of immunomodulating therapeutics designed to offer key safety advantages over currently available treatments. Its lead drug, voclosporin, is a novel calcineurin inhibitor, and is targeted at the estimated US$3.0 billion market for this class of immunosuppressants. Isotechnika Pharma Inc. trades on the Toronto Stock Exchange under the symbol "ISA". More information on Isotechnika Pharma can be found at www.isotechnika.com or www.sedar.com.

Forward-looking Statements

This press release contains forward-looking statements. The forward-looking statements may include, without limitation, statements regarding the Company's proposed merger with Aurinia Pharmaceuticals Inc., the ability of the Company to obtain future financing and the Company's ability to conduct clinical trials.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward looking statements. Such risks and uncertainties include, among others, the ability to negotiate the

definitive merger agreement, receipt of shareholder and regulatory approval, the Company's belief as to the potential of its products and in particular voclosporin, its ability to protect its intellectual property rights, securing and maintaining corporate alliances and partnerships, the need to raise additional capital and the effect of capital market conditions and other factors on capital availability, the potential of its products, the success and timely completion of clinical studies and trials, and the Company's and its partners' ability to successfully obtain regulatory approvals and commercialize voclosporin on a timely basis. These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. For additional information on risks and uncertainties relating to these forward-looking statements, investors should consult the Company's ongoing quarterly filings, annual reports and the Annual Information Form and other filings found on SEDAR at www.sedar.com.

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For Further Information:

Dr. Robert Foster

President & CEO
Isotechnika Pharma Inc.
780-909-5041
rfoster@isotechnika.com

Mr. Michael Martin
CEO
Aurinia Pharmaceutical Inc.
250-415-9713
mmartin@auriniapharma.com

Stephen Kilmer
Kilmer Lucas Inc.
647-872-4849
stephen@kilmerlucas.com

Exhibit 99.45

Isotechnika Pharma Inc.

NEWS RELEASE

ISOTECHNIKA REPORTS FULL YEAR AND FOURTH QUARTER 2012 FINANCIAL RESULTS

Edmonton, Alberta—April 3, 2013 (ISA:TSX): Isotechnika Pharma Inc. (the "Company") has released its financial results for the year and quarter ended December 31, 2012.

Recent Developments

On February 5, 2013 the Company announced that it had signed a Binding Term Sheet with privately held Aurinia Pharmaceuticals Inc. ("Aurinia") for the merger of the two companies, creating a clinical development stage pharmaceutical company focused on the global nephrology market.

The Term Sheet sets forth the main criteria to be incorporated into a definitive merger agreement under which the Company will acquire 100% of the outstanding securities of Aurinia. The merger is expected to be effected by an exchange of Isotechnika shares for securities of Aurinia, resulting in a 65:35 post-merger ownership split between Isotechnika and Aurinia, respectively.

In addition, the Company and Aurinia have negotiated a tripartite settlement with ILJIN Life Science Co., Ltd. (ILJIN) pursuant to which, upon the successful completion of the proposed merger, the combined company will re-acquire full rights to voclosporin for autoimmune indications including lupus, and transplantation in the United States, Europe and other regions of the world, outside of Canada, Israel, South Africa, China, Taiwan and Hong Kong. In return, ILJIN will be entitled to receive certain pre-defined future milestone payments in the aggregate amount of $10 million, plus up to $1.6 million upon the new company reaching certain financing milestones. ILJIN will also own 25% of the issued and outstanding shares of the merged company.

The transaction is subject to certain closing conditions including, among others, the negotiation and completion of a merger agreement, acceptance and approval by the Toronto Stock Exchange, the approval of Isotechnika's shareholders and Isotechnika securing up to $3 million in debt or equity financing satisfactory for it to fulfill its obligations as contemplated by the Term Sheet.

The consolidation of the intellectual property through the merger and reaching a settlement agreement with ILJIN provides the combined entity with a much higher probability of being able to obtain the necessary funding to continue the development of voclosporin for the lupus indication. Further, the Company will be able to continue to explore strategic global partnership transactions for the transplant indication. Ideally, the Company would advance both transplantation and lupus nephritis to optimize shareholder value. A merged company, having both the lupus nephritis and renal transplantation indications under a single corporate umbrella would likely offer the most commercially attractive opportunity.

The Company is actively working to secure interim capital to facilitate the completion of the merger process.

Financial Results

For the fourth quarter ended December 31, 2012, the Company reported a consolidated net loss of $5.2 million or $0.03 per common share, as compared to a consolidated net loss of $6.53 million or $0.04 per common share for the same period in 2011. For the year ended December 31, 2012, the Company recorded a net consolidated loss of $9.7 million or $0.05 per common share, as compared to a consolidated net loss of $2.5 million or $0.01 per common share in 2011.

Revenue increased to $150,000 for the fourth quarter of 2012, compared to $110,000 for the same period in 2011. The Company recorded revenue of $6.1 million for the year ended December 31, 2012, as compared to $947,000 for the same period in 2011. The increase in revenue was primarily the result of recording the remaining deferred revenue of $4.4 related to the ILJIN upfront license payment as licensing revenue upon the Company terminating the Development, Distribution and License Agreement (DDLA) with ILJIN on January 30, 2012 due to ILJIN not paying the required $9 million funding installment. At that time the Company believed that the termination of the DDLA was valid. As a result the remaining deferred balance of $4.4 million was recorded as licensing revenue.

Subsequently, in March of 2012 ILJIN submitted a request for arbitration to the International Chamber of Commerce (ICC) Court of Arbitration related to the Company's termination of the DDLA. The Arbitration hearing to determine the Company's right to terminate the agreement was held in October of 2012. In November of 2012 the Company received notification from the ICC that a Partial Award regarding its right to terminate the DDLA with ILJIN has been issued to the parties. The Partial Award provided that the DDLA had not been terminated and therefore, the Company's contractual relationship with ILJIN still subsisted. Subsequently, in January of 2013, ILJIN formally notified the Company and the arbitral tribunal that ILJIN had withdrawn all claims for damages in the parties' pending arbitration. The Company also recorded $1.3 million of other revenue on the completion of a sale agreement with its partner, Lux Biosciences, Inc., for previously manufactured Active Pharmaceutical Ingredient in the first quarter of 2012.

Net research and development expenses increased to $3.3 million for the fourth quarter of 2012 compared to $917,000 in the same period in 2011. Net research and development expenses were $5.5 million for the year ended December 31, 2012, compared to $3.5 million for the year ended December 31, 2011. The increase reflected that the Company recording a reserve of $2.7 million in the fourth quarter of 2012 for the drug supply manufactured during the year due to uncertainty in determining its net realizable value. The cost of the reserve has been recorded in research and development expense as future use would likely be related to clinical trials for voclosporin.

Corporate and administration increased to $930,000 for the fourth quarter of 2012, compared to $755,000 for the fourth quarter of 2011. The Company incurred corporate and administration expenditures of $3.9 million for the year ended December 31, 2012, as compared with $2.8 million for the year ended December 31, 2011. Corporate and administration expenses increased primarily due to higher professional fees. The Company incurred these higher fees due to the legal fees and arbitration costs related to the Company's termination of the DDLA with ILJIN and the resulting arbitral process as described above, and consulting services related to the Company's pursuit of strategic alternatives.

Other expense (income) reflected a loss of $886,000 for the fourth quarter ended December 31, 2012 compared to loss of $4.7 million for the same period in 2011. Other expense (income) showed a loss of $5.6 million for the year ended December 31, 2012 compared to income of $4.0 million for the same period in 2011. The 2012 expense included a non-cash loss of $4.2 million on the ILJIN derivative financial instrument compared to a gain of $4.2 million on this instrument for the year ended December 31, 2011. The 2012 figure also included a provision for doubtful collection on the receivable of $1.3 million from its partner, Lux Biosciences Inc., as a result of Lux not meeting its primary endpoint in its Phase 3 uveitis clinical trial as previously announced by the Company in December of 2012.

The audited financial statements and the Management's Discussion and Analysis for the year ended December 31, 2012, are accessible on Isotechnika's Web site at www.isotechnika.comor on SEDAR at www.sedar.com.

We seek Safe Harbour.

For Further Information:

Dr. Robert Foster

President & CEO
Isotechnika Pharma Inc.
780-487-1600 (247)
780-484-4105 (fax)
rfoster@isotechnika.com

Mr. Dennis Bourgeault
Chief Financial Officer
Isotechnika Pharma Inc.
780-487-1600 (226)
780-484-4105 (fax)
dbourgeault@isotechnika.com

Exhibit 99.46

Isotechnika Pharma Inc.

NEWS RELEASE

Isotechnika Provides Merger Update and Announces Financings

EDMONTON, Alberta, April 17, 2013—Isotechnika Pharma Inc. (TSX:ISA) ("Isotechnika" or the "Company") and privately-held Aurinia Pharmaceuticals Inc. ("Aurinia") issued an update today with respect to the proposed merger of the two companies designed to create a premier clinical stage pharmaceutical company focused on the global nephrology market.

On February 5, 2012, Isotechnika announced the signing of a Binding Merger Termsheet whereby Isotechnika will acquire 100% of the outstanding securities of Aurinia. The merger between the two companies is expected to be effected by an exchange of Isotechnika shares for securities of Aurinia, resulting in a 65:35 post-merger ownership split between Isotechnika and Aurinia, respectively. In addition, Isotechnika and Aurinia have now executed a Definitive Tripartite Agreement with ILJIN Life Science Co. Ltd. ("ILJIN") pursuant to which, upon the successful completion of the proposed merger, the combined company will re-acquire full rights to voclosporin for autoimmune indications including lupus, and transplantation in the United States, Europe and other regions of the world, outside of Canada, Israel, South Africa, China, Taiwan and Hong Kong. Upon the proposed merger's completion, ILJIN will own 25% of the issued and outstanding shares of the merged company.

The merger transaction is subject to certain closing conditions including, among others,approval by the Toronto Stock Exchange (the "TSX") and the approval of Isotechnika's shareholders. Isotechnika currently expects to hold its annual and special meeting of shareholders to consider, among other things, its proposed merger with Aurinia, sometime before the end of the 2013 second quarter.

In order to help fund its operations in the immediate-term, Isotechnika has completed a private placement with Dr. Richard Glickman, who is a major Aurinia shareholder, and ILJIN consisting of the issuance of zero-coupon convertible notes in the aggregate principal amount of $400,000.

In addition, Isotechnika has entered into an agreement with Canaccord Genuity Corp. (the "Agent"), to sell, on a commercially reasonable efforts basis, up to 44,445,000 units of the Company (the "Units") at a price of $0.045 per Unit for total gross proceeds $2,000,025 (the "Offering"). Each Unit shall consist of one common share of the Company and one common share purchase warrant (each warrant, a "Warrant"). Each Warrant shall be exercisable into one common share of the Company for a period of 36 months from the date of closing at an exercise price of $0.05. The Warrants in this Offering may not be exercised until approval of the Isotechnika's shareholders has been obtained as required by the TSX. If such shareholder approval is not obtained before July 15, 2013, the Warrants in this Offering will automatically expire and be null and void.

Isotechnika has entered into another agreement with the Agent to sell, on a commercially reasonable efforts basis, up to 88,889,000 subscription receipts of the Company (the "Subscription Receipts") at a price of $0.045 per Subscription Receipt for total gross proceeds of up to $4,000,005 (the "Subscription Receipt Offering"). Each Subscription Receipt represents

the right to receive, without payment of additional consideration, one unit of the Company (the "Subscription Receipt Unit") which will be issuable upon approval by Isotechnika's shareholders (excluding any subscribers of the above Offering). Each Subscription Receipt Unit shall consist of one common share of the Company and one half of one common share purchase warrant (a whole warrant, a "Warrant"). Each Warrant shall be exercisable into one common share of the Company for a period of 36 months from the date of closing at an exercise price of $0.05. The Company has granted the Agent an option to offer up to an additional 22,223,000 Subscription Receipts for additional gross proceeds of up to $1,000,035, exercisable in whole or in part at any time up to 48 hours prior to the closing date of the Subscription Receipt Offering.

The Offering and the Subscription Receipt Offering are expected to close on or about May 16, 2013. The securities issued upon the closing of the private placements will be subject to a 4-month hold period. Proceeds from the private placements will be utilized for working capital. The private placements are subject to the acceptance of the TSX.

Subscription proceeds from the Subscription Receipt Offering will be held in escrow pending receipt of shareholder approval. If shareholder approval is not obtained for the Subscription Receipt Offering by July 15, 2013, the escrow agent will return to holders of the Subscription Receipts the gross proceeds and a pro rata share of the any interest other income earned thereon during the escrow period.

This press release does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the common shares, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. The common shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons," as such term is defined in Regulation S under the U.S. Securities Act, unless an exemption from such registration is available.

About Isotechnika Pharma Inc.

Isotechnika Pharma Inc. is a biopharmaceutical company focused on the discovery and development of immunomodulating therapeutics designed to offer key safety advantages over currently available treatments. Its lead drug, voclosporin, is a novel calcineurin inhibitor, and is targeted at the estimated US$3.0 billion market for this class of immunosuppressants. Isotechnika Pharma Inc. trades on the Toronto Stock Exchange under the symbol "ISA". More information on Isotechnika Pharma can be found at www.isotechnika.com or www.sedar.com.

About Aurinia

Aurinia is a spin-out from Vifor Pharma ("Vifor"), a company of the Switzerland-based Galenica Group ("Galenica"). In January 2012, Isotechnika announced that it had granted Vifor an exclusive license for the Company's lead drug, voclosporin, for the treatment of lupus and proteinuric nephrology indications. Aurinia's current leadership team is comprised primarily of former senior managers, Directors and Officers of Aspreva Pharmaceuticals ("Aspreva"), which Galenica acquired for C$915 million in 2008. While at Aspreva, this management team executed one of the largest and most important lupus nephritis studies ever conducted, called the Aspreva Lupus Management Study ("ALMS"), which resulted in the emergence of mycophenolate mofetil as a new standard treatment for patients suffering from this devastating and potentially fatal disease. Aurinia now holds certain rights to this large ALMS database and holds the license for voclosporin in lupus nephritis. Aurinia's lupus rights and database will be combined in the newly merged company with the transplantation and autoimmune rights, and the database held by Isotechnika.

Forward-looking Statements

This press release contains forward-looking statements. The forward-looking statements may include, without limitation, statements regarding the Company's proposed merger with Aurinia Pharmaceuticals Inc., the ability of the Company to obtain future financing and the Company's ability to conduct clinical trials.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward looking statements. Such risks and uncertainties include, among others, the ability to negotiate the definitive merger agreement, receipt of shareholder and regulatory approval, the Company's belief as to the potential of its products and in particular voclosporin, its ability to protect its intellectual property rights, securing and maintaining corporate alliances and partnerships, the need to raise additional capital and the effect of capital market conditions and other factors on capital availability, the potential of its products, the success and timely completion of clinical studies and trials, and the Company's and its partners' ability to successfully obtain regulatory approvals and commercialize voclosporin on a timely basis. These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. For additional information on risks and uncertainties relating to these forward-looking statements, investors should consult the Company's ongoing quarterly filings, annual reports and the Annual Information Form and other filings found on SEDAR at www.sedar.com.

We seek Safe Harbour.

For Further Information:

Dr. Robert Foster

President & CEO
Isotechnika Pharma Inc.
780-909-5041
rfoster@isotechnika.com

Mr. Michael Martin CEO
Aurinia Pharmaceutical Inc.
250-415-9713
mmartin@auriniapharma.com

Stephen Kilmer
Kilmer Lucas Inc.
647-872-4849
stephen@kilmerlucas.com

Exhibit 99.47

Isotechnika Pharma Inc.

NEWS RELEASE

ISOTECHNIKA REPORTS FIRST QUARTER 2013 FINANCIAL RESULTS

Edmonton, Alberta – May 15, 2013 (ISA:TSX): Isotechnika Pharma Inc. (the "Company") has released its financial results for the first quarter ended March 31, 2013.

Recent Developments

On February 5, 2013 the Company announced that it had signed a binding term sheet (the "Term Sheet") with privately held Aurinia Pharmaceuticals Inc. ("Aurinia") for the merger of the two companies, creating a clinical development stage pharmaceutical company focused on the global nephrology market.

The Term Sheet sets forth the main criteria to be incorporated into a definitive merger agreement under which the Company will acquire 100% of the outstanding securities of Aurinia. The merger is expected to be effected by an exchange of Isotechnika shares for securities of Aurinia, resulting in a 65:35 post-merger ownership split between Isotechnika and Aurinia, respectively.

In addition, the Company and Aurinia have negotiated a tripartite settlement with ILJIN Life Science Co., Ltd. ("ILJIN") pursuant to which, upon the successful completion of the proposed merger, the combined company will re-acquire full rights to voclosporin for autoimmune indications including lupus, and transplantation in the United States, Europe and other regions of the world, outside of Canada, Israel, South Africa, China, Taiwan and Hong Kong. In return, ILJIN will be entitled to receive certain pre-defined future milestone payments in the aggregate amount of $10 million, plus up to $1.6 million upon the combined company reaching certain financing milestones. ILJIN will also own approximately 25% of the issued and outstanding shares of the combined company.

The transaction is subject to certain closing conditions including, among others, the negotiation and completion of a merger agreement, acceptance and approval by the Toronto Stock Exchange and the approval of Isotechnika's shareholders.

The consolidation of the intellectual property through the merger and reaching a settlement agreement with ILJIN provides the combined company with a much higher probability of being able to obtain the necessary funding to continue the development of voclosporin for the lupus indication. Further, the combined company will be able to continue to explore strategic global partnership transactions for the transplant indication. Ideally, the company would advance both transplantation and lupus nephritis to optimize shareholder value. A combined company, having both the lupus nephritis and renal transplantation indications under a single corporate umbrella, would likely offer the most commercially attractive opportunity.

Subsequent to March 31, 2013, the Company entered into two agreements with Canaccord Genuity Corp (the "Agent"), pursuant to which the Agent would assist the Company in selling, on a commercially reasonable efforts basis, securities of the Company in two private placements.

