2007 BCSECCOM 422

June 22, 2007

Headnote
Mutual Reliance Review System for Exemptive Relief Applications – National Instrument 51-102, s. 13.1 - Continuous Disclosure Obligations - An issuer wants relief from the requirement to include prospectus-level disclosure in an information circular to be circulated in connection with an arrangement, reorganization, acquisition or amalgamation - The issuer is only restructuring, not adding or removing any assets or changing the shareholders' proportionate interest in the issuer's operations; the issuer is conducting a plan of arrangement to transfer its business to a new corporate entity and transfer its tax losses to a third party; following completion of the arrangement, securityholders will continue to own securities of a company that will indirectly own all of the issuer's assets; the issuer will provide sufficient information about the transaction for shareholders to understand the restructuring

Applicable British Columbia Provisions
National Instrument 51-102, s. 13.1
Form 51-102F5, s. 14.2

In the Matter of
the Securities Legislation of
Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Québec, Nova Scotia, New Brunswick, and Newfoundland and Labrador
(the Jurisdictions)

and

In the Matter of
the Mutual Reliance Review System for Exemptive Relief Applications

and

In the Matter of
Lorus Therapeutics Inc.
(the Company)

MRRS Decision Document

Background
The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Company for:

(a) a decision under the securities legislation of the Jurisdictions (the Legislation) pursuant to Section 13.1 of National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102) exempting the Company from the requirement contained in Section 14.2 of Form 51-102F5 to include disclosure relating to:

(i) GeneSense Technologies Inc. (GeneSense),

(ii) NuChem Pharmaceuticals Inc. (NuChem), and

(iii) a wholly-owned subsidiary corporation of the Company, 6650309 Canada Inc., (New Lorus), other than financial statements relating to its incorporation

(collectively, the Lorus Entities) in the management information circular of the Company (the Circular) to be sent to the Company's securityholders (the Securityholders) in connection with the Arrangement (defined below) (the Disclosure Relief); and

(b) in Ontario only, an order pursuant to clause 104(2)(c) of the *Securities Act* (Ontario) (the Ontario Act) exempting the Company from the requirements of sections 95 through 100 of the Ontario Act (the Bid Requirements) in connection with the repurchase by the Company of common share purchase warrants of the Company (the Warrants) owned by The Erin Mills Investment Corporation, a corporation incorporated under the laws of the Province of Ontario (TEMIC), the holder of the Company's outstanding $15 million principal amount convertible secured debentures (the Debentures) (the Bid Relief).

Under the Mutual Reliance Review System for Exemptive Relief Applications

(c) the OSC is the principal regulator for this application;

(d) this MRRS decision document evidences that decision of each Decision Maker.

Interpretation
Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this section.

Representations
This decision is based on the following facts represented by the Company:

1. The Company was incorporated under the laws of the Province of Ontario on September 5, 1986 under the name RML Medical Laboratories Inc. On October 28, 1991, RML Medical Laboratories Inc. amalgamated with Mint Gold Resources Ltd., resulting in the Company becoming a reporting issuer in Ontario on such date. On August 25, 1992, the Company changed its name to IMUTEC Corporation. On November 27, 1996, the Company changed its name to Imutec Pharma Inc., and on November 19, 1998, the Company changed its name to Lorus Therapeutics Inc. On October 1, 2005 the Company was continued under the laws of Canada.

2. The Company is authorized to issue an unlimited number of common shares (Shares). As of April 30, 2007, 211,610,130 Shares were issued and outstanding.

3. The Company is a reporting issuer in each of the Jurisdictions where such a concept exists and is not in default of any of its obligations as a reporting issuer.

4. The Shares are listed and posted for trading on the Toronto Stock Exchange (TSX) under the symbol "LOR" and on the American Stock Exchange under the symbol "LRP".

5. The Company is a development stage life sciences company focused on the research and development of effective anticancer therapies with high safety (the Business). The Company holds (i) all of the issued and outstanding shares of GeneSense, (ii) 80% of the issued and outstanding voting shares and 100% of the issued and outstanding non-voting preference shares of NuChem and (iii) all of the issued and outstanding shares of New Lorus.

The Arrangement

6. It is proposed that the Company undergo a business reorganization by way of a plan of arrangement (the Arrangement) to finance the Business' cash requirements.

7. Pursuant to the Arrangement (which includes a reorganization of the Company's share capital as contemplated by the Arrangement):

   (a) the Company will transfer, directly or indirectly, all of its assets at their fair market value and all of its liabilities to New Lorus (as defined below); and

(b) 6707159 Canada Inc. (Investor), an affiliate of Pinnacle International Lands, Inc. (Pinnacle), will acquire from the Company and certain of its principal shareholders an aggregate of approximately 41% of the Voting Shares and 100% of the Non-Voting Shares of the Company (as such terms are defined in paragraph 10(e) below).