The first private placement will consist of up to 44.4 million units of the Company at a price of $0.045 per unit, or approximately $2 million in gross proceeds. Each unit in the first private placement (the "Unit Offering") will consist of one common share of the Company (a "Share") and one warrant (each, a "Warrant"), with each whole Warrant being exercisable for one Share at a price of $0.05 for a period of up to 36 months from the date of issuance. Given the number of securities to be issued pursuant to the Unit Offering, the Warrants issuable in the Unit Offering will not be exercisable until shareholder approval for their issuance has been obtained. The second private placement (the "Subscription Receipt Offering")

will now consist of up to 22.2 million subscription receipts of the Company at a price of $0.045 per subscription receipt, or approximately $1 million in gross proceeds with each whole Warrant being exercisable for one Share at a price of $0.05 for a period of up to 36 months from the date of issuance. Each subscription receipt will entitle the holder thereof to one Share and one-half of a whole Warrant. The conditions for the conversion of the subscription receipts include receipt of shareholder approval and regulatory approval.

In order to help fund its operations in the immediate-term, the Company completed a private placement in April, 2013 with Dr. Richard Glickman, who is a major Aurinia shareholder and ILJIN consisting of the issuance of zero-coupon promissory notes in the aggregate principal amount of $400,000. The $400,000 is intended to be repaid in connection with the private placements. Dr. Glickman and ILJIN intend to subscribe for Units in the aggregate amount of $400,000.

Financial Results

For the first quarter ended March 31, 2013, the Company reported a consolidated net loss of $793,000 or $0.004 per common share, as compared to a consolidated net loss of $454,000 or $0.003 per common share for the same period in 2012.

Revenue decreased to $89,000 for the three months ended March 31, 2013, compared to $5.8 million for the three months ended March 31, 2012. The Company, in the first quarter of 2012, recorded license revenue of $4.4 million related to the Development, Distribution and License Agreement ("DDLA") with ILJIN Life Science Co., Ltd. ("ILJIN") which had previously been recorded as deferred revenue and also recorded $1.3 million of other revenue on the completion of a sale agreement with its partner, Lux Biosciences, Inc. for previously manufactured Active Pharmaceutical Ingredient.

Net research and development expenses decreased to $338,000 for the three months ended March 31, 2013, compared to $802,000 for the three months ended March 31, 2012. The Company had to reduce research and development costs, including wages and benefits to the extent possible due to its financial condition as the Company focused its efforts on financing activities and arranging the merger with Aurinia.

Corporate, administration and marketing expenses decreased to $498,000 for the first quarter of 2013, compared to $986,000 for the same period in 2012. Corporate and administration expenses decreased primarily due to lower professional and consulting fees, wages and benefits and travel expenses for the three months ended March 31, 2013 compared to the same period in 2012.

Other expense (income) reflected income (net) of $38,000 for the first quarter ended March 31, 2013 compared to expense of $4.2 million for the first quarter ended March 31, 2012. Other expense for the three months ended March 31, 2012 included a non-cash loss of $4.2 million on the ILJIN derivative financial instrument. There was no similar item for the three months ended March 31, 2013.

For further discussion of the Company's financial results for the three months ended March 31, 2013 the unaudited interim condensed consolidated financial statements and the Management's Discussion and Analysis are accessible on Isotechnika's Web site at www.isotechnika.com or at www.sedar.com.

Cautionary Note Regarding Forward-Looking Information

This press release may contain forward-looking information, within the meaning of applicable Canadian securities laws, including, but not limited to, statements with respect to the merger of the Company and Aurinia, the proposed business of the combined company, the combined company having a higher probability of being able to obtain necessary funding, the combined company being able to continue to explore strategic global partnership transactions, the combined company offering the most commercially attractive opportunity, the completion of the Unit Offering and the Subscription Receipt Offering and the gross proceeds therefrom and other information or statements about future events or conditions which may prove to be incorrect.

The forward-looking statements and information contained in this press release are based on certain factors and assumptions made by management of the Company including, but not limited to Aurinia, ILJIN and the Agent fulfilling their obligations in the various agreements the Company has entered into with them.

The forward-looking statements and information contained in this press release are subject to a number of significant risks and uncertainties that could cause actual results to differ materially from those anticipated including, but not limited to, risks relating to the transactions not proceeding for any reason, the Company not being able to obtain sufficient funding from the completion of one or both of the Unit Offering and Subscription Receipt Offering, the anticipated synergies between the Company and Aurinia not proceeding as expected, regulatory approval for the merger, the Unit Offering or the Subscription Receipt Offering not being obtained, and the impact of any occurring natural disasters and economic, business and market conditions.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements or information prove incorrect, actual results may vary materially from those described herein. Although the Company believes that the expectations reflected in such forward-looking statements and information are reasonable, undue reliance should not be placed on forward-looking statements or information because the Company can give no assurance that such expectations will prove to be correct.

These forward-looking statements and information are made as of the date of this press release, and the Company has no intention and assumes no obligation to update or revise any forward-looking statements or information to reflect new events or circumstances, except as required by applicable Canadian securities laws.

For More Information:

Dr. Robert Foster
President & CEO
Isotechnika Pharma Inc.
780-487-1600 (247)
780-484-4105 (fax)
rfoster@isotechnika.com

Mr. Dennis Bourgeault
Chief Financial Officer
Isotechnika Pharma Inc.
780-487-1600 (226)
780-484-4105 (fax)
dbourgeault@isotechnika.com

Isotechnika Pharma Inc.
Interim Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)
For the three month periods ended March 31, 2013 and 2012

(expressed in thousands of Canadian dollars, except per share amounts)

	March 31, 2013 $	March 31, 2012 $
Revenue		
Licensing revenue	59	4,450
Research and development revenue	28	28
Contract services	2	22
Other	—	1,300
	89	5,800
Expenses		
Research and development	338	802
Corporate and administration	498	986
Amortization of property and equipment	14	148
Amortization of intangible assets	69	65
Contract services	1	19
Other expense (income), net	(38)	4,234
	882	6,254
Net loss for the period	(793)	(454)
Other comprehensive income (loss)		
Net change in fair value of investment	(177)	—
Comprehensive loss for the period	(970)	(454)
Loss per share *(expressed in $ per share)*		
Basic and diluted net loss per common share	(0.004)	(0.003)

Exhibit 99.48

Isotechnika Pharma Inc.

NEWS RELEASE

ISOTECHNIKA PHARMA RECEIVES ADDITIONAL FUNDING FROM THE GOVERNMENT OF CANADA FOR THE PRECLINICAL DEVELOPMENT OF NICAM 440-02 AS AN ANTI-HEPATITIS C AGENT

Edmonton, Alberta—June 18, 2013: Isotechnika Pharma Inc. (TSX: ISA) ("Isotechnika" or the "Company") today announced that it has received additional funding from the National Research Council Industrial Research Assistance Program ("NRC-IRAP") for its Non-Immunosuppressive Cyclophilin Antagonist Molecules ("NICAMs") program.

NRC-IRAP continues to play an instrumental role in networking the NICAM program with key global partners and previously assisted Isotechnika in late-stage screening of several NICAM compounds, including evaluation of anti-hepatitis C virus ("HCV") activity.

These evaluations have also been funded by the U.S. National Institutes of Allergy and Infectious Disease ("NIAID"), a part of the U.S. National Institutes of Health ("NIH"), and have led to the identification of a lead NICAM compound—440-02—for development as an anti-HCV agent.

The current project will further define the scope of 440-02 activity by studying its actions on several HCV genotypes and in combination with other anti-viral agents. This work will be conducted by the Scripps Research Institute in the laboratory of Dr. Philippe Gallay, a renowned HCV and human immunodeficiency virus ("HIV) researcher focused on the interplay between cyclophilin and viruses.

"Despite improvements in treatment, HCV remains a significant unmet medical need as the current standard of care does not work for everyone and can produce problematic side effects, which at times may lead to the discontinuation of treatment. Cyclophilin inhibitors target host rather than viral protein, and, as a result, may complement the direct-acting antiviral drugs by increasing the barrier to viral resistance and broadening the genotype treatment profile," commented Isotechnika's President and CEO, Dr. Robert Foster. "We are excited to work with the Scripps Research Institute, and Dr. Gallay in particular, as we continue to advance preclinical development of those NICAMs with the best potential to expand orally administered HCV treatment options for a broader population of patients."

About Non-Immunosuppressive Cyclophilin Antagonist Molecules

NICAMs are an emerging novel class of multifunctional macrocycle drugs showing promise as antiviral, anti-inflammatory and cytoprotective agents. NICAMs inhibit cellular molecules called cyclophilins, and have garnered considerable attention as a novel treatment for a wide range of cyclophilin-mediated conditionscomprising viral, cardiac, neurological, and inflammatory diseases. This includes treatment of infectious diseases through the ability of NICAMs to inhibit viral replication.

About the NRC Industrial Research Assistance Program

NRC-IRAP is Canada's premier innovation assistance program for small- and medium-sized enterprises. It is a vital component of the NRC, a cornerstone in Canada's innovation system, regarded world-wide as one of the best programs of its kind.

About the National Institute of Allergy and Infectious Diseases

NIAID conducts and supports research—at NIH, throughout the United States and worldwide—to study the causes of infectious and immune-mediated diseases, and to develop better means of preventing, diagnosing and treating these illnesses. News releases, fact sheets and other NIAID-related materials are available on the NIAID Web site at http://www.niaid.nih.gov.

About the National Institutes of Health

The NIH, American's medical research agency, includes 27 institutes and centers and is a component of the U.S. Department of Health and Human Services. It is the primary U.S. federal agency for conducting and supporting basic, clinical and translational medical research, and it investigates the causes, treatments and cures for both common and rare diseases. For more information about NIH and its programs, visit http://www.nih.gov.

About Isotechnika Pharma Inc.

Isotechnika is a biopharmaceutical company focused on the discovery and development of immunomodulating therapeutics designed to offer key safety advantages over currently available treatments. Its lead drug, voclosporin, is a calcineurin inhibitor, and is targeted at the estimated US$3.0 billion market for this class of immunosuppressants. The U.S. Food and Drug Administration has cleared Investigational New Drug Applications to evaluate Isotechnika's voclosporin in renal transplantation (phase 3) and lupus nephritis (phase 2b). Isotechnika trades on the Toronto Stock Exchange under the symbol "ISA". More information on Isotechnika can be found at www.isotechnika.com or www.sedar.com.

We seek Safe Harbour.

For Further Information:

Dr. Robert Foster
President & CEO
780-487-1600 (x247)
rfoster@isotechnika.com

Dr. Daniel Trepanier
Director, New Drug Development
780-487-1600 (x236)
dtrepanier@isotechnika.com

Leonard Zehr
Managing Director
Kilmer Lucas Inc.
905-906-6908
leonard@kilmerlucas.com

Exhibit 99.49

Isotechnika Pharma Inc.

NEWS RELEASE

Isotechnika Provides Further Merger and Financings Update

Edmonton, Alberta, June 27, 2013—Isotechnika Pharma Inc. (TSX:ISA) ("Isotechnika" or the "Company") and privately-held Aurinia Pharmaceuticals Inc. ("Aurinia") issued a further update today with respect to the proposed merger of the two companies designed to create a premier clinical stage pharmaceutical company focused on the global nephrology market.

On February 5, 2013, Isotechnika announced the signing of a Binding Merger Termsheet whereby Isotechnika will acquire 100% of the outstanding securities of Aurinia. The merger between the two companies is expected to be effected by an exchange of Isotechnika shares for securities of Aurinia, resulting in a 65:35 post-merger ownership split between Isotechnika and Aurinia, respectively. In addition, Isotechnika and Aurinia executed a Definitive Tripartite Agreement with ILJIN Life Science Co. Ltd. ("ILJIN") pursuant to which, upon the successful completion of the proposed merger, the combined company will re-acquire full rights to voclosporin for autoimmune indications including lupus, and transplantation in the United States, Europe and other regions of the world, outside of Canada, Israel, South Africa, China, Taiwan and Hong Kong. Upon the proposed merger's completion, ILJIN will own approximately 25% of the issued and outstanding shares of the merged company.

Isotechnika currently expects to hold its annual and special meeting of shareholders to consider, among other things, its proposed merger, on Friday, July 26, 2013. All shareholders of record as of June 26, 2013, will be entitled to vote at the Meeting in person or by proxy. The proposed merger is subject to shareholder and regulatory, including TSX, approval.

Isotechnika also announced that it has closed the first tranche of its previously announced private placement offering (the "Offering") through the sale of 13,766,667 units of the Company (the "Units") at a price of $0.045 per Unit for total gross proceeds of $619,500. Each Unit consists of one common share of the Company and one common share purchase warrant (each warrant, a "Warrant"). Each Warrant is exercisable into one common share of the Company for a period of 60 months from the date of closing at an exercise price of $0.05. In addition, Dr. Richard Glickman and ILJIN have converted their zero-coupon convertible notes in the aggregate principal amount of $400,000, issued by the Company in April 2013 into an aggregate of 8,888,888 Units (the "Notes Conversion"). The Warrants in the Offering and the Notes Conversion may not be exercised until approval of Isotechnika's shareholders has been obtained as required by the TSX. If such shareholder approval is not obtained before September 15, 2013, the Warrants in the Offering and Notes Conversion will automatically expire and be null and void. Canaccord Genuity Corp. ("Canaccord") acted as Isotechnika's agent for the offering. For its services, Canaccord received a cash commission and was issued 963,666 broker warrants, each exercisable for one common share of Isotechnika at an exercise price of $0.045 for a period of 60 months from the date of closing.

This press release does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the common shares, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such

jurisdiction. The common shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons," as such term is defined in Regulation S under the U.S. Securities Act, unless an exemption from such registration is available.

About Isotechnika Pharma Inc.

Isotechnika Pharma Inc. is a biopharmaceutical company focused on the discovery and development of immunomodulating therapeutics designed to offer key safety advantages over currently available treatments. Its lead drug, voclosporin, is a novel calcineurin inhibitor, and is targeted at the estimated US$3.0 billion market for this class of immunosuppressants. Isotechnika Pharma Inc. trades on the Toronto Stock Exchange under the symbol "ISA". More information on Isotechnika Pharma can be found at www.isotechnika.com or www.sedar.com.

About Aurinia

Aurinia is a spin-out from Vifor Pharma ("Vifor"), a company of the Switzerland-based Galenica Group ("Galenica"). In January 2012, Isotechnika announced that it had granted Vifor an exclusive license for the Company's lead drug, voclosporin, for the treatment of lupus and proteinuric nephrology indications. Aurinia's current leadership team is comprised primarily of former senior managers, Directors and Officers of Aspreva Pharmaceuticals ("Aspreva"), which Galenica acquired for C$915 million in 2008. While at Aspreva, this management team executed one of the largest and most important lupus nephritis studies ever conducted, called the Aspreva Lupus Management Study ("ALMS"), which resulted in the emergence of mycophenolate mofetil as a new standard treatment for patients suffering from this devastating and potentially fatal disease. Aurinia now holds certain rights to this large ALMS database and holds the license for voclosporin in lupus nephritis. Aurinia's lupus rights and database will be combined in the newly merged company with the transplantation and autoimmune rights, and the database held by Isotechnika.

Forward-looking Statements

This press release contains forward-looking statements. The forward-looking statements may include, without limitation, statements regarding the Company's proposed merger with Aurinia Pharmaceuticals Inc., the timing of the Company's shareholder meeting, the ability of the Company to obtain future financing and the Company's ability to conduct clinical trials.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward looking statements. Such risks and uncertainties include, among others, the ability to negotiate the definitive merger agreement, receipt of shareholder and regulatory approval, the Company's belief as to the potential of its products and in particular voclosporin, its ability to protect its intellectual property rights, securing and maintaining corporate alliances and partnerships, the need to raise additional capital and the effect of capital market conditions and other factors on capital availability, the potential of its products, the success and timely completion of clinical studies and trials, and the Company's and its partners' ability to successfully obtain regulatory approvals and commercialize voclosporin on a timely basis. These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. For additional information on risks and uncertainties relating to these forward-looking statements, investors should consult the Company's ongoing quarterly filings, annual reports and the Annual Information Form and other filings found on SEDAR at www.sedar.com.

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For Further Information:

Dr. Robert Foster
President & CEO
Isotechnika Pharma Inc.
780-909-5041
rfoster@isotechnika.com

Mr. Michael Martin
CEO
Aurinia Pharmaceutical Inc.
250-415-9713
mmartin@auriniapharma.com

Stephen Kilmer
Kilmer Lucas Inc.
647-872-4849
stephen@kilmerlucas.com

Exhibit 99.50

Isotechnika Pharma Inc.

NEWS RELEASE

Isotechnika To Hold Annual and Special Meeting of Shareholders on August 15

EDMONTON, Alberta, July 25, 2013 – Isotechnika Pharma Inc. (TSX:ISA) ("Isotechnika" or the "Company") and privately-held Aurinia Pharmaceuticals Inc. ("Aurinia") issued a further update today with respect to the proposed merger of the two companies.

The merger between the two companies is expected to be effected by an exchange of Isotechnika shares for securities of Aurinia, resulting in a 65:35 post-merger ownership split between Isotechnika and Aurinia, respectively. In addition, Isotechnika and Aurinia executed a Definitive Tripartite Agreement with ILJIN Life Science Co. Ltd. ("ILJIN") pursuant to which, upon the successful completion of the proposed merger, the combined company will re-acquire full rights to voclosporin for autoimmune indications including lupus and transplantation in the United States, Europe and other regions of the world, outside of Canada, Israel, South Africa, China, Taiwan and Hong Kong. Upon the proposed merger's completion, ILJIN will own approximately 25% of the issued and outstanding shares of the merged company.

Each of the Boards of Directors of Isotechnika and Aurinia firmly supports the proposed merger, which is designed to create a premier clinical stage pharmaceutical company focused on the global nephrology market.

The annual and special meeting of shareholders (the "Meeting") to consider, among other things, the proposed merger will be held on at 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia on Thursday, August 15, 2013, at 2:00 p.m. (Pacific Time). The material for the Meeting, including the information circular and related documentation, has been mailed to shareholders. All shareholders of record as of June 26, 2013, will be entitled to vote at the Meeting in person or by proxy. The proposed merger is subject to shareholder and applicable regulatory approval.

About Isotechnika Pharma Inc.

Isotechnika Pharma Inc. is a biopharmaceutical company focused on the discovery and development of immunomodulating therapeutics designed to offer key safety advantages over currently available treatments. Its lead drug, voclosporin, is a novel calcineurin inhibitor, and is targeted at the estimated US$3.0 billion market for this class of immunosuppressants. Isotechnika Pharma Inc. trades on the Toronto Stock Exchange under the symbol "ISA". More information on Isotechnika Pharma can be found at www.isotechnika.com or www.sedar.com.

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Aurinia is a spin-out from Vifor Pharma ("Vifor"), a company of the Switzerland-based Galenica Group ("Galenica"). In January 2012, Isotechnika announced that it had granted Vifor an exclusive license for the Company's lead drug, voclosporin, for the treatment of lupus and proteinuric nephrology indications. Aurinia's current leadership team is comprised primarily of former senior managers, Directors and Officers of Aspreva Pharmaceuticals ("Aspreva"), which Galenica acquired for C$915 million in 2008. While at Aspreva, this management team

executed one of the largest and most important lupus nephritis studies ever conducted, called the Aspreva Lupus Management Study ("ALMS"), which resulted in the emergence of mycophenolate mofetil as a new standard treatment for patients suffering from this devastating and potentially fatal disease. Aurinia now holds certain rights to this large ALMS database and holds the license for voclosporin in lupus nephritis. Aurinia's lupus rights and database will be combined in the newly merged company with the transplantation and autoimmune rights, and the database held by Isotechnika.

Forward-looking Statements

This press release contains forward-looking statements. The forward-looking statements may include, without limitation, statements regarding the Company's proposed merger with Aurinia Pharmaceuticals Inc. and the timing of the Company's shareholder meeting, the ability of the Company to obtain future financing and the Company's ability to conduct clinical trials.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward looking statements. Such risks and uncertainties include, among others, the ability to negotiate the definitive merger agreement, receipt of shareholder and regulatory approval, the Company's belief as to the potential of its products and in particular voclosporin, its ability to protect its intellectual property rights, securing and maintaining corporate alliances and partnerships, the need to raise additional capital and the effect of capital market conditions and other factors on capital availability, the potential of its products, the success and timely completion of clinical studies and trials, and the Company's and its partners' ability to successfully obtain regulatory approvals and commercialize voclosporin on a timely basis. These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. For additional information on risks and uncertainties relating to these forward-looking statements, investors should consult the Company's ongoing quarterly filings, annual reports and the Annual Information Form and other filings found on SEDAR at www.sedar.com.

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For further information:

Dr. Robert Foster
President & CEO
Isotechnika Pharma Inc.
780-909-5041
rfoster@isotechnika.com

Mr. Michael Martin
CEO
Aurinia Pharmaceutical Inc.
250-415-9713
mmartin@auriniapharma.com

Stephen Kilmer
Kilmer Lucas Inc.
647-872-4849
stephen@kilmerlucas.com

Exhibit 99.51

Isotechnika Pharma Inc.

NEWS RELEASE

ISOTECHNIKA REPORTS SECOND QUARTER
2013 FINANCIAL RESULTS

Edmonton, Alberta – August 13, 2013 (ISA:TSX): Isotechnika Pharma Inc. (the "Company") has released its financial results for the second quarter ended June 30, 2013.

Recent Developments

On February 5, 2013 the Company announced that it had signed a binding term sheet (the "Term Sheet") with privately held Aurinia Pharmaceuticals Inc. ("Aurinia") for the merger of the two companies, creating a clinical development stage pharmaceutical company focused on the global nephrology market.

The Term Sheet sets forth the main criteria to be incorporated into a definitive merger agreement under which the Company will acquire 100% of the outstanding securities of Aurinia. The merger is expected to be effected by an exchange of Isotechnika shares for securities of Aurinia, resulting in a 65:35 post-merger ownership split between Isotechnika and Aurinia, respectively.

In addition, the Company and Aurinia have negotiated a tripartite settlement with ILJIN Life Science Co., Ltd. ("ILJIN") pursuant to which, upon the successful completion of the proposed merger, the combined company will re-acquire full rights to voclosporin for autoimmune indications including lupus, and transplantation in the United States, Europe and other regions of the world, outside of Canada, Israel, South Africa, China, Taiwan and Hong Kong. In return, ILJIN will be entitled to receive certain pre-defined future milestone payments in the aggregate amount of $10 million, plus up to $1.6 million upon the combined company reaching certain financing milestones. ILJIN will also own approximately 25% of the issued and outstanding shares of the combined company.

The transaction is subject to certain closing conditions including, among others, the completion of a merger agreement, acceptance and approval by the Toronto Stock Exchange (the "TSX"), and the approval of Isotechnika's shareholders at the Annual and Special Shareholders Meeting to be held on August 15, 2013.

The consolidation of the intellectual property through the merger and reaching a settlement agreement with ILJIN provides the combined company with a much higher probability of being able to obtain the necessary funding to continue the development of voclosporin for the lupus indication. Further, the combined company will be able to continue to explore strategic global partnership transactions for the transplant indication. Ideally, the company would advance both transplantation and lupus nephritis to optimize shareholder value. A combined company, having both the lupus nephritis and renal transplantation indications under a single corporate umbrella, would likely offer the most commercially attractive opportunity.

The Company, on June 26, 2013 closed the first tranche of a private placement, raising gross proceeds of $1.02 million by the issuance of 22,656,000 units at a price of $0.045 cents per unit. Each unit consisted of one common share and one non-transferable common share purchase warrant exercisable at $0.05 cents for a period of five years from the closing date. The issue of the warrants is subject to shareholder approval. In order to help fund its operations in the immediate-term, the Company received loans in April, 2013 from each of Dr. Richard Glickman, who is a major Aurinia shareholder, and ILJIN consisting of the issuance of zero-coupon promissory notes in the principal amount of $200,000. Dr. Glickman and ILJIN each subscribed for Units in the private placement in the amount of $200,000 each and the promissory notes were cancelled.

Financial Results

The Company reported a consolidated net loss of $993,000 or $0.005 per common share for the three months ended June 30, 2013, as compared to a consolidated net loss of $2.3 million or $0.013 per common share for the three months ended June 30, 2012. For the six months ended June 30, 2013, the consolidated net loss was $1.8 million or $0.009 per common share compared to a consolidated net loss of $2.8 million or $0.016 per common share for the comparable period in 2012.

Revenue decreased to $87,000 for the three months ended June 30, 2013, compared to $90,000 for the three months ended June 30, 2012. The Company recorded revenue of $176,000 for the six months ended June 30, 2013, as compared to $5.9 million for the same period in 2012. The Company, in the first quarter of 2012, recorded license revenue of $4.4 million related to the Development, Distribution and License Agreement ("DDLA") with ILJIN Life Science Co., Ltd. ("ILJIN") which had previously been recorded as deferred revenue and also recorded $1.3 million of other revenue on the completion of a sale agreement with its partner, Lux Biosciences, Inc. for previously manufactured Active Pharmaceutical Ingredient.

Research and development expenditures decreased to $452,000 in the second quarter of 2013, compared to $817,000 in the second quarter of 2012. The Company incurred net research and development expenditures of $790,000 for the six months ended June 30, 2013, as compared to $1.6 million for the same period in 2012. The decrease reflects reduced activity, including reduced salary costs, due to the Company's current limited financial resources.

Corporate and administration decreased to $503,000 for the second quarter of 2013, compared to $991,000 for the second quarter of 2012. The Company incurred corporate and administration expenditures of $1.0 million for the six months ended June 30, 2013, as compared with $2.0 million for the same period in fiscal 2012. Corporate and administration expenses decreased primarily due to lower professional and consulting fees. The Company had incurred higher fees due to consulting services related to strategic alternatives and legal fees related to the termination of the DDLA with ILJIN and the resulting arbitral process in 2012.

Other expense (income) reflected a loss of $43,000 for the second quarter ended June 30, 2013 compared with a loss of $400,000 for the same period in 2012. Other expense (income) reflected a loss of $5,000 for the six months ended June 30, 2013 compared to an expense of $4.6 million for the same period in 2012. Other expense for the six months ended June 30, 2012 included a non-cash loss of $4.2 million on the ILJIN derivative financial instrument. There was no similar item in 2013.

For further discussion of the Company's financial results for the three months ended June 30, 2013 the unaudited interim condensed consolidated financial statements and the Management's Discussion and Analysis are accessible on Isotechnika's website at www.isotechnika.com or at www.sedar.com.

Cautionary Note Regarding Forward-Looking Information

This press release may contain forward-looking information, within the meaning of applicable Canadian securities laws, including, but not limited to, statements with respect to the merger of the Company and Aurinia, the proposed business of the combined company, the combined company having a higher probability of being able to obtain necessary funding, the combined company being able to continue to explore strategic global partnership transactions, the combined company offering the most commercially attractive opportunity, the completion of the Unit Offering and the gross proceeds therefrom and other information or statements about future events or conditions which may prove to be incorrect.

The forward-looking statements and information contained in this press release are based on certain factors and assumptions made by management of the Company including, but not limited to Aurinia, ILJIN and the Agent fulfilling their obligations in the various agreements the Company has entered into with them.

The forward-looking statements and information contained in this press release are subject to a number of significant risks and uncertainties that could cause actual results to differ materially from those anticipated including, but not limited to, risks relating to the transactions not proceeding for any reason, the Company not being able to obtain sufficient funding from the completion of the Unit Offering, the anticipated synergies between the Company and Aurinia not proceeding as expected, regulatory approval for the merger, and the impact of any occurring natural disasters and economic, business and market conditions.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements or information prove incorrect, actual results may vary materially from those described herein. Although the Company believes that the expectations reflected in such forward-looking statements and information are reasonable, undue reliance should not be placed on forward-looking statements or information because the Company can give no assurance that such expectations will prove to be correct.

These forward-looking statements and information are made as of the date of this press release, and the Company has no intention and assumes no obligation to update or revise any forward-looking statements or information to reflect new events or circumstances, except as required by applicable Canadian securities laws.

For More Information:

Dr. Robert Foster
President & CEO
Isotechnika Pharma Inc.
780-487-1600 (247)
780-484-4105 (fax)
rfoster@isotechnika.com

Mr. Dennis Bourgeault
Chief Financial Officer
Isotechnika Pharma Inc.
780-487-1600 (226)
780-484-4105 (fax)
dbourgeault@isotechnika.com

Isotechnika Pharma Inc.
Interim Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)
For the three and six month periods ended June 30, 2013 and 2012

(expressed in thousands of Canadian dollars, except per share amounts)

	Three months ended		Six months ended	
	June 30, 2013 $	June 30, 2012 $	June 30, 2013 $	June 30, 2012 $
Revenue				
Licensing revenue	60	48	119	4,498
Research and development revenue	27	27	55	55
Contract services	—	15	2	37
Other	—	—	—	1,300
	87	90	176	5,890
Expenses				
Research and development	452	817	790	1,619
Corporate and administration	503	991	1,001	1,977
Amortization of property and equipment	13	147	27	295
Amortization of intangible assets	69	67	138	132
Contract services	—	11	1	30
Other expense (income)	43	400	5	4,634
	1,080	2,433	1,962	8,687
Net loss for the period	(993)	(2,343)	(1,786)	(2,797)
Other comprehensive income (loss)				
Net change in fair value on Investment	(47)	—	(224)	—
Comprehensive loss for the period	(1,040)	(2,343)	(2,010)	(2,797)
Loss per share *(expressed in $ per share)*				
Basic and diluted net loss per common share	(0.005)	(0.013)	(0.009)	(0.016)

Exhibit 99.52

Isotechnika Pharma Inc.

NEWS RELEASE

Isotechnika Shareholders Approve Merger with Aurinia at Annual and Special Meeting

EDMONTON, Alberta, August 16, 2013—Isotechnika Pharma Inc. (TSX:ISA) ("Isotechnika" or the "Company") announced that at its Annual and Special Meeting of Shareholders held on August 15, 2013 in Vancouver, British Columbia (the "Meeting"), shareholders approved the issuance of Isotechnika shares to be issued in connection with the proposed plan of arrangement (the "Arrangement") pursuant to which, among other things, the Company will merge with privately-held Aurinia Pharmaceuticals Inc. (the "Merger Transaction").

At the Meeting, shareholders also approved a number of other matters. These included the election of directors of the Company, the results of which were as follows:

Director	Votes in Favour	Votes Withheld
Peter Wijngaard	110,605,760 (99.65%)	383,250 (0.35%)
Robert T. Foster	110,366,119 (99.44%)	622,891 (0.56%)
Donald W. Wyatt	102,469,324 (92.32%)	8,519,686 (7.68%)
Prakash Gowd	110,442,760 (99.51%)	546,250 (0.49%)

Shareholders also increased the size of the board of directors to seven and elected directors, each conditional on the closing of the Merger Transaction. Detailed results of the vote for the election of directors following the closing of the Merger Transaction are set out below.

Director	Votes in Favour	Votes Withheld
Peter Wijngaard	110,071,260 (99.17%)	917,750 (0.83%)
Robert T. Foster	109,840,019 (98.96%)	1,148,991 (1.04%)
Donald W. Wyatt	101,765,704 (91.69%)	9,223,306 (8.31%)
Daniel Park	67,941,502 (61.21%)	43,047,508 (38.79%)
Richard Glickman	107,299,337 (96.68%)	3,689,673 (3.32%)
Michael Martin	110,135,160 (99.23%)	853,850 (0.77%)
Chris Kim	99,957,179 (90.06%)	11,031,831 (9.94%)

The Merger Transaction is expected to be effected by an exchange of Isotechnika shares for securities of Aurinia, resulting in a 65:35 post-merger ownership split between the shareholders of Isotechnika and Aurinia, respectively. In addition, Isotechnika and Aurinia have executed a Definitive Tripartite Agreement with ILJIN Life Science Co. Ltd. ("ILJIN") pursuant to which, upon the successful completion of the Merger Transaction, the combined company will re-acquire full rights to voclosporin for autoimmune indications including lupus and transplantation in the United States, Europe and other regions of the world, outside of Canada, Israel, South Africa, China, Taiwan and Hong Kong. Upon the closing of the Merger Transaction, ILJIN will own approximately 25% of the issued and outstanding shares of the merged company.

The Toronto Stock Exchange has notified the Company that it considers the Merger Transaction to be a “backdoor listing” and that it anticipates de-listing the Company’s shares at some time following the completion of the Merger Transaction. The Company is actively seeking a listing of its common shares on the TSX Venture Exchange, and the Company intends to maintain a constant listing for the common shares without a period where the common shares are not listed on an exchange.

Shareholders also approved the issuance of the warrants, and the shares issuable upon due exercise of such warrants, in connection with the private placement of units that closed on June 26, 2013. Each such warrant is exercisable for one common share at a price of $0.05 for a period of five years from the date of issuance. 22,655,555 warrants were issued by the Company on June 26, 2013.

Shareholders also approved the Company’s proposed private placement of up to 133,333,332 units, comprised of one common share and one half of a full warrant, at a price of $0.045 per unit for gross proceeds of up to approximately $6,000,000 (the “Second Offering”). Each whole warrant issuable in the Second Offering is exercisable to acquire a common share of the Company for $0.05 for a period of three years from the date of issuance. The Company intends to proceed with obtaining subscriptions for this private placement promptly following the closing of the Merger Transaction.

Shareholders also approved amendments to the Company’s constating documents, including a proposed change of the Company’s name from “Isotechnika Pharma Inc.” to “Aurinia Pharmaceuticals Inc.” and the adoption of an advance notice policy. The Company intends to give effect to its change of name as soon as possible following the closing of the Merger Transaction and the Second Offering. The Company intends to coordinate the timing of this name change with a 50:1 share consolidation, which was also approved by shareholders at the Meeting. The exact number of shares to be outstanding at the time of the share consolidation is not determinable at this time, as the number of securities issuable in the Second Offering is not a set number. Accordingly, it is not possible to disclose the number of shares that will be outstanding following the share consolidation. Based on the assumption that the entire Second Offering is sold and the Merger Transaction has closed, there would be 617,681,134 common shares outstanding at the time of the share consolidation, which would result in approximately 12,353,622 common shares being outstanding following the share consolidation. The change of name and the share consolidation remain subject to the acceptance of the stock exchange governing the Company.

Shareholders also approved the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, as the Company’s auditors for the ensuing year.

Detailed voting results for the Meeting will be available on SEDAR at www.sedar.com.

About Isotechnika Pharma Inc.

Isotechnika Pharma Inc. is a biopharmaceutical company focused on the discovery and development of immunomodulating therapeutics designed to offer key safety advantages over currently available treatments. Its lead drug, voclosporin, is a novel calcineurin inhibitor, and is targeted at the estimated US$3.0 billion market for this class of immunosuppressants. Isotechnika Pharma Inc. trades on the Toronto Stock Exchange under the symbol “ISA”. More information on Isotechnika Pharma can be found at www.isotechnika.com or www.sedar.com.

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Forward-looking Statements

This press release contains forward-looking statements. The forward-looking statements may include, without limitation, statements regarding the Company's proposed merger with Aurinia Pharmaceuticals Inc., including the ability of the Company to obtain future financing, the timing of the Second Offering, the timing of the change of name of the Company, the timing of implementing the share consolidation of the Company, the Company's intention to maintain a listing of its common shares and the Company's ability to conduct clinical trials.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward looking statements. Such risks and uncertainties include, among others, the ability to negotiate the definitive merger agreement, receipt of shareholder and regulatory approval, the Company's belief as to the potential of its products and in particular voclosporin, its ability to protect its intellectual property rights, securing and maintaining corporate alliances and partnerships, the need to raise additional capital and the effect of capital market conditions and other factors on capital availability, the potential of its products, the success and timely completion of clinical studies and trials, and the Company's and its partners' ability to successfully obtain regulatory approvals and commercialize voclosporin on a timely basis. These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. For additional information on risks and uncertainties relating to these forward-looking statements, investors should consult the Company's ongoing quarterly filings, annual reports and the Annual Information Form and other filings found on SEDAR at www.sedar.com.