8. After giving effect to the Arrangement, the direct interest of New Lorus in GeneSense, NuChem and the Business will be the same as that held by the Company immediately prior to the Arrangement.

9. The Company has incorporated New Lorus under the *Canada Business Corporations Act* for the sole purpose of effecting the Arrangement.

10. The following is a brief summary of certain steps that will occur as part of the Arrangement:

(a) the Securityholders will transfer their Shares, options and warrants in the Company in exchange for the issuance by New Lorus on a one-for-one basis of common shares (New Lorus Shares), options and warrants having the same value, terms and conditions as the Shares, options and warrants of the Company;

(b) New Lorus will assume certain of the Company's existing liabilities in consideration of the issuance by the Company of a non-interest bearing demand promissory note (the Old Lorus Note);

(c) the Company will change its name to its incorporation number or a name to be used for real estate development purposes;

(d) New Lorus will change its name to "Lorus Therapeutics Inc.";

(e) the share capital of the Company will be reorganized into two classes of shares, voting shares (the Voting Shares) and non-voting shares (the Non-Voting Shares);

(f) other than its shares of NuChem (the NuChem Shares), the Company will transfer all of its assets, including its prepaid expenses and receivables, to GeneSense in consideration for common shares in the capital of GeneSense (the GeneSense Shares);

(g) GeneSense will transfer its intellectual property assets (the AntiSense Patent Assets) to New Lorus in consideration for the issuance by New Lorus of a non-interest bearing demand promissory note in an amount

equal to the fair market value of the AntiSense Patent Assets (New Lorus Note 1);

(h) the Company will transfer all of its GeneSense Shares to New Lorus in exchange for the assumption by New Lorus of certain of the Company's remaining liabilities and the issuance by New Lorus of a non-interest bearing demand promissory note to the Company for an amount equal to the amount by which the purchase price for the GeneSense Shares exceeds the amount of the Company's liabilities assumed by New Lorus (New Lorus Note 2);

(i) the Company will transfer the NuChem Shares to New Lorus in consideration for the issuance by New Lorus of a non-interest bearing demand promissory note in an amount equal to the purchase price for the NuChem Shares (New Lorus Note 3);

(j) the Company will assign all of its contractual obligations to New Lorus;

(k) New Lorus will offer employment to all of the employees of the Company and will assume all employment obligations related thereto;

(l) New Lorus will repay the amount owing by New Lorus to the Company under the New Lorus Note 2 and New Lorus Note 3 by way of set off against the Old Lorus Note and the issuance to the Company of a replacement non-interest bearing demand promissory note (the New Lorus Replacement Note) for an amount equal to the amount by which the aggregate amount owing by New Lorus under the New Lorus Note 2 and New Lorus Note 3 exceeds the amount of the Old Lorus Note;

(m) the Company will reduce its stated capital by an amount equal to its remaining cash less the amount required to fund the repurchase described in paragraph 10(q) below, and the New Lorus Replacement Note and distribute such cash and the New Lorus Replacement Note to New Lorus in satisfaction of the capital reduction amount;

(n) Investor will purchase from New Lorus (i) that number of Voting Shares, which, if combined with the aggregate number of Voting Shares purchased pursuant to paragraph 10(s), would result in Investor holding a total of approximately 41% of the Voting Shares and (ii) 100% of the Non-Voting Shares, in consideration of a cash payment in an amount equal to $0.0040775156 per Voting Share and $0.0040775156 per Non-Voting Share, subject to payment and adjustment and a holdback;

(o) New Lorus will reduce its stated capital by an amount equal to the fair market value of the Voting Shares and distribute Voting Shares or cash to the New Lorus shareholders in satisfaction of the capital reduction amount as described below;

(p) Voting Shares held by New Lorus will be distributed on a pro rata basis to the shareholders of New Lorus who are not resident in the United States (Non-U.S. Shareholders);

(q) Shareholders of New Lorus who are resident in the United States (U.S. Shareholders) will receive, in lieu of the Voting Shares that would otherwise be distributed to U.S. Shareholders, a cash payment in an amount not less than the product of the equivalent per share amount that Investor will pay to New Lorus at the effective time of the Arrangement for each Voting Share as described in paragraph 10(n) hereof, multiplied by the number of Voting Shares such U.S. Shareholder would have received if such holder had been a Non-U.S. Shareholder;

(r) the remaining Voting Shares held by New Lorus, after the distribution referred to in paragraph 10(p) above, will be purchased by the Company for a cash payment equal to the amount required to fund the payments described in paragraph 10(q), which amount will be equal to the remaining cash of the Company;

(s) Investor will purchase the Voting Shares held by certain of the principal shareholders of the Company, at a fair market price determined based on the price per Voting Share as paid by Investor to New Lorus at the effective time of the Arrangement as described in paragraph 10(n);

(t) Investor will subscribe for additional Non-Voting Shares for a cash payment of approximately $1,200,000; and

(u) Pinnacle or an affiliate thereof will transfer interests in certain real estate development projects to the Company in return for a cash payment and a promissory note in amounts that are to be determined and Old Lorus will enter into certain development, management and marketing agreements with Pinnacle and/or one or more affiliates thereof.