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CEO
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Stephen Kilmer
Kilmer Lucas Inc.
647-872-4849
stephen@kilmerlucas.com

Exhibit 99.53

Isotechnika Pharma Inc.

NEWS RELEASE

Isotechnika and Aurinia Complete Merger and Financing
- Combined Company Appoints New Leadership -

Victoria, BC, September 23, 2013—Isotechnika Pharma Inc. (TSX:ISA) (the "Company") announced today that it has completed the merger and related transactions (the "Merger Transactions") that its shareholders approved on August 15, 2013. The Company will immediately begin conducting business as Aurinia Pharmaceuticals Inc., with its official name change expected to become effective concurrently with other events as described below.

Dr. Richard M. Glickman will be leading the Company as Chairman, effectively immediately. In addition, the Company announced the following new appointments: Mr. Michael R. Martin as Chief Business Officer, Dr. Neil Solomons MD as Chief Medical Officer and Mr. Lawrence Mandt as Vice President of Regulatory Affairs and Quality. These individuals bring over 100 additional years of combined corporate life sciences industry experience.

"After six months and hundreds of hours of strategic and integration planning, today we are ready to do business as a new Company. Going forward the Company will operate as Aurinia Pharmaceuticals Inc. Out of the gate, our primary focus is on the development of voclosporin as a therapy for lupus nephritis. While there have been a number of advances in the treatment of this devastating disease, there is no question that significant unmet medical need remains. It is our belief that layering voclosporin on top of standard of care in a multi-target approach to treating lupus nephritis has the potential to rapidly and significantly improve patient outcomes. To that end, we expect to launch a phase 2B study of voclosporin in lupus nephritis in Q1-2014," commented Dr. Glickman.

In connection with the Merger Transactions, the Company has completed, subject to regulatory approval, a private placement (the "Offering") of 133,333,332 units, comprised of one common share and one half of a full warrant, at a price of $0.045 per unit for gross proceeds of $6 million. Each whole warrant issuable in the Offering is exercisable to acquire a common share of the combined company for $0.05 for a period of three years from the date of issuance. All securities issued in connection with the Offering will be subject to a four month hold period from the date of issuance in accordance with applicable securities law. The closing of the Offering is subject to regulatory approval.

Canaccord Genuity Corp. (the "Agent") acted as agent for the Offering and received a cash commission of $230,000 and 5,103,332 warrants, with each such warrant entitling them to acquire one common share at $0.045 per share for a period of three years from closing. The Agent also received 1,000,000 units as a corporate finance fee.

The financing included investments by established life-science investment funds, Lumira Capitaland Difference Capital, with participation from ILJIN Life Science Co. Ltd. and various other investors.

The Company is also pleased to announce the appointment of Benjamin (Beni) Rovinski, PhD, Managing Director of Lumira Capital, as a member of its Board of Directors, effective immediately. Dr. Rovinski joined Lumira Capital in 2001 with an investment focus on mid- to late-stage private and public life sciences companies. Prior to joining Lumira Capital, he held several senior management positions in the biotechnology sector, including 13 years at Sanofi Pasteur where he was a senior scientist and director of molecular virology. Dr. Rovinski received a PhD in biochemistry from McGill University in Montréal with post-doctoral studies in molecular oncology and retrovirology at the Ontario Cancer Institute in Toronto.

“We are pleased to have a business leader and scientist of Dr. Rovinski’s stature join our team,” said Dr. Glickman. “Beni has more than 27 years of investment, operational, managerial and research experience in the healthcare sector. We are excited to be welcoming him to the Board and look forward to his guidance as we work to build a leading nephrology company.”

In addition to Dr. Rovinski, and as elected by its shareholders on August 15, 2013, the Company’s board of directors consists of Dr. Richard Glickman, Dr. Robert Foster, Mr. Michael Martin, Dr. Peter Wijngaard, Mr. Donald Wyatt, Mr. Daniel Park and Dr. Chris Kim.

As previously disclosed, the Company expects to transition from the Toronto Stock Exchange to the TSX Venture Exchange. The Company has received conditional listing approval from the TSX Venture Exchange (the “TSXV”) for the listing of its common shares. The Company intends to officially change its name to “Aurinia Pharmaceuticals Inc.” shortly after its listing on the TSXV. In addition, the Company intends to proceed with its previously announced consolidation of shares on a 50:1 basis, which was approved by shareholders on August 15, 2013. The official name change, TSXV listing and stock consolidation are all expected to take place within the next 30 days.

About Aurinia

Aurinia is a clinical stage pharmaceutical company focused on the global nephrology market. Its lead drug, voclosporin, is a novel calcineurin inhibitor. Many members of Aurinia’s current leadership team are former senior managers of Aspreva Pharmaceuticals (“Aspreva”), which Galenica acquired for C$915 million in 2008. While at Aspreva, this management team executed one of the largest and most important lupus nephritis studies ever conducted, called the Aspreva Lupus Management Study (“ALMS”), which resulted in the emergence of mycophenolate mofetil as a new standard treatment for patients suffering from this devastating and potentially fatal disease. Aurina holds global rights to all indications for voclosporin and has development and commercialization partners in Canada, Israel, South Africa and Greater China. Aurinia also has a development and commercialization partner for ophthalmologic indications. In addition, Aurinia holds certain rights to exploit the ALMS database. More information is available at www.auriniapharma.com.

Forward-looking Statements

This press release contains forward-looking statements. The forward-looking statements may include, without limitation, statements regarding the Merger Transaction between Isotechnika Pharma Inc. and Aurinia Pharmaceuticals Inc., the ability of the combined company to obtain future financing and the combined company’s ability to conduct clinical trials.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward looking statements. Such risks and uncertainties include, among others, the ability of the combined company to protect its intellectual property rights, securing and maintaining corporate alliances and partnerships, the need to raise additional capital and the effect of capital market conditions and other factors on capital availability, the potential of its products, the success and timely completion of clinical studies and trials, and the combined company's and its partners' ability to successfully obtain regulatory approvals and commercialize voclosporin on a timely basis. These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. For additional information on risks and uncertainties relating to these forward-looking statements, investors should consult the Company's ongoing quarterly filings, annual reports and the Annual Information Form and other filings found on SEDAR at www.sedar.com.

We seek Safe Harbour.

Company Contacts:

Dr. Richard Glickman
Chairman of the Board of Directors
250-213-1523
rglickman@auriniapharma.com

Mr. Michael R. Martin
Chief Business Officer
250-415-9713
mmartin@auriniapharma.com

Investor & Media Contact:

Stephen Kilmer
647-872-4849
stephen@kilmerlucas.com

Exhibit 99.54

Isotechnika Pharma Inc.

NEWS RELEASE

Isotechnika Pharma Inc. Common Shares to Commence Trading on the TSX-V as of September 30, 2013

Victoria, BC, September 26, 2013—Isotechnika Pharma Inc., now operating as Aurinia Pharmaceuticals Inc. (TSX:ISA) ("Aurinia" or the "Company"), announced that, further to its press release of September 23, 2013, its common shares will be delisted from the TSX at the close of business on September 27, 2013. The Company's common shares will be posted for trading on the TSX Venture Exchange ("TSX-V") at the opening of market on Monday, September 30. The Company's common share trading symbol on the TSX-V will remain "ISA".

"Our new listing on the TSX-V will continue to provide our shareholders acess to a regulated market and will continue to provide liquidity for our common shares," said Dr. Richard Glickman, Chairman of Aurinia.

The Company intends to officially change its name to "Aurinia Pharmaceuticals Inc." shortly after its listing on the TSX-V. In addition, the Company intends to proceed with its previously announced consolidation of shares on a 50:1 basis. The official name change and stock consolidation are expected to take place within the next 25 days.

About Aurinia

Aurinia is a clinical stage pharmaceutical company focused on the global nephrology market. Its lead drug, voclosporin, is a novel calcineurin inhibitor. Many members of Aurinia's current leadership team are former senior managers of Aspreva Pharmaceuticals ("Aspreva"), which Galenica acquired for C$915 million in 2008. While at Aspreva, this management team executed one of the largest and most important lupus nephritis studies ever conducted, called the Aspreva Lupus Management Study ("ALMS"), which resulted in the emergence of mycophenolate mofetil as a new standard treatment for patients suffering from this devastating and potentially fatal disease. Aurina holds global rights to all indications for voclosporin and has development and commercialization partners in Canada, Israel, South Africa and Greater China. Aurinia also has a development and commercialization partner for ophthalmologic indications. In addition, Aurinia holds certain rights to exploit the ALMS database. More information is available at www.auriniapharma.com.

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Dr. Richard Glickman
Chairman of the Board of Directors
250-213-1523
rglickman@auriniapharma.com

Mr. Michael R. Martin
Chief Business Officer
250-415-9713
mmartin@auriniapharma.com

Investor & Media Contact:

Stephen Kilmer
647-872-4849
stephen@kilmerlucas.com

Exhibit 99.55

Aurinia Pharmaceuticals Inc.

NEWS RELEASE

Aurinia Pharmaceuticals Announces Post-Merger Leadership Changes and Strategic Restructuring

Victoria, BC, October 22, 2013—Isotechnika Pharma Inc., now operating as Aurinia Pharmaceuticals Inc. (TSX-V:ISA) ("Aurinia" or the "Company"), announced today a strategic restructuring, including senior management changes and staff reductions, designed to further position the newly merged company to successfully bring voclosporin to market as a therapy for lupus nephritis.

Dr. Richard M. Glickman has been appointed Executive Chairman and Acting CEO. He succeeds Dr. Robert Foster, who has transitioned his role to Chief Scientific Officer. In his new capacity as CSO, Dr. Foser will continue to leverage his wealth of experience with voclosporin to advance Aurinia's drug development activities. He replaces Dr. Derrick Freitag, who has left the Company. In addition, the Company announced the departure of its Chief Operating Officer, Dr. Launa Aspeslet. Mr. Michael R. Martin, who was previously Aurinia's Chief Business Officer, will take on additional responsibilities and assume the position as the Company's new Chief Operating Officer.

Dr. Glickman has a decades-long track record of delivering significant value to investors in the various pharmaceutical and biopharmaceutical companies that he has led. For example, he was the co-founder, Chairman and CEO of Aspreva Pharmaceuticals Corporation, which was sold to Swiss-based Galenica Group for C$915-million in 2008. Dr. Glickman's experience at Aspreva brings an important depth of knowledge of the global nephrology market to the Company. Importantly, under his leadership, Aspreva executed one of the largest and most important lupus nephritis studies ever conducted. This resulted in the emergence of mycophenolate mofetil (CellCept®) as a new standard treatment for patients suffering from this devastating and potentially fatal disease.

"We believe that layering voclosporin on top of mycophenolate mofetil has the potential to rapidly and significantly improve lupus nephritis patient outcomes," said Dr. Glickman. "To that end, we are continuing to make preparations for the planned Q1-2014 launch of a phase 2B study of voclosporin in this indication."

Aurinia also announced that it has reduced staffing levels in its Edmonton facility by approximately 30% and decreased its leased space footprint by more than 50%. The Company noted that these changes were driven by the physical plant and industry expertise required to execute its focused business plan.

Dr. Glickman commented, "It is never easy to reinvent an organization. I want to thank our departing employees for their dedication, and wish them all the best as they pursue their personal and professional goals."

About Aurinia

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Forward-looking Statements

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We seek Safe Harbour.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Company Contacts:

Dr. Richard Glickman
Executive Chairman and Acting CEO
250-213-1523
rglickman@auriniapharma.com

Mr. Michael R. Martin
Chief Operating Officer
250-415-9713
mmartin@auriniapharma.com

Investor & Media Contact:

Stephen Kilmer
647-872-4849
stephen@kilmerlucas.com

Aurinia Pharmaceuticals Inc.

NEWS RELEASE

Aurinia Announces Official Name, Trading Symbol Change and Implementation of Share Consolidation

Victoria, BC, October 22, 2013—Isotechnika Pharma Inc. (TSX-V:ISA) (the "Company") announced that, further to its press release of September 30, 2013, it has officially changed its name to Aurinia Pharmaceuticals Inc. ("Aurinia") and that its common shares (the "Shares") will be posted for trading on a 50:1 consolidated basis (the "Consolidation") on the TSX Venture Exchange at the opening of market on October 23, 2013 under the new trading symbol "AUP".

The Consolidation will result in 12,373,589 issued and outstanding Shares. No fractional Shares will be issued in connection with the Consolidation. If, as a result of the Consolidation, a shareholder becomes entitled to a fractional Share, such fractional Share will be rounded down to the nearest whole number.

Letters of Transmittal will be mailed to shareholders requesting them to deposit their duly completed Letters of Transmittal, together with their pre-consolidated share certificates, to Computershare Trust Company of Canada, at its principal office in Toronto, Ontario, in exchange for share certificates representing the number of consolidated Shares to which they are entitled.

"In many respects, the new Aurinia just crossed the starting line with the changes announced today. Now, with the right people, plans and share structure in place, we are ready to advance the development of voclosporin along a new and exciting strategic path, with lupus nephritis as the drug's lead indication. We look forward to updating our stakeholders as we progress," said Dr. Richard Glickman, Executive Chairman and Acting CEO of Aurinia.

About Aurinia

Aurinia is a clinical stage pharmaceutical company focused on the global nephrology market. Its lead drug, voclosporin, is a novel calcineurin inhibitor. Many members of Aurinia's current leadership team are former senior managers of Aspreva Pharmaceuticals ("Aspreva"), which Galenica acquired for C$915 million in 2008. While at Aspreva, this management team executed one of the largest and most important lupus nephritis studies ever conducted, called the Aspreva Lupus Management Study ("ALMS"), which resulted in the emergence of mycophenolate mofetil as a new standard treatment for patients suffering from this devastating and potentially fatal disease. Aurinia holds global rights to all indications for voclosporin and has development and commercialization partners in Canada, Israel, South Africa and Greater China. Aurinia also has a development and commercialization partner for ophthalmologic indications. In addition, Aurinia holds certain rights to exploit the ALMS database. More information is available at www.auriniapharma.com.

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Company Contacts:

Dr. Richard Glickman
Executive Chairman and Acting CEO
250-213-1523
rglickman@auriniapharma.com

Mr. Michael R. Martin
Chief Operating Officer
250-415-9713
mmartin@auriniapharma.com

Investor & Media Contact:

Stephen Kilmer
647-872-4849
stephen@kilmerlucas.com

Exhibit 99.57

Aurinia Pharmaceuticals Inc.

NEWS RELEASE

Aurinia Appoints Accomplished Biotech and Pharma Industry Veteran, Stephen W. Zaruby, as President & CEO

Victoria, BC, November 6, 2013—Aurinia Pharmaceuticals Inc. (TSX-V:AUP) ("Aurinia" or the "Company") today announced the appointment of Stephen W. Zaruby as the Company's President and Chief Executive Officer.

Mr. Zaruby has an accomplished history of strategic operations, sales and marketing, research and development, and general management success in the global biotechnology and pharmaceutical industries. Previously, he was President of Seattle-based ZymoGenetics Inc., which was acquired by Bristol-Myers Squibb for US$885 million in 2010. Mr. Zaruby joined ZymoGenetics from Bayer. There, his 20 years of progressive leadership experience included executive roles managing Bayer's domestic and international anti-infectives, quinolone and hospital/surgical business franchises.

"I am very pleased to have recruited an executive of Stephen's caliber to this key position with the Company," commented Aurinia's Executive Chairman, Dr. Richard Glickman. "Stephen is a seasoned leader with a strong track record of delivering strategic direction and operational excellence to both established and emerging life sciences companies. He is exceptionally qualified to help us build our voclosporin franchise and sharpen our execution."

Mr. Zaruby said, "Aurinia is well positioned to bring voclosporin forward as an important new treatment for lupus nephritis. I am incredibly energized by this opportunity and look forward to contributing to the new Company's success."

About Aurinia

Aurinia is a clinical stage pharmaceutical company focused on the global nephrology market. Its lead drug, voclosporin, is a novel calcineurin inhibitor. Many members of Aurinia's current leadership team are former senior managers of Aspreva Pharmaceuticals ("Aspreva"), which Galenica acquired for C$915 million in 2008. While at Aspreva, this management team executed one of the largest and most important lupus nephritis studies ever conducted, called the Aspreva Lupus Management Study ("ALMS"), which resulted in the emergence of mycophenolate mofetil as a new standard treatment for patients suffering from this devastating and potentially fatal disease. Aurinia holds global rights to all indications for voclosporin and has development and commercialization partners in Canada, Israel, South Africa and Greater China. Aurinia also has a development and commercialization partner for ophthalmologic indications. In addition, Aurinia holds certain rights to exploit the ALMS database. More information is available at www.auriniapharma.com.

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Investor & Media Contact:

Stephen Kilmer
647-872-4849
stephen@kilmerlucas.com

Exhibit 99.58

Aurinia Pharmaceuticals Inc.

NEWS RELEASE

AURINIA REPORTS THIRD QUARTER 2013 FINANCIAL RESULTS

Victoria, British Columbia – November 21, 2013: Aurinia Pharmaceuticals Inc. (TSX-V:AUP) ("Aurinia" or the "Company") has released its financial results for the third quarter ended September 30, 2013.

Recent Developments

On September 23, 2013, Aurinia announced that it had completed the merger and related transactions (the "Merger Transactions"), designed to create a premier clinical stage pharmaceutical company focused on the global nephrology market, that shareholders approved on August 15, 2013.

In connection with the Merger Transactions, the Company completed a private placement (the "Offering") of 133,333,333 units, comprised of one common share and one half of a full warrant, at a price of $0.045 per unit for gross proceeds of $6 million. Each whole warrant issuable in the Offering is exercisable to acquire a common share of the combined company for $0.05 for a period of three years from the date of closing. All securities issued in connection with the Offering are subject to a four-month hold period from the date of issuance in accordance with applicable securities law. The financing included investments by established life-science investment funds, Lumira Capital and Difference Capital, with participation from ILJIN Life Science Co. Ltd. and various other investors.

Aurinia's common shares were posted for trading on a 50:1 consolidated basis (the "Consolidation") on the TSX Venture Exchange at the opening of market on October 23, 2013 under the new trading symbol "AUP". The Consolidation resulted in 12,373,623 issued and outstanding Shares.

A number of Board and senior management changes designed to further position the Company to successfully bring its lead product candidate, voclosporin, to market as a therapy for lupus nephritis were announced in September and October, 2013. These included the appointment of Dr. Richard M. Glickman as Aurinia's Executive Chairman and of Stephen W. Zaruby as the Company's new President and Chief Executive Officer. In addition, Dr. Robert Foster transitioned his role to Chief Scientific Officer, Mr. Michael R. Martin was appointed as the Company's new Chief Operating Officer, Dr. Neil Solomons MD was appointed as Chief Medical Officer and Mr. Lawrence Mandt was appointed as Vice President of Regulatory Affairs and Quality. Joining the Company's Board of Directors were Stephen W. Zaruby and Benjamin (Beni) Rovinski, PhD, Managing Director of Lumira Capital. These individuals bring over 100 years of combined corporate life sciences industry experience to Aurinia.

In October 2013, Aurinia reduced staffing levels in its Edmonton facility by approximately 30% and decreased its leased space footprint by more than 50%. These changes were driven by the physical plant and industry expertise required to execute its focused business plan.

Management believes that layering voclosporin on top of mycophenolate mofetil has the potential to rapidly and significantly improve lupus nephritis patient outcomes. To that end, the Company continues to make preparations for the planned Q1-2014 launch of a phase 2b study of voclosporin in this indication.

Financial Results

The Company reported a consolidated net loss of $2.4 million or $0.01 per common share for the three months ended September 30, 2013, as compared to a consolidated net loss of $1.7 million or $0.01 per common share for the three months ended September 30, 2013.

The increase in the loss for the period reflected one time acquisition and restructuring costs of $1.5 million for the third quarter ended September 30, 2013 as a result of completing the plan of arrangement on September 20, 2013.

For the nine months ended September 30, 2013, the consolidated net loss was $4.2 million or $0.02 per common share compared to a consolidated net loss of $4.5 million or $0.03 per common share for the comparable period in 2012.

The Company recorded revenue of $87,000 for the three months ended September 30, 2013, compared to $86,000 for the three months ended September 30, 2012. The Company recorded revenue of $264,000 for the nine months ended September 30, 2013, as compared to $6.0 million for the same period in 2012. The Company, in 2012 recorded license revenue of $4.4 million related to the Development, Distribution and License Agreement ("DDLA") with ILJIN Life Science Co., Ltd. ("ILJIN") which had previously been recorded as deferred revenue and $1.3 million of other revenue on the completion of a sale agreement with its partner, Lux Biosciences, Inc. for previously manufactured Active Pharmaceutical Ingredient. There were no similar items in 2013.

Research and development expenditures decreased to $544,000 in the third quarter of 2013, compared to $554,000 in the third quarter of 2012. The Company incurred net research and development expenditures of $1.3 million for the nine months ended September 30, 2013, as compared to $2.2 million for the same period in 2012. The decrease reflected reduced activity, including reduced salary costs, due to the Company's limited financial resources available during the period.

Corporate and administration decreased to $511,000 for the third quarter of 2013, compared to $974,000 for the third quarter of 2012. The Company incurred corporate and administration expenditures of $1.4 million for the nine months ended September 30, 2013, as compared with $3.0 million for the same period in fiscal 2012. Corporate and administration expenses decreased primarily due to lower professional and consulting fees. The Company had incurred higher fees due to consulting services related to strategic alternatives and legal fees related to the termination of the DDLA with ILJIN and the resulting arbitral process in 2012.

Other expense (income) reflected income of $66,000 for the third quarter ended September 30, 2013 compared with an expense of $38,000 for the same period in 2012. Other expense (income) reflected income of $57,000 for the nine months ended June 30, 2013 compared to an expense of $4.7 million for the same period in 2012. Other expense for the six months ended September 30, 2012 included a non-cash loss of $4.2 million on the ILJIN derivative financial instrument. There was no similar item in 2013.

For further discussion of the Company's financial results for the three months ended September 30, 2013 the unaudited interim condensed consolidated financial statements and the Management's Discussion and Analysis are accessible on Aurinia's website at www.auriniapharma.com or at www.sedar.com.

Forward-looking Statements

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property rights, securing and maintaining corporate alliances and partnerships, the need to raise additional capital and the effect of capital market conditions and other factors on capital availability, the potential of its products, the success and timely completion of clinical studies and trials, and the combined company's and its partners' ability to successfully obtain regulatory approvals and commercialize voclosporin on a timely basis. These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. For additional information on risks and uncertainties relating to these forward-looking statements, investors should consult the Company's ongoing quarterly filings, annual reports and the Annual Information Form and other filings found on SEDAR at www.sedar.com.

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For More Information:

Mr. Michael Martin
Chief Operating Officer
Aurinia Pharmaceuticals Inc.
(250) 708-4272
(250) 744-2498 (fax)
mmartin@auriniapharma.com

Mr. Dennis Bourgeault
Chief Financial Officer
Aurinia Pharmaceuticals Inc.
780-487-1600 (226)
780-484-4105 (fax)
dbourgeault@isotechnika.com

Aurinia Pharmaceuticals Inc.
Interim Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)
For the three and nine month periods ended September 30, 2013 and 2012

(expressed in thousands of Canadian dollars, except per share amounts)

	Three months ended		Nine months ended	
	September 30, 2013 $	September 30, 2012 $	September 30, 2013 $	September 30, 2012 $
Revenue				
Licensing revenue	59	48	179	4,546
Research and development revenue	28	28	83	83
Contract services	—	10	2	47
Other	—	—	—	1,300
	87	86	264	5,976
Expenses				
Research and development	544	554	1,334	2,173
Corporate and administration	511	974	1,432	2,951
Amortization of property and equipment	12	147	39	442
Amortization of intangible assets	70	66	207	198
Acquisition and restructuring costs	1,460	—	1,540	—
Contract services	—	9	—	39
Other expense (income)	(66)	38	(57)	4,672
	2,531	1,788	4,495	10,475
Net loss for the period	(2,444)	(1,702)	(4,231)	(4,499)
Other comprehensive income				
Item that may be reclassified subsequently to net income				
Net change in fair value on Investment	224	—	—	—
Comprehensive loss for the period	(2,220)	(1,702)	(4,231)	(4,499)
Loss per share *(expressed in $ per share)*				
Basic and diluted net loss per common share	(0.01)	(0.01)	(0.02)	(0.03)

Exhibit 99.59

Aurinia Pharmaceuticals Inc.

NEWS RELEASE

Aurinia Announces Change to Board of Directors

Victoria, BC—December 9, 2013—Aurinia Pharmaceuticals Inc. (TSX-V:AUP) ("Aurinia" or the "Company") today announced the resignation of Dr. Robert Foster from its Board of Directors. Dr. Foster remains Chief Scientific Officer of the Company.

Dr. Foster said, "I continue to be a strong supporter of the Company, the Board and Management as we work together to move voclosporin along a new and exciting strategic path, with lupus nephritis as the drug's lead indication."

Dr. Richard Glickman, Executive Chairman of Aurinia, commented, "On behalf of the rest of the Board, I would like to thank Bob for his steadfast commitment and many contributions to the Company's success. For more than 20 years, Bob has championed voclosporin, having first discovered the drug in the mid-90s. We look forward to continuing to benefit from his guidance and support as we move forward."

About Aurinia

Aurinia is a clinical stage pharmaceutical company focused on the global nephrology market. Its lead drug, voclosporin, is a novel calcineurin inhibitor. Many members of Aurinia's current leadership team are former senior managers of Aspreva Pharmaceuticals ("Aspreva"), which Galenica acquired for C$915 million in 2008. While at Aspreva, this management team executed one of the largest and most important lupus nephritis studies ever conducted, called the Aspreva Lupus Management Study ("ALMS"), which resulted in the emergence of mycophenolate mofetil as a new standard treatment for patients suffering from this devastating and potentially fatal disease. Aurinia holds global rights to all indications for voclosporin and has development and commercialization partners in Canada, Israel, South Africa and Greater China. Aurinia also has a development and commercialization partner for ophthalmologic indications. In addition, Aurinia holds certain rights to exploit the ALMS database. More information is available at www.auriniapharma.com.

Forward-looking Statements

This press release contains forward-looking statements. The forward-looking statements may include, without limitation, statements regarding the ability of the company to conduct clinical trials and to obtain the necessary regulatory approvals for its products.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward looking statements. Such risks and uncertainties include, among others, the ability of the Company to protect its intellectual property rights, securing and maintaining corporate alliances and partnerships, the need to raise additional capital and the effect of capital market conditions and other factors on capital availability, the potential of its products, the success and timely completion of clinical studies and trials, and the combined company's and its partners' ability to

successfully obtain regulatory approvals and commercialize voclosporin on a timely basis. These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. For additional information on risks and uncertainties relating to these forward-looking statements, investors should consult the Company's ongoing quarterly filings, annual reports and the Annual Information Form and other filings found on SEDAR at www.sedar.com.

We seek Safe Harbour.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Company Contacts:

Dr. Richard Glickman
Executive Chairman
250-213-1523
rglickman@auriniapharma.com

Stephen W. Zaruby
President & CEO
250-708-4293
szaruby@auriniapharma.com

Investor & Media Contact:

Stephen Kilmer
647-872-4849
stephen@kilmerlucas.com

Exhibit 99.60

NEWS RELEASE

Aurinia Announces US$52 Million Private Placement

Victoria, BC, February 14, 2014 – Aurinia Pharmaceuticals Inc. (TSX-V:AUP) ("Aurinia" or the "Company") today announced that it has completed, subject to regulatory approval, a US$52 million private placement (the "Offering"). Aurinia intends to use the net proceeds from the Offering to advance the clinical and nonclinical development of its lead drug candidate, voclosporin, as a therapy for lupus nephritis and for general corporate purposes.

The financing was led by venBio, New Enterprise Associates (NEA), Redmile Group, RA Capital Management, Great Point Partners, and Apple Tree Partners, with participation from various other institutional investors, including existing shareholders Lumira Capital, ILJIN Life Science Co. Ltd. and Difference Capital.

"We greatly appreciate the confidence shown by such high-quality life science investors in leading this financing," commented Stephen Zaruby, Aurinia's President and Chief Executive Officer. "This has provided us with the necessary resources to begin implementing our strategic plan, including the launch of a phase 2B study of voclosporin in lupus nephritis."

Details of the Offering

Under the terms of the Offering, Aurinia issued 18,919,404 units (the "Units") at a subscription price per Unit of US$2.7485 (C$3.038), each Unit consisting of one common share and one-quarter (0.25) of a common share purchase warrant (a "Warrant"), exercisable for a period of five years from the date of issuance at an exercise price of US$3.2204 (C$3.56). In addition, in the event that the Company does not reduce the size of its Board of Directors to seven directors within 90 days following closing, an additional 0.1 Warrants will be issued for each Unit purchased by a subscriber for every additional 90 day period delay, up to a maximum of 0.35 Warrants per Unit. This represents a maximum of 6,621,791 additional Warrants. If the Company does not obtain approval to list its common shares on NASDAQ within 12 months following the closing, the Company has agreed to issue an additional 0.1 Warrants for each Unit purchased by a subscriber for every 90 day period delay, up to a maximum of 0.35 Warrants per Unit. This represents a maximum of 6,621,791 additional Warrants. All securities issued in connection with the Offering will be subject to a four month hold period from the date of issuance in accordance with applicable securities law, which expires on June 15, 2014 for the securities issued at closing.

A Canadian dollar translation of U.S. dollar amounts is provided using the Bank of Canada closing exchange rate on February 10, 2014, the date of the closing price applicable to the price reservation form filed by Aurinia for the Offering, of C$1.00:US$0.9046.

Leerink Partners LLC acted as lead placement agent and Cannacord Genuity Inc. acted as co-placement agent for the Offering. The placement agents were paid a cash commission of 7.5% on certain subscriptions.

The common shares in the Offering and the common shares issuable upon the exercise of the Warrants have not been registered under the Securities Act of 1933, as amended, or state securities laws and may not be offered or sold in the United States without being registered with the Securities and Exchange Commission (the "SEC") or through an applicable exemption from SEC registration requirements. The common shares and Warrants were offered only to accredited investors.

Appointment of Director

In connection with the Offering, the Company is also pleased to announce the appointment of Kurt von Emster, a founding partner of venBio, as a member of its Board of Directors, effective immediately. Prior to joining venBio, Mr. von Emster was Managing Director at MPM Capital from 2001 until 2009, where he founded and managed the MPM BioEquities Fund, a cross-over fund investing in public and private life sciences companies. Mr. von Emster also spent 11 years at Franklin Templeton, most recently as the founder and Portfolio Manager of the Morningstar five-star rated Franklin Biotechnology Discovery Fund. He is a Chartered Financial Analyst, a member of the Association for Investment Management and Research and of the Security Analysts of San Francisco. Mr. von Emster received his B.S. degree from the University of California at Santa Barbara.

"Mr. von Emster's extensive record of accomplishment as a portfolio manager, and his experience as a corporate director will bring a seasoned investor-centered perspective to the Board," said Mr. Zaruby. "We are excited to welcome Kurt and look forward to his guidance as we work to bring voclosporin to market as an important new therapy for lupus nephritis."

About Aurinia

Aurinia is a clinical stage pharmaceutical company focused on the global nephrology market. Its lead drug, voclosporin, is a novel calcineurin inhibitor. Many members of Aurinia's current leadership team are former senior managers of Aspreva Pharmaceuticals ("Aspreva"), which Galenica acquired for C$915 million in 2008. While at Aspreva, this management team executed one of the largest and most important lupus nephritis studies ever conducted, called the Aspreva Lupus Management Study ("ALMS"), which resulted in the emergence of mycophenolate mofetil as a new standard treatment for patients suffering from this devastating and potentially fatal disease. Aurinia holds global rights to all indications for voclosporin and has development and commercialization partners in Canada, Israel, South Africa and Greater China. Aurinia also holds certain rights to exploit the ALMS database. More information is available at www.auriniapharma.com.

Forward-looking Statements

This press release contains forward-looking statements. The forward-looking statements may include, without limitation, statements regarding the ability of the company to conduct clinical trials and to obtain the necessary regulatory approvals for its products, the Company's intention to seek approval to list its common shares on NASDAQ within 12 months and the Company's intention to reduce the size of its Board of Directors to seven within 90 days.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward looking statements. Such risks and uncertainties include, among others, the ability of the Company to protect its intellectual property rights, securing and maintaining corporate alliances and partnerships, the need to raise additional capital and the effect of capital market conditions and

other factors on capital availability, the potential of its products, the success and timely completion of clinical studies and trials, the Company's and its partners' ability to successfully obtain regulatory approvals and commercialize voclosporin on a timely basis, the Company's ability to successfully obtain shareholder approval to change the size of its board of directors, the Company's ability to obtain the necessary regulatory approvals for listing its common shares on NASDAQ. These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. For additional information on risks and uncertainties relating to these forward-looking statements, investors should consult the Company's information circular dated July 19, 2013, as well as its ongoing quarterly filings, annual reports and its most recent Annual Information Form and other filings found on SEDAR at www.sedar.com.

We seek Safe Harbour.

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Company Contacts:

Stephen W. Zaruby
President & CEO
250-708-4293
szaruby@auriniapharma.com

Michael R. Martin
Chief Operating Officer
250-708-4272
mmartin@auriniapharma.com

Dennis Bourgeault
Chief Financial Officer
780-487-1600 (226)
dbourgeault@isotechnika.com

Investor & Media Contact:

Stephen Kilmer
647-872-4849
stephen@kilmerlucas.com

Exhibit 99.61

NEWS RELEASE

Aurinia Announces Management Change and Grant of Stock Options

Victoria, BC, February 19, 2014 – Aurinia Pharmaceuticals Inc. (TSX-V:AUP) ("Aurinia" or the "Company") today announced that Dr. Robert Foster has decided to resign from his current position as Chief Scientific Officer, effective immediately, in order to pursue other opportunities. To help facilitate the continued development of its lead product, voclosporin, as an important new therapy for lupus nepthritis, Dr. Foster has agreed to remain available to consult with the Company on an as-needed basis.

Stephen Zaruby, Aurinia's President and CEO, said, "In the time that I have worked with Dr. Foster, he has earned both my personal admiration and professional respect. His contributions to the development of voclosporin have been immeasurable and I sincerely wish him the highest level of success in the future."

Dr. Foster commented, "I plan on continuing to monitor Aurinia's progress closely. While the decision to leave the Company was a difficult one for me, I am excited to embark on a new personal journey of scientific discovery."

In addition, Aurinia announced that, pursuant to the Company's Stock Option Plan, its board of directors has approved the granting of incentive stock options to certain of its directors and officers to acquire up to an aggregate of 1,192,200 common shares ("Common Shares") of the Company at C$3.50 per Common Share for a period of 10 years.

The grant of incentive stock options is subject to receipt of all requisite regulatory approvals, including, without limitation, the approval of the TSX Venture Exchange.

About Aurinia

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Company Contact:

Stephen W. Zaruby
President & CEO
250-708-4293
szaruby@auriniapharma.com

Investor & Media Contact:

Stephen Kilmer
647-872-4849
stephen@kilmerlucas.com

Exhibit 99.62

NEWS RELEASE

Aurinia To Present At The 34th Annual Cowen Health Care Conference

Victoria, BC, February 25, 2014 – Aurinia Pharmaceuticals Inc. (TSX-V:AUP) ("Aurinia" or the "Company") today announced that Stephen Zaruby, its President and CEO, will present an overview of the Company and an update on the development of its lead drug candidate, voclosporin, as a therapy for lupus nephritis at the 34th Annual Cowen Health Care Conference on Monday, March 3 at 3:30 p.m. Eastern Time. The conference will be held at the Boston Marriott Copley Place Hotel.