11. The Arrangement is being undertaken in order to facilitate an injection to the business of additional cash to fund further development of the Company's products without dilution to the Securityholders or additional debt or interest expense. The Arrangement does not contemplate the acquisition of any additional assets or the disposition of any of the Company's existing assets to

third parties. The Investor is undertaking the Arrangement in order to obtain an economic interest in a company having certain non-transferable corporate attributes, including a wide shareholder base and a track record of securities compliance, all of which the Investor believes may be of benefit to Lorus's business following completion of the Arrangement.

12. The rights of Securityholders in respect of New Lorus will be the same as the rights the Securityholders currently have in respect of the Company, and their relative indirect interests in and to the Business will not be affected by the Arrangement. Following completion of the Arrangement, Securityholders will continue to own securities of a corporation that will indirectly own all of the Company's existing assets. New Lorus' financial position will be largely the same as is reflected in the Company's interim financial statements for the nine month period ended February 28, 2007 except for the addition of cash contemplated by the Arrangement and the impact of continuing operations.

13. The Circular will contain information sufficient to enable a Securityholder to form a reasoned judgment concerning the nature and effect of the Arrangement. To that end, prospectus level disclosure for the Company as prescribed by National Instrument 44-101 *Short Form Prospectus Distributions*, will be included or incorporated by reference in the Circular, including:

    (i) the Company's consolidated audited financial statements for the year ended May 31, 2006 and related management's discussion and analysis of financial condition and results of operations (MD&A);

    (ii) the Company's consolidated interim unaudited comparative financial statements for the nine month period ended February 28, 2007 and related MD&A (or any subsequent applicable quarterly period);

    (iii) the Company's annual information form dated August 11, 2006 (AIF); and

    (iv) all material change reports of the Company filed since the date of the Company's AIF.

14. Prospectus level disclosure for the Lorus Entities will also be included in the Circular, other than the disclosure for which the Disclosure Relief is sought. However, the financial statements of the Company are presented on a consolidated basis, which includes financial results for GeneSense and NuChem. Furthermore, New Lorus was incorporated with nominal assets and nominal liabilities solely for the purposes of participating in the Arrangement

and the financial statements of the Company will, in effect, be the financial statements of New Lorus after giving effect to the Arrangement. Lorus's continuous disclosure record includes disclosure regarding GeneSense and NuChem.

TEMIC Warrant Repurchase

15. TEMIC is the beneficial and registered holder of 3,000,000 Warrants issued by the Company on October 6, 2004 in connection with TEMIC's original subscription for the Debentures.

16. TEMIC is the sole holder of Warrants.

17. Each Warrant entitles the holder to subscribe for and purchase one fully paid and non-assessable Share for each Warrant until October 6, 2009 at a purchase price of $1.00 per Share.

18. As of April 30, 2007, the closing price for the Shares on the Toronto Stock Exchange was $0.26 per Share.

19. In connection with the Arrangement, the Company has requested that TEMIC, the holder of the Debentures, enter into the agreements contemplated by the Arrangement, including the assignment of the Debentures as part of the Arrangement, and to agree to vote the Shares that it also holds in favour of the Arrangement.

20. In consideration of TEMIC's agreement to permit Old Lorus to assign, and New Lorus to assume, the obligations of Old Lorus under the Debentures, TEMIC has requested that the Company repurchase the Warrants (the TEMIC Warrant Repurchase). The Company's purpose in participating in the TEMIC Warrant Repurchase is not to acquire the underlying Shares but to facilitate the Arrangement.

21. The proposed purchase price for the Warrants, which was negotiated at arm's length, is $0.084 per Warrant, or $252,000 in the aggregate.

22. The Company has agreed to pay all third party and out of pocket costs of TEMIC in respect of the TEMIC Warrant Repurchase, estimated to be less than $5,000.

23. TEMIC has advised the Company that it is knowledgeable of the affairs of the Company, considers itself able to evaluate the TEMIC Warrant Repurchase without the assistance of an issuer bid circular or a valuation of the Warrants

and does not object to the granting of the relief requested herein. The Company understands that TEMIC is an "accredited investor" within the meaning of National Instrument 45-106 *Prospectus and Registration Exemptions*.

Decision
Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met.

The decision of the Decision Makers under the Legislation is that the Disclosure Relief is granted.

Naizam Kanji
Manager, Mergers & Acquisitions
Ontario Securities Commission

The further decision of the Decision Maker in Ontario is that the Bid Relief is granted.

Robert L. Shirriff
Commissioner
Ontario Securities Commission

Suresh Thakrar
Commissioner
Ontario Securities Commission