Mr. Zaruby's presentation will be webcast live and archived for at least 90 days on the Company's website at www.auriniapharma.com under the "Presentations" tab in the Investors section.

About Aurinia

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Forward-looking Statements

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Company Contact:

Stephen W. Zaruby
President & CEO
250-708-4293
szaruby@auriniapharma.com

Investor & Media Contact:

Stephen Kilmer
647-872-4849
stephen@kilmerlucas.com

Exhibit 99.63

NEWS RELEASE

Aurinia to Present at the 26th Annual ROTH Conference

Victoria, BC—March 4, 2014: Aurinia Pharmaceuticals Inc. (TSX-V:AUP) ("Aurinia" or the "Company") today announced that its President and CEO, Stephen Zaruby, will present an overview of the Company at the 26th Annual ROTH Conference on Monday, March 10 at 10:00 a.m. Pacific Time. The conference will be held at the Ritz-Carlton in Dana Point, CA.

Mr. Zaruby's presentation will be webcast live and archived for at least 90 days on the Company's website at www.auriniapharma.com under the "Presentations" tab in the Investors section.

About Aurinia

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Forward-looking Statements

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Company Contact:

Stephen Zaruby
President & CEO
250-708-4293
szaruby@auriniapharma.com

Investor & Media Contact:

Stephen Kilmer
647-872-4849
stephen@kilmerlucas.com

Exhibit 99.64

Aurinia Pharmaceuticals Inc.

NEWS RELEASE

AURINIA REPORTS FOURTH QUARTER AND FULL YEAR 2013 FINANCIAL RESULTS

Victoria, British Columbia – March 31, 2014: Aurinia Pharmaceuticals Inc. (TSX-V:AUP) ("Aurinia" or the "Company") has released its financial results for the fourth quarter and year ended December 31, 2013.

Recent Developments

On February 14, 2014, Aurinia announced that it had completed a US$52 million (C$57.48 million) private placement (the "Offering") pursuant to which the Company issued 18,919,404 units (the "Units") at a subscription price per Unit of US$2.7485 (C$3.038), each Unit consisting of one common share and one-quarter (0.25) of a common share purchase warrant, exercisable for a period of five years from the date of issuance at an exercise price of US$3.2204 (C$3.56). All securities issued in connection with the Offering are subject to a four month hold period from the date of issuance in accordance with applicable securities law, which expires on June 15, 2014 for the securities issued at closing. The Offering was led by venBio, New Enterprise Associates (NEA), Redmile Group, RA Capital Management, Great Point Partners, and Apple Tree Partners, with participation from various other institutional investors, including existing shareholders Lumira Capital, ILJIN Life Science Co. Ltd. and Difference Capital.

In connection with the Offering, the Company also announced the appointment of Kurt von Emster, a founding partner of venBio, as a member of its Board of Directors.

Aurinia intends to use the net proceeds from the Offering primarily to advance the development of its lead drug candidate, voclosporin, as a therapy for lupus nephritis. Management believes that it now has the necessary resources in place to begin implementing its strategic plan for voclosporin, including the launch of a Phase 2b study of the drug in lupus nephritis in the second quarter of 2014.

Financial Results

For the fourth quarter ended December 31, 2013, the Company reported consolidated net income of $1.5 million or $0.12 per common share, as compared to a consolidated net loss of $5.2 million or $1.38 per common share for the same period in 2012.

For the year ended December 31, 2013, the Company recorded a net consolidated loss of $2.7 million or $0.43 per common share, as compared to a consolidated net loss of $9.7 million or $2.73 per common share in 2012.

Revenue increased to $746,000 for the fourth quarter of 2013, compared to $150,000 for the same period in 2012. This increase was due to recording the remaining deferred revenue balance of the 2006 Lux Biosciences, Inc. ("Lux") upfront payment as licensing revenue in 2013.

The Company recorded revenue of $1.0 million for the year ended December 31, 2013, as compared to $6.1 million for the same period in 2012. In 2012 the Company recorded license revenue of $4.7 million which included the remaining $4.4 million of deferred revenue related to the 2011 initial upfront payment from ILJIN Life Science Co., Ltd. ("ILJIN"), and $1.3 million of other revenue on the completion of a sale agreement with Lux, for previously manufactured Active Pharmaceutical Ingredient.

Net research and development expenses decreased to $725,000 for the fourth quarter of 2013 compared to $3.3 million in the same period in 2012. Research and development expenses in the fourth quarter of 2013 were primarily related to preparatory stage activities, including drug capsule manufacturing for the planned Phase 2b lupus nephritis trial. Net research and development expenses were $2.1 million for the year ended December 31, 2013, compared to $5.5 million for the year ended December 31, 2012. The decrease reflected that the Company recorded a reserve of $2.7 million in the fourth quarter of 2012 for the drug supply manufactured in 2012 due to uncertainty in determining its net realizable value. The cost of the reserve was recorded in research and development expense as future use was determined to likely be for clinical trials for voclosporin.

Corporate and administration expenses were $944,000 for the fourth quarter of 2013, compared to $930,000 for the fourth quarter of 2012. The Company incurred corporate and administration expenditures of $2.4 million for the year ended December 31, 2013, as compared with $3.9 million for the year ended December 31, 2012. Corporate and administration expenses decreased in 2013 primarily as a result of significantly lower professional and consulting fees in 2013. The Company had incurred higher fees due to consulting services related to strategic alternatives and legal fees and arbitration costs related to the termination of the DDLA with ILJIN and the resulting arbitral process in 2012.

The Company incurred acquisition and restructuring costs of $30,000 for the fourth quarter of 2013 and $1.6 million for the year ended December 31, 2013 related to the acquisition of Aurinia Pharma Corp pursuant to the Plan of Arrangement on September 20, 2013 and subsequent restructuring of the Company. There were no similar costs in 2012.

Other expense reflected a net expense of $1.0 million for the fourth quarter ended December 31, 2013 compared to a net expense of $886,000 for the same period in 2012. Other expense was $955,000 for the year ended December 31, 2013 compared to a net expense of $5.6 million for the same period in 2012. Other expense in 2013 reflected fair value adjustments arising from the Plan of Arrangement completed on September 20, 2013 whereby the Company realized a gain on Aurinia Pharma Corp. of $3.7 million and a loss on contract settlement with ILJIN of $4.5 million. The 2012 expense included a non-cash loss of $4.2 million on the ILJIN derivative financial instrument and also included a provision for doubtful collection on the receivable of $1.3 million from Lux.

The Company recorded a non-cash deferred tax recovery of $4.1 million in the fourth quarter ended December 31, 2013. There was no similar item in 2012.

The audited financial statements and the Management's Discussion and Analysis for the year ended December 31, 2013, are accessible on Aurinia's website at www.auriniapharma.com or on SEDAR at www.sedar.com.

Forward-looking Statements

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We seek Safe Harbour.

About Aurinia

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For More Information:

Mr. Michael Martin
Chief Operating Officer
Aurinia Pharmaceuticals Inc.
(250) 708-4272
(250) 744-2498 (fax)
mmartin@auriniapharma.com

Mr. Dennis Bourgeault
Chief Financial Officer
Aurinia Pharmaceuticals Inc.
780-487-1600 (226)
780-484-4105 (fax)
dbourgeault@auriniapharma.com

Aurinia Pharmaceuticals Inc.
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

(expressed in thousands of Canadian dollars, except per share amounts)

	Three Months Ended December 31 (Unaudited)		Year Ended December 31	
	2013 $	2012 $	2013 $	2012 $
Revenue				
Licensing revenue	719	110	898	4,656
Research and development revenue	27	28	111	111
Contract services	—	12	1	59
Other	—	—	—	1,300
	746	150	1,010	6,126
Expenses				
Research and development, net	725	3,308	2,059	5,481
Corporate and administration	944	930	2,376	3,881
Acquisition and restructuring costs	30	—	1,570	—
Other expense , net	1,013	886	955	5,558
Amortization of property and equipment	10	138	49	580
Amortization and impairment of intangible assets	610	69	817	267
Contract services	—	7	1	46
	3,332	5,338	7,827	15,813
Loss before income taxes	(2,586)	(5,188)	(6,817)	(9,687)
Income tax (recovery)	(4,106)	—	(4,106)	—
Net income (loss) for the period	1,520	(5,188)	(2,711)	(9,687)
Comprehensive income (loss) for the period	1,520	(5,188)	(2,711)	(9,687)
Net income (loss) per share *(expressed in $ per share)*				
Basic and diluted income (loss) per common share (1)	0.12	(1.38)	(0.43)	(2.73)
Weighted average number of common shares outstanding (1)				
Basic	12,374	3,772	6,344	3,552
Diluted	12,798	3,772	6,344	3,552

(1) Basic and diluted income (loss) per common share is based on the weighted average number of common shares outstanding during the period, which has been adjusted retroactively to reflect the effects of the one-for-fifty share consolidation.

Exhibit 99.65

Aurinia Pharmaceuticals Inc.

NEWS RELEASE

AURINIA REPORTS FIRST QUARTER 2014 FINANCIAL RESULTS

Victoria, British Columbia – May 15, 2014: Aurinia Pharmaceuticals Inc. (TSX-V:AUP) ("Aurinia" or the "Company") has released its financial results for the first quarter ended March 31, 2014.

Recent Developments

On February 14, 2014, Aurinia announced that it had completed a US$52 million (C$57.48 million) private placement (the "Offering") pursuant to which the Company issued 18,919,404 units (the "Units") at a subscription price per Unit of US$2.7485 (C$3.038), each Unit consisting of one common share and one-quarter (0.25) of a common share purchase warrant, exercisable for a period of five years from the date of issuance at an exercise price of US$3.2204 (C$3.56). All securities issued in connection with the Offering are subject to a four month hold period from the date of issuance in accordance with applicable securities law, which expires on June 15, 2014 for the securities issued at closing. The Offering was led by venBio, New Enterprise Associates (NEA), Redmile Group, RA Capital Management, Great Point Partners, and Apple Tree Partners, with participation from various other institutional investors, including existing shareholders Lumira Capital, ILJIN Life Science Co. Ltd. and Difference Capital.

Aurinia is using the net proceeds from the Offering primarily to advance the development of its lead drug candidate, voclosporin, as a therapy for lupus nephritis and for corporate and working capital purposes. The Company is actively engaged in the launch process of a Phase 2b clinical trial of the drug in lupus nephritis with first patient first visit expected in the second quarter of 2014.

On May 7, 2014 the Company held its Annual and Special Shareholders Meeting at which time the shareholders elected 7 directors to the Board; namely Messrs. Richard Glickman, Stephen Zaruby, Michael Martin, Kurt von Emster, Benjamin Rovinski, Daniel Park and Chris Kim for the following year.

Financial Results

Effective January 31, 2014, the Company changed its functional and presentation currency from the Canadian dollar ("CDN$") to the United States dollar ("US$"). The change in presentation currency is to better reflect the Company's business activities which are primarily denominated in US$ and to improve investors' ability to compare the Company's financial results with other publicly traded entities in the biotech industry. The Company has applied the change retrospectively as if the new presentation currency had always been the Company's presentation currency. The change in the functional currency was accounted for on a prospective basis. The Company recorded a translation adjustment loss of $605,000 in other comprehensive loss for the three months ended March 31, 2014 due to this change in the currency. All financial numbers therefore are presented in US$ unless otherwise stated.

For the first quarter ended March 31, 2014, the Company reported a consolidated net loss of $5.19 million or $0.24 per common share, as compared to a consolidated net loss of $786,000 or $0.20 per common share for the same period in 2013.

Revenue was $67,000 for the three months ended March 31, 2014, compared to $89,000 for the three months ended March 31, 2013.

Net research and development expenses increased to $1.04 million for the three months ended March 31, 2014, compared to $335,000 for the three months ended March 31, 2013 as a result of incurring costs related to pre-enrollment activities for the Phase 2b lupus nephritis trial in the first quarter of 2014. These set up activities included such items as drug packaging, labelling and distribution, protocol approvals, site selections, CRO selections and contracts. There were no similar activities underway for the comparable period in 2013.

Corporate, administration and business development expenses increased to $2.37 million for the first quarter of 2014, compared to $494,000 for the same period in 2013. The Company recorded non-cash stock compensation expense of $1.05 million related to the stock options granted in the first quarter of 2014 compared to $64,000 in 2013. In addition other corporate and administration expenses in the first quarter ended March 31, 2014 were higher due to financing and other corporate activities conducted in the quarter as the Company moved forward with its strategic plan. The Company incurred higher wages and benefits, director fees, travel expenses and professional fees for the three months ended March 31, 2014 compared to the same period in 2013.

The Company incurred restructuring costs of $569,000 for the first quarter of 2014. There was no similar item for the comparable period in 2013. These restructuring costs included stock compensation expense of $253,000 and severance and other expenses of $316,000.

Other expense (income) reflected a net expense of $899,000 for the first quarter ended March 31, 2014 compared to other income of $38,000 for the same period in 2013. The Company recorded a revaluation adjustment on long term contingent consideration to ILJIN of $533,000 and expensed $203,000 of share issue costs allocated on a pro-rata basis to the warrant liability arising from the February 14, 2014 private placement. There were no similar items for the comparable period in 2013. In addition, a foreign exchange loss of $144,000 for the three months ended March 31, 2014 was recorded compared to a foreign exchange loss of $3,000 in 2013.

For further discussion of the Company's financial results for the three months ended March 31, 2014, the unaudited interim condensed consolidated financial statements and the Management's Discussion and Analysis are accessible on Aurinia's website at www.auriniapharma.com or on SEDAR at www.sedar.com.

About Aurinia

Aurinia is a clinical stage pharmaceutical company focused on the global nephrology market. Its lead drug, voclosporin, is a novel calcineurin inhibitor. Many members of Aurinia's current leadership team are former senior managers of Aspreva Pharmaceuticals ("Aspreva"), which Galenica acquired for C$915 million in 2008. While at Aspreva, this management team executed one of the largest and most important lupus nephritis studies ever conducted, called the Aspreva Lupus Management Study ("ALMS"), which resulted in the emergence of mycophenolate mofetil as a new standard treatment for patients suffering from this devastating and potentially fatal disease. Aurinia holds global rights to all indications for voclosporin and has development and commercialization partners in Canada, Israel, South Africa and Greater China. In addition, Aurinia holds certain rights to exploit the ALMS database. More information is available at www.auriniapharma.com.

Forward-looking Statements

This press release contains forward-looking statements. The forward-looking statements may include, without limitation, statements regarding the ability of the Company to conduct clinical trials and to obtain the necessary regulatory approvals for its products.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward looking statements. Such risks and uncertainties include, among others, the ability of the combined company to protect its intellectual property rights, securing and maintaining corporate alliances and partnerships, the need to raise additional capital and the effect of capital market conditions and other factors on capital availability, the

potential of its products, the success and timely completion of clinical studies and trials, and the combined company's and its partners' ability to successfully obtain regulatory approvals and commercialize voclosporin on a timely basis. These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. For additional information on risks and uncertainties relating to these forward-looking statements, investors should consult the Company's ongoing quarterly filings, annual reports and the Annual Information Form and other filings found on SEDAR at www.sedar.com.

We seek Safe Harbour.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

For More Information:

Mr. Michael Martin
Chief Operating Officer
Aurinia Pharmaceuticals Inc.
(250) 708-4272
(250) 744-2498 (fax)
mmartin@auriniapharma.com

Mr. Dennis Bourgeault
Chief Financial Officer
Aurinia Pharmaceuticals Inc.
780-487-1600 (226)
780-484-4105 (fax)
dbourgeault@auriniapharma.com

Aurinia Pharmaceuticals Inc.
Interim Condensed Consolidated Statements of Operations and Comprehensive loss
(Unaudited)
For the three month periods ended March 31, 2014 and 2013

(Expressed in thousands of U.S. dollars, except per share data)

	2014 $	2013 $ (restated)
Revenue		
Licensing revenue	30	58
Research and development revenue	25	28
Contract services	12	2
	67	88
Expenses		
Research and development	1,040	335
Corporate and administration	2,373	494
Other expense (income)	899	(38)
Restructuring costs	569	—
Amortization of intangible assets	359	68
Amortization of property and equipment	10	14
Contract services	8	1
	5,258	874
Net loss for the period	(5,191)	(786)
Other comprehensive loss (income)		
Item that will not be reclassified subsequently to income (loss)		
Translation adjustment	(605)	45
Item that may be reclassified subsequently to income (loss)		
Net change in fair value of investment	—	(175)
	(605)	(130)
Comprehensive loss for the period	(5,796)	(916)
Net loss per share *(expressed in $ per share)*		
Basic and diluted net loss per common share	(0.24)	(0.20)

Exhibit 99.66

Computershare
530-8th Avenue SW, 6th floor
Calgary AB, T2P 3S8
www.computershare.com

Date: February 22, 2013

To: All Canadian Securities Regulatory Authorities

Subject: ISOTECHNIKA PHARMA INC.

Dear Sirs:

We advise of the following with respect to the upcoming Meeting of Security Holders for the subject Issuer:

Meeting Type:	Special Meeting
Record Date for Notice of Meeting:	March 19, 2013
Record Date for Voting (if applicable):	March 19, 2013
Beneficial Ownership Determination Date:	March 19, 2013
Meeting Date:	April 23, 2013
Meeting Location (if available):	Edmonton, AB
Issuer is sending proxy related materials directly to NOBO:	No
Issuer paying for delivery to OBO:	Yes
Annual Financial Statements/MD&A delivered to:	No Annual Report (or Annual Financial Statements) is (are) included in this mailing

Notice and Access (NAA) Requirements:

NAA for Beneficial Holders	No
Beneficial Holders Stratification Criteria:	
Number of shares greater than:	n/a
Holder Consent Type(s):	n/a
Holder Provinces-Territories:	n/a
NAA for Registered Holders	No
Registered Holders Stratification Criteria:	
Number of shares greater than:	n/a
Holder Provinces-Territories:	n/a

Voting Security Details:

Description	**CUSIP Number**	**ISIN**
COMMON	46500A105	CA46500A1057

Sincerely,

Computershare Trust Company of Canada /
Computershare Investor Services Inc.

Agent for ISOTECHNIKA PHARMA INC.

Exhibit 99.67

530-8th Avenue SW, 6th floor
Calgary AB, T2P 3S8
www.computershare.com

Date: March 14, 2013

Meeting Cancelled

To: All Canadian Securities Regulatory Authorities

Subject: ISOTECHNIKA PHARMA INC.

Dear Sirs:

We advise of the following with respect to the upcoming Meeting of Security Holders for the subject Issuer:

Meeting Type:	Special Meeting
Record Date for Notice of Meeting:	March 19, 2013
Record Date for Voting (if applicable):	March 19, 2013
Beneficial Ownership Determination Date:	March 19, 2013
Meeting Date:	April 23, 2013 - **CANCELLED**
Meeting Location (if available):	Edmonton, AB
Issuer is sending proxy related materials directly to NOBO:	No
Issuer paying for delivery to OBO:	Yes
Annual Financial Statements/MD&A delivered to:	No Annual Report (or Annual Financial Statements) is (are) included in this mailing

Notice and Access (NAA) Requirements:

NAA for Beneficial Holders	No
Beneficial Holders Stratification Criteria:	
Number of shares greater than:	n/a
Holder Consent Type(s):	n/a
Holder Provinces-Territories:	n/a
NAA for Registered Holders	No
Registered Holders Stratification Criteria:	
Number of shares greater than:	n/a
Holder Provinces-Territories:	n/a

Voting Security Details:

Description	**CUSIP Number**	**ISIN**
COMMON	46500A105	CA46500A1057

Sincerely,

Computershare Trust Company of Canada /
Computershare Investor Services Inc.

Agent for ISOTECHNIKA PHARMA INC.

Exhibit 99.68

Computershare
530-8th Avenue SW, 6th floor
Calgary AB, T2P 3S8
www.computershare.com

Date: April 30, 2013

To: All Canadian Securities Regulatory Authorities

Subject: ISOTECHNIKA PHARMA INC.

Dear Sirs:

We advise of the following with respect to the upcoming Meeting of Security Holders for the subject Issuer:

Meeting Type:	Annual General and Special Meeting
Record Date for Notice of Meeting:	May 24, 2013
Record Date for Voting (if applicable):	May 24, 2013
Beneficial Ownership Determination Date:	May 24, 2013
Meeting Date:	June 25, 2013
Meeting Location (if available):	Edmonton AB
Issuer sending proxy related materials directly to NOBO:	No
Issuer paying for delivery to OBO:	Yes
Notice and Access (NAA) Requirements:	
NAA for Beneficial Holders	No
Beneficial Holders Stratification Criteria:	
Number of shares greater than:	n/a
Holder Consent Type(s):	n/a
Holder Provinces-Territories:	n/a
NAA for Registered Holders	No
Registered Holders Stratification Criteria:	
Number of shares greater than:	n/a
Holder Provinces-Territories:	n/a

Voting Security Details:

Description	**CUSIP Number**	**ISIN**
COMMON	46500A105	CA46500A1057

Sincerely,

Computershare
Agent for ISOTECHNIKA PHARMA INC.

Exhibit 99.69

530-8th Avenue SW, 6th floor
Calgary AB, T2P 3S8
www.computershare.com

Date: May 15, 2013

CANCELLED MEETING

To: All Canadian Securities Regulatory Authorities

Subject: ISOTECHNIKA PHARMA INC.

Dear Sirs:

We advise of the following with respect to the upcoming Meeting of Security Holders for the subject Issuer:

Meeting Type:	Annual General and Special Meeting
Record Date for Notice of Meeting:	May 24, 2013
Record Date for Voting (if applicable):	May 24, 2013
Beneficial Ownership Determination Date:	May 24, 2013
Meeting Date:	**June 25, 2013 - CANCELLED**
Meeting Location (if available):	Edmonton AB
Issuer sending proxy related materials directly to NOBO:	No
Issuer paying for delivery to OBO:	Yes
Notice and Access (NAA) Requirements:	
NAA for Beneficial Holders	No
Beneficial Holders Stratification Criteria:	
Number of shares greater than:	n/a
Holder Consent Type(s):	n/a
Holder Provinces-Territories:	n/a
NAA for Registered Holders	No
Registered Holders Stratification Criteria:	
Number of shares greater than:	n/a
Holder Provinces-Territories:	n/a

Voting Security Details:

Description	CUSIP Number	ISIN
COMMON	46500A105	CA46500A1057

Sincerely,

Computershare
Agent for ISOTECHNIKA PHARMA INC.

Exhibit 99.70

Computershare
530-8th Avenue SW, 6th floor
Calgary AB, T2P 3S8
www.computershare.com

Date: May 16, 2013

To: All Canadian Securities Regulatory Authorities

Subject: ISOTECHNIKA PHARMA INC.

Dear Sirs:

We advise of the following with respect to the upcoming Meeting of Security Holders for the subject Issuer:

Meeting Type:	Annual General and Special Meeting
Record Date for Notice of Meeting:	June 10, 2013
Record Date for Voting (if applicable):	June 10, 2013
Beneficial Ownership Determination Date:	June 10, 2013
Meeting Date:	July 11, 2013
Meeting Location (if available):	Edmonton AB
Issuer sending proxy related materials directly to NOBO:	No
Issuer paying for delivery to OBO:	Yes
Notice and Access (NAA) Requirements:	
NAA for Beneficial Holders	No
Beneficial Holders Stratification Criteria:	
Number of shares greater than:	n/a
Holder Consent Type(s):	n/a
Holder Provinces-Territories:	n/a
NAA for Registered Holders	No
Registered Holders Stratification Criteria:	
Number of shares greater than:	n/a
Holder Provinces-Territories:	n/a

Voting Security Details:

Description	CUSIP Number	ISIN
COMMON	46500A105	CA46500A1057

Sincerely,

Computershare
Agent for ISOTECHNIKA PHARMA INC.

Exhibit 99.71

Computershare
530-8th Avenue SW, 6th floor
Calgary AB, T2P 3S8
www.computershare.com

Date: June 3, 2013

To: All Canadian Securities Regulatory Authorities

Subject: ISOTECHNIKA PHARMA INC.

Dear Sirs:

We advise of the following with respect to the upcoming Meeting of Security Holders for the subject Issuer:

Meeting Type:	Annual General and Special Meeting
Record Date for Notice of Meeting:	June 26, 2013
Record Date for Voting (if applicable):	June 26, 2013
Beneficial Ownership Determination Date:	June 26, 2013
Meeting Date:	July 26, 2013
Meeting Location (if available):	Edmonton AB
Issuer sending proxy related materials directly to NOBO:	No
Issuer paying for delivery to OBO:	Yes
Notice and Access (NAA) Requirements:	
NAA for Beneficial Holders	No
Beneficial Holders Stratification Criteria:	
Number of shares greater than:	n/a
Holder Consent Type(s):	n/a
Holder Provinces-Territories:	n/a
NAA for Registered Holders	No
Registered Holders Stratification Criteria:	
Number of shares greater than:	n/a
Holder Provinces-Territories:	n/a

Voting Security Details:

Description	**CUSIP Number**	**ISIN**
COMMON	46500A105	CA46500A1057

Sincerely,

Computershare
Agent for ISOTECHNIKA PHARMA INC.

Exhibit 99.72

Computershare
530-8th Avenue SW, 6th floor
Calgary AB, T2P 3S8
www.computershare.com

Date: June 28, 2013

Amended Meeting date and Location

To: All Canadian Securities Regulatory Authorities

Subject: ISOTECHNIKA PHARMA INC.

Dear Sirs:

We advise of the following with respect to the upcoming Meeting of Security Holders for the subject Issuer:

Meeting Type:	Annual General and Special Meeting
Record Date for Notice of Meeting:	June 26, 2013
Record Date for Voting (if applicable):	June 26, 2013
Beneficial Ownership Determination Date:	June 26, 2013
Meeting Date:	**August 08, 2013**
Meeting Location (if available):	**Vancouver BC**
Issuer sending proxy related materials directly to NOBO:	No
Issuer paying for delivery to OBO:	Yes
Notice and Access (NAA) Requirements:	
NAA for Beneficial Holders	No
Beneficial Holders Stratification Criteria:	
Number of shares greater than:	n/a
Holder Consent Type(s):	n/a
Holder Provinces-Territories:	n/a
NAA for Registered Holders	No
Registered Holders Stratification Criteria:	
Number of shares greater than:	n/a
Holder Provinces-Territories:	n/a

Voting Security Details:

Description	**CUSIP Number**	**ISIN**
COMMON	46500A105	CA46500A1057

Sincerely,

Computershare
Agent for ISOTECHNIKA PHARMA INC.

Exhibit 99.73

ISOTECHNIKA PHARMA INC.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that the Annual and Special Meeting (the "**Meeting**") of Shareholders of Isotechnika Pharma Inc. (the "**Company**") will be held at 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia on August 15, 2013, at 2:00 PM, Pacific Time, for the following purposes:

1. To elect the directors for the ensuing year (or until the closing of the Arrangement, as defined below, whichever is earlier);

2. To receive the financial statements of the Company for the financial year ended December 31, 2012, and the report of the auditors thereon;

3. To re-appoint PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Company and to authorize the Audit Committee to fix the auditors' remuneration;

4. To consider and, if deemed appropriate, approve, by ordinary resolution (the "**First Offering Approval Resolution**"), the issuance of up to 44,445,000 common share purchase warrants of the Company and the securities underlying such common share purchase warrants (see "The First Unit Offering" for more details). The full text of the First Offering Approval Resolution is set out in Appendix C to the accompanying information circular for the Meeting (the "**Information Circular**");

5. To consider and, if deemed appropriate, approve, by ordinary resolution (the "**Second Offering Approval Resolution**"), the issuance of up to 133,333,332 units of the Company (see "The Second Unit Offering" for more details). The full text of the Second Offering Approval Resolution is set out in Appendix C to the Information Circular;

6. To consider, and if deemed appropriate, approve by ordinary resolution (the "**Share Issuance Resolution**"), the issuance of up to 300,000,000 common shares of the Company in connection with the proposed statutory arrangement (the "**Arrangement**") under Section 288 of the *Business Corporations Act* (British Columbia) (the "**BCBCA**") involving Aurinia Pharmaceuticals Inc. ("**Aurinia**") and ILJIN Life Science Co. Ltd. ("**ILJIN**") pursuant to which the Company will acquire all of the issued and outstanding securities of Aurinia, as more fully described in the accompanying Information Circular (see "The Share Issuance Resolution" for more details). The full text of the Share Issuance Resolution is set out in Appendix C to the Information Circular;

7. To consider, and if deemed appropriate, approve by special resolution (the "**Constating Document Amendment Resolution**"), amendments to the constating documents of the Company to change its name from "Isotechnika Pharma Inc." to "Aurinia Pharmaceuticals Inc." and to adopt an advance notice provision into the Company's by-laws (see "Amendments to the Constating Documents of the Company" for more details). The full text of the proposed Constating Document Amendment Resolution is set out in Appendix C to the Information Circular;

8. To consider, and if deemed appropriate, approve by special resolution (the "**Share Consolidation Resolution**"), a share consolidation of the Company's common shares on a 50:1 ratio (see "The Share Consolidation" for more details). The full text of the Share Consolidation Resolution is set out in Appendix C to the Information Circular;

9. To consider, and if deemed appropriate, conditionally approve by ordinary resolution (the "**Post-Merger Director Resolutions**"), (i) increasing the size of the board of directors to seven; and (ii) the election of certain individuals as directors of the Company following the Arrangement (see "The Post-Merger Directors" for more details); and

10. To transact such further and other business as may properly be brought before the Meeting or any adjournment thereof.

Management of the Company is soliciting proxies on the accompanying form of proxy. Shareholders who are unable to attend the Meeting are requested to complete, date, sign and return the enclosed form of proxy so that as large a representation of shareholders as possible may be had at the Meeting. Specific details of the matters being put before the Meeting, in particular with respect to the election of the directors nominated by Management, are set forth in more detail in the accompanying Management Information Circular.

A copy of the Management Information Circular, a Supplemental Mailing List Reply Form, a form of proxy and a return envelope accompany this Notice of Meeting.

The Board of Directors (the "**Board**") has determined that only holders of record of the Common Shares at the close of business on June 26, 2013 will be entitled to vote in respect of the items set out in this Notice of Meeting at the Meeting. The Board has also determined that 2:00 PM, Pacific Time, on August 13, 2013 as the time before which proxies to be used or acted upon at the Meeting or any adjournment thereof shall be deposited with the Company's transfer agent. Failure to properly complete or deposit a proxy may result in its invalidation.

DATED at Edmonton, Alberta, Canada, July 19, 2013.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "Robert T. Foster"
Dr. Robert T. Foster
President and Chief Executive Officer

Exhibit 99.74

Computershare
530-8th Avenue SW, 6th floor
Calgary AB, T2P 3S8
www.computershare.com

Date: March 7, 2014

To: All Canadian Securities Regulatory Authorities

Subject: AURINIA PHARMACEUTICALS INC.

Dear Sirs:

We advise of the following with respect to the upcoming Meeting of Security Holders for the subject Issuer:

Meeting Type:	Annual General and Special Meeting
Record Date for Notice of Meeting:	April 02, 2014
Record Date for Voting (if applicable):	April 02, 2014
Beneficial Ownership Determination Date:	April 02, 2014
Meeting Date:	May 07, 2014
Meeting Location (if available):	Vancouver, BC
Issuer sending proxy related materials directly to NOBO:	No
Issuer paying for delivery to OBO:	Yes

Notice and Access (NAA) Requirements:

NAA for Beneficial Holders	No
NAA for Registered Holders	No

Voting Security Details:

Description	**CUSIP Number**	**ISIN**
COMMON NEW	05156V102	CA05156V1022

Sincerely,

Computershare
Agent for AURINIA PHARMACEUTICALS INC.

Exhibit 99.75

AURINIA PHARMACEUTICALS INC.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that the Annual and Special Meeting (the "**Meeting**") of Shareholders of Aurinia Pharmaceuticals Inc. (the "**Company**") will be held at 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia on May 7, 2014, at 2:00 PM, Pacific Time, for the following purposes:

1. To fix the number of directors at seven (7);
2. To elect the directors for the ensuing year;
3. To receive the financial statements of the Company for the financial year ended December 31, 2013, and the report of the auditors thereon;
4. To re-appoint PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Company and to authorize the Audit Committee to fix the auditors' remuneration;
5. To consider and, if deemed appropriate, approve, with or without amendment, by ordinary resolution, the unallocated entitlements under the Company's stock option plan; and
6. To transact such further and other business as may properly be brought before the Meeting or any adjournment thereof.

Management of the Company is soliciting proxies on the accompanying form of proxy. Shareholders who are unable to attend the Meeting are requested to complete, date, sign and return the enclosed form of proxy so that as large a representation of shareholders as possible may be had at the Meeting. Specific details of the matters being put before the Meeting, in particular with respect to the election of the directors, are set forth in more detail in the accompanying Management Information Circular.

A copy of the Management Information Circular, a Supplemental Mailing List Reply Form, a form of proxy and a return envelope accompany this Notice of Meeting.

The board of directors (the "**Board**") has determined that only holders of record of the common shares at the close of business on April 2, 2014 will be entitled to vote in respect of the items set out in this Notice of Meeting at the Meeting. The Board has also determined that 2:00 PM, Pacific Time, on May 5, 2014 as the time before which proxies to be used or acted upon at the Meeting or any adjournment thereof shall be deposited with the Company's transfer agent. Failure to properly complete or deposit a proxy may result in its invalidation.

DATED at Victoria, British Columbia, Canada, April 2, 2014.

BY ORDER OF THE BOARD

(signed) "Stephen W. Zaruby"
Stephen W. Zaruby
President and Chief Executive Officer

Exhibit 99.76

ISOTECHNIKA PHARMA INC.

NOTICE OF CHANGE OF STATUS

Pursuant to section 11.2 of National Instrument 51-102 – *Continuous Disclosure Requirements*, Isotechnika Pharma Inc. (the "**Company**") hereby gives notice that, as of September 30, 2013, the Company has become a venture issuer and ceased to be a non-venture issuer. The Company's common shares are listed on the TSX Venture Exchange under the symbol "ISA".

Exhibit 99.77

AURINIA PHARMACEUTICALS INC.

NOTICE OF CHANGE IN CORPORATE STRUCTURE

Section 4.9 of National Instrument 51-102 ("NI 51-102")

1. Names of the parties to the transaction

Aurinia Pharmaceuticals Inc., formerly Isotechnika Pharma Inc. (the "**Company**") entered into an arrangement with Aurinia Pharma Corp., formerly Aurinia Pharmaceuticals Inc. ("**Aurinia**") and ILJIN Life Science Co. Ltd. ("**ILJIN**") pursuant to which the Company acquired all of the issued and outstanding securities of Aurinia.

2. Description of the transaction

The Company completed the acquisition of Aurinia pursuant to the terms of an arrangement agreement among the Company, ILJIN and Aurinia. The acquisition took place pursuant to a plan of arrangement under the *Business Corporations Act* (British Columbia) and was approved by the Company's shareholders at its shareholder meeting held on August 15, 2013. The acquisition closed on September 20, 2013 and in connection with its completion, the Company changed its name from Isotechnika Pharma Inc. to Aurinia Pharmaceuticals Inc. effective October 23, 2013.

Pursuant to the terms of the plan of arrangement, the Company acquired all of the issued and outstanding common shares in the capital of Aurinia ("**Aurinia Shares**") at a ratio of 0.3965949616 Common Shares for each Aurinia Share held by an Aurinia shareholder. ILJIN received 2,524,471 Common Shares upon closing of the Plan of Arrangement in addition to the right to receive up to $11.6 million in future success based milestones (some of which may be paid by the issuance of additional securities).

In exchange for the shares of the Company received by ILJIN, ILJIN terminated all of its rights, licenses and obligations under its outstanding license agreement with the Company relating to voclosporin and all other licenses and sublicenses between ILJIN and any of the Company, Aurinia or Vifor (International) AG ("**Vifor**"), and suspended all of its current or contemplated legal or financial claims against the Company, Aurinia or Vifor.

3. Effective date of the transaction

September 20, 2013.

4. The name of each party, if any, that ceased to be a reporting issuer after the transaction and of each continuing entity

Aurinia Pharmaceuticals Inc. is the name of the reporting issuer resulting from the transaction. Aurinia Pharma Corp. is the subsidiary of Aurinia Pharmaceuticals Inc. ILJIN Life Science Co. Ltd. was not affected by the transaction.

5. Date of the reporting issuer's first financial year-end after the transaction if paragraph 4.9(a) or subparagraph 4.9(b)(ii) of NI 51-102 applies

n/a

6. Periods, including comparative periods, if any, of the interim and annual financial statements required to be filed for the reporting issuer's first financial year after the transaction if paragraph 4.9(a) or subparagraph 4.9(b)(ii) of NI 51-102 applies

n/a

7. Documents filed under the Instrument that describe the transaction and where those documents can be found in electronic format, if paragraph 4.9(a) or subparagraph 4.9(b)(ii) of NI 51-102 applies

n/a

Exhibit 99.78

ISOTECHNIKA PHARMA INC.

Report of Voting Results

This report is filed pursuant to Section 11.3 of National Instrument 51-102 and relates to the results of voting at the annual and special meeting of Isotechnika Pharma Inc. (the "**Company**") held on August 15, 2013.

Description of Matter

Resolution to elect the management nominees as directors of the Company.

Outcome of Vote

All nominees proposed by management were elected to serve as directors until the earlier of: (i) the closing of the Company's proposed statutory arrangement with Aurinia Pharmaceuticals Inc. and ILJIN Life Science Co. Ltd.

Details of the voting by ballot are as follows:

Name	Votes in Favour	Votes Withheld
Peter Wijngaard	110,605,760 (99.65%)	383,250 (0.35%)
Robert Foster	110,306,119 (99.44%)	622,891 (0.56%)
Prakash Gowd	110,442,760 (99.51%)	546,250 (0.49%)
Donald W. Wyatt	102,469,324 (92.32%)	8,519,686 (7.68%)

Resolution to appoint PricewaterhouseCoopers LLP, Chartered Accountants as auditors of the Company until its next annual general meeting, at a remuneration to be fixed by the directors.

Resolution passed by requisite majority by a vote of show of hands.

Resolution to approve the first unit offering, which closed on June 26, 2013 and includes the issuance of up to 44,445,000 common share purchase warrants of the Company and the securities underlying such common share purchase warrants.

Resolution passed by requisite majority. Details of the voting by ballot are as follows:

Total shares voted in favour: 83,242,820 (99.23%)

Total shares voted against: 646,191 (0.77%)

Resolution to approve the second unit offering, which includes the issuance of up to 133,333,332 units of the Company, comprised of up to 133,333,332 common shares and up to 66,666,666 second offering warrants comprising these units.	Resolution passed by requisite majority. Details of the voting by ballot are as follows: Total shares voted in favour: 81,876,775 (99.19%) Total shares voted against: 667,791 (0.81%)
Resolution to approve the issuance of up to 300,000,000 common shares of the Company in connection with the proposed statutory arrangement involving the Company, Aurinia Pharmaceuticals Inc. and ILJIN Life Science Co. Ltd.	Resolution passed by requisite majorities. Details of the voting by ballot are as follows: Total shares voted in favour: 110,308,119 (99.39%) Total shares voted against: 680,891 (0.61%) Total shares voted in favour (majority of the minority vote, excluding shares held by ILJIN Life Science Co. Ltd.): 81,863,675 (99.18%) Total shares voted against (majority of the minority vote, excluding shares held by ILJIN Life Science Co. Ltd.): 680,891 (0.82%)
Resolution to approve an amendment to the Company's constating documents to (i) change the Company's name to Aurinia Pharmaceuticals Inc.; and (ii) to adopt an advance notice provision into the Corporation's by-laws.	Resolution passed by requisite special majority. Details of the voting by ballot are as follows: Total shares voted in favour: 112,643,552 (99.34%) Total shares voted against: 750,350 (0.66%)
Resolution to consolidate the Company's shares on a 50:1 ratio.	Resolution passed by requisite special majority. Details of the voting by ballot are as follows: Total shares voted in favour: 112,062,011 (98.83%) Total shares voted against: 1,331,891 (1.17%)

Resolution to conditionally increase the size of the board of directors to include seven (7) members, conditional upon the closing of theproposed statutory arrangement involving the Company, Aurinia Pharmaceuticals Inc. and ILJIN Life Science Co. Ltd.

Resolution passed by requisite majority by a vote of show of hands.

Resolution to conditionally elect the management nominees as directors of the Company, conditional upon the closing of the proposed statutory arrangement involving the Company, Aurinia Pharmaceuticals Inc. and ILJIN Life Science Co. Ltd.

Details of the voting by ballot are as follows:

Name	Votes in Favour	Votes Withheld
Peter Wijngaard	110,071,260 (99.17%)	917,750 (0.83%)
Robert Foster	109,840,019 (98.96%)	1,148,991 (1.04%)
Donald W. Wyatt	101,765,704 (91.69%)	9,223,306 (8.31%)
Daniel Park	67,941,502 (61.21%)	843,047,508 (38.79%)
Richard Glickman	107,299,337 (96.68%)	3,689,673 (3.32%)
Michael Martin	110,135,160 (99.23%)	853,850 (0.77%)
Chris Kim	99,975,179 (90.06%)	11,031,831 (9.94%)

DATED this 15th day of August, 2013.

ISOTECHNIKA PHARMA INC.

By: *(signed) Dennis Bourgeault*
Name: Dennis Bourgeault
Title: Chief Financial Officer

Exhibit 99.79

CORPORATE ACCESS NUMBER: 2015780774

Government of Alberta

BUSINESS CORPORATIONS ACT

CERTIFICATE

OF

AMENDMENT

AURINIA PHARMACEUTICALS INC.
AMENDED ITS ARTICLES ON 2013/10/23.

REGISTRAR OF CORPORATIONS

Name/Structure Change Alberta Corporation - Registration Statement

Alberta Amendment Date: 2013/10/23

Service Request Number: 20440015

Corporate Access Number: 2015780774

Legal Entity Name:	ISOTECHNIKA PHARMA INC.
French Equivalent Name:	
Legal Entity Status:	Active
Alberta Corporation Type:	Named Alberta Corporation
New Legal Entity Name:	AURINIA PHARMACEUTICALS INC.
New French Equivalent Name:	
Nuans Number:	110145845
Nuans Date:	2013/09/13
French Nuans Number:	
French Nuans Date:	
Share Structure:	AN UNLIMITED NUMBER OF COMMON SHARES
Share Transfers Restrictions:	NONE
Number of Directors:	
Min Number Of Directors:	1
Max Number Of Directors:	20
Business Restricted To:	NONE
Business Restricted From:	NONE
Other Provisions:	SEE SCHEDULE
BCA Section/Subsection:	173(1)(A) AND (F)

Professional Endorsement Provided:

Future Dating Required:

Annual returns are outstanding for the 2013 file year(s).

Annual Return

File Year	Date Filed
2012	2012/01/31

Attachment

Attachment Type	Microfilm Bar Code	Date Recorded
Other Rules or Provisions	ELECTRONIC	2011/01/01
Statutory Declaration	10000407108355038	2011/01/01
Consolidation, Split, Exchange	ELECTRONIC	2013/10/23

Registration Authorized By: STEPHEN P. ROBERTSON
SOLICITOR

Schedule: Section 173(1)(f) Change of shares.

Pursuant to Section 173(1)(f) of the Business Corporations Act (Alberta) the Articles of the Company be altered by consolidating the outstanding common shares without par value on the basis of one (1) new common share without par value in exchange for fifty (50) existing common shares without par value, (the “Consolidation”). No fractional shares will be issued in connection with the Consolidation. Where any shareholder would otherwise be entitled to receive a fractional share as a result of the Consolidation, such fraction shall be rounded down to the next lower whole number.

Exhibit 99.80

FORM 13-502F1
CLASS 1 REPORTING ISSUERS – PARTICIPATION FEE

Reporting Issuer Name:	**AURINIA PHARMACEUTICALS INC.**
End date of last completed fiscal year:	**DECEMBER 31, 2012**
End date of reference fiscal year:	**DECEMBER 31, 2011**

(A reporting issuer's reference fiscal year is the reporting issuer's last fiscal year ending before May 1, 2012, provided that it was a reporting issuer at the end of that fiscal year and, if it became a reporting issuer in that year as a consequence of a prospectus receipt, all or substantially all of its securities were listed or quoted on a marketplace at the end of that fiscal year. In any other case, it is the reporting issuer's last completed fiscal year.)

Market value of listed or quoted securities:			
Total number of securities of a class or series outstanding as at the end of the issuer's reference fiscal year		173,921,249 (i)	
Simple average of the closing price of that class or series as of the last trading day of each month in the reference fiscal year, computed with reference to clauses 2.7(a)(ii)(A) and (B) and subsection 2.7(2) of the Rule		0.17042 (ii)	
Market value of class or series	(i) X (ii)=		$29,639,659 (A)
(Repeat the above calculation for each class or series of securities of the reporting issuer that was listed or quoted on a marketplace in Canada or the United States of America at the end of the reference fiscal year)			N/A (B)
Market value of other securities not valued at the end of any trading date in a month: (See paragraph 2.7(b) of the Rule) (Provide details of how value was determined)			N/A (C)
(Repeat for each class or series of securities to which paragraph 2.7(1)(b) of the Rule applies)			N/A (D)
Capitalization for the reference fiscal year (Add market value of all classes and series of securities)		(A) + (B) + (C) + (D) =	$ 29,639,659
Participation Fee (determined without reference to subsections 2.2(3.1) of the Rule) (From Appendix A of the Rule, select the participation fee beside the capitalization calculated above)			$ 2,320.00 (iii)

Did the issuer become a reporting issuer in the previous fiscal year as a result of a prospectus receipt? If no, participation fee equals (iii) amount above.	N/A (iii)
If yes, prorate (iii) amount calculated in subsection 2.2.(3.1) of the Rule to determine participation fee.	(iv)
Late Fee, if applicable (As determined under section 2.5 of the Rule)	

Exhibit 99.81

FORM 13-502F1
CLASS 1 REPORTING ISSUERS – PARTICIPATION FEE

Reporting Issuer Name:	**AURINIA PHARMACEUTICALS INC.**
End date of last completed fiscal year:	**DECEMBER 31, 2013**
End date of reference fiscal year:	**DECEMBER 31, 2011**

(A reporting issuer's reference fiscal year is the reporting issuer's last fiscal year ending before May 1, 2012, provided that it was a reporting issuer at the end of that fiscal year and, if it became a reporting issuer in that year as a consequence of a prospectus receipt, all or substantially all of its securities were listed or quoted on a marketplace at the end of that fiscal year. In any other case, it is the reporting issuer's last completed fiscal year.)

Market value of listed or quoted securities:			
Total number of securities of a class or series outstanding as at the end of the issuer's reference fiscal year		173,921,249 (i)	
Simple average of the closing price of that class or series as of the last trading day of each month in the reference fiscal year, computed with reference to clauses 2.7(a)(ii)(A) and (B) and subsection 2.7(2) of the Rule		0.17042 (ii)	
Market value of class or series	(i) X (ii)=		$29,639,659 (A)
(Repeat the above calculation for each class or series of securities of the reporting issuer that was listed or quoted on a marketplace in Canada or the United States of America at the end of the reference fiscal year)			N/A (B)
Market value of other securities not valued at the end of any trading date in a month: (See paragraph 2.7(b) of the Rule)			
(Provide details of how value was determined)			N/A (C)
(Repeat for each class or series of securities to which paragraph 2.7(1)(b) of the Rule applies)			N/A (D)
Capitalization for the reference fiscal year		(A) + (B) +	
(Add market value of all classes and series of securities)		(C) + (D) =	$ 29,639,659
Participation Fee (determined without reference to subsections 2.2(3.1) of the Rule)			$ 2,320.00 (iii)
(From Appendix A of the Rule, select the participation fee beside the capitalization calculated above)			

Did the issuer become a reporting issuer in the previous fiscal year as a result of a prospectus receipt? If no, participation fee equals (iii) amount above.	N/A (iii)
If yes, prorate (iii) amount calculated in subsection 2.2.(3.1) of the Rule to determine participation fee.	(iv)
Late Fee, if applicable (As determined under section 2.5 of the Rule)	

Exhibit 99.82

June 16, 2014

Consent of Independent Auditor

We hereby consent to the inclusion in this registration statement on Form 40-F (No. 001-36421) of Aurinia Pharmaceuticals Inc. (formerly Isotechnika Pharma Inc.) of our report dated March 28, 2014 relating to the financial statements of Aurinia Pharmaceuticals Inc., which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended. We also consent to the inclusion of our report dated April 3, 2013 relating to the financial statements of Isotechnika Pharma Inc., which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended. We also consent to the reference to us under the heading "Experts" in certain documents included in such registration statement.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

PricewaterhouseCoopers LLP
TD Tower, 10088 102 Avenue NW, Suite 1501, Edmonton, Alberta, Canada T5J 3N5
T: +1 780 441 6700, F: +1 780 441 6776, www.pwc.com/ca

Exhibit 99.83

KPMG LLP
Chartered Accountants
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Telefax (250) 480-3539
Internet www.kpmg.ca

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Aurinia Pharmaceuticals Inc.

We consent to the use of our report dated May 30, 2013, with respect to the consolidated balance sheet as at December 31, 2012, the consolidated statements of operations, changes in shareholders' equity and cash flows from incorporation on April 3, 2012 to December 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information, which financial statements are included herein in Exhibit 99.30 of Form 40-F.

(signed) "KPMG LLP"

Chartered Accountants

June 13, 2014
Victoria, Canada

Exhibit 99.84

NEWS RELEASE

Aurinia To Commence Trading on Toronto Stock Exchange

Victoria, BC – June 11th, 2014: Aurinia Pharmaceuticals Inc. ("Aurinia" or the "Company") (TSX-V:AUP) today announced that its common shares will commence trading on the Toronto Stock Exchange (TSX) at the opening of the TSX on June 16th, 2014. The Company's common shares will continue to trade under the trading symbol "AUP," with its common shares to be delisted from the TSX Venture Exchange concurrent with the commencement of trading on the TSX.

"The TSX is among the global leaders in listing public companies and capital equity raising. We greatly value Aurinia's graduation to the TSX," stated Stephen Zaruby, Aurinia's President and CEO. "This is an important milestone for the Company as it provides us with broader market recognition that is reflective of the Company's progress and potential."

About Aurinia

Aurinia is a clinical stage pharmaceutical company focused on the global nephrology market. Its lead drug, voclosporin, is a novel calcineurin inhibitor. Many members of Aurinia's current leadership team are former senior managers of Aspreva Pharmaceuticals ("Aspreva"), which Galenica acquired for C$915 million in 2008. While at Aspreva, this management team executed one of the largest and most important lupus nephritis studies ever conducted, called the Aspreva Lupus Management Study ("ALMS"), which resulted in the emergence of mycophenolate mofetil as a new standard treatment for patients suffering from this devastating and potentially fatal disease. Aurinia holds global rights to all indications for voclosporin and has development and commercialization partners in Canada, Israel, South Africa and Greater China. Aurinia also holds certain rights to exploit the ALMS database. More information is available at www.auriniapharma.com.

\We seek Safe Harbour.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Company Contact:

Stephen Zaruby
President & CEO
250-708-4293
szaruby@auriniapharma.com

Investor & Media Contact:

Michael R. Martin
250-708-4272
mmartin@auriniapharma.com

Exhibit 99.85

NEWS RELEASE

Aurinia to Present at the Bloom Burton & Co. Healthcare Investor Conference

VICTORIA, BRITISH COLUMBIA – June 18, 2014 – Aurinia Pharmaceuticals, Inc., (TSX: AUP) today announced that its President and Chief Executive Officer, Stephen Zaruby, will present a corporate overview of the company at the Bloom Burton & Co. Healthcare Investor Conference, taking place today, June 18th in Toronto, Ontario, Canada.

Aurinia Pharmaceuticals Presentation Details

Date: Wednesday, June 18, 2014
Time: 3:00pm Eastern
Location: Toronto Board of Trade, 1 First Canadian Place
Toronto, Ontario, M5X 1C1

About the Conference

The Bloom Burton & Co. Healthcare Investor Conference brings together U.S., Canadian and international investors who are interested in the latest developments in the Canadian healthcare sector. Attendees will have an opportunity to obtain corporate updates from the premier Canadian publicly traded and private companies through presentations and private meetings.

About Bloom Burton & Co.

Bloom Burton & Co. is a firm dedicated to accelerating monetization in healthcare for both investors and companies. Bloom Burton has an experienced team of medical, scientific, pharmaceutical, legal and capital markets professionals who perform a deep level of diligence, which combined with our creative and entrepreneurial approach, assists our clients in achieving a faster path to the right monetization events. Bloom Burton and its affiliates provide capital raising, M&A advisory, equity research, business strategy and product development consulting, direct investing and company creation and incubation services. Please visit www.bloomburton.com to learn more.

About Aurinia

Aurinia is a clinical stage pharmaceutical company focused on the global nephrology market. Its lead drug, voclosporin, is a novel calcineurin inhibitor. Aurinia's management team includes members from both Zymogenetics (acquired by Bristol-Meyers Squibb for $885 million in 2010 and Aspreva Pharmaceuticals ("Aspreva") (acquired by Galenica for C$915 million in 2008). While at Aspreva, this management team executed one of the largest and most important lupus nephritis studies ever conducted, called the Aspreva Lupus Management Study ("ALMS"), which resulted in the emergence of mycophenolate mofetil as a new standard treatment for patients suffering from this devastating and potentially fatal disease. Aurinia holds global rights to all indications for voclosporin and has development and commercialization partners in Canada, Israel, South Africa and Greater China. In addition, Aurinia holds certain rights to exploit the ALMS database. More information is available at www.auriniapharma.com.

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or

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Chief Operating Officer
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