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

FORM 20-F

(Mark One)

☒ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended _____

OR

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

OR

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

Date of event requiring this shell company report. . . . . .

For the transition period from_____ to _____

Commission file number _____

Morria Biopharmaceuticals PLC

(Exact name of Registrant as specified in its charter)

The Laws of England and Wales

(Jurisdiction of incorporation or organization)

53 Davies Street, London, United KingdomW1K 5JH

(Address of principal executive offices)

Dr. Yuval Cohen
President
53 Davies Street
London W1K 5JH
United Kingdom
Telephone +44-207-152-6341

Mr. Mark S. Cohen
Executive Chairman
53 Davies Street
London W1K 5JH
United Kingdom
Telephone +44-207-152-6341

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

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

American Depositary Shares, each representing one Ordinary Share, £0.01 par value per share

Ordinary Shares, £0.01 par value per share*

(Title of Class)

* Not for trading, but only in connection with the registration of American Depositary Shares representing such Ordinary Shares pursuant to the requirements of the Securities and Exchange Commission.

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

The number of outstanding shares of each of the issuer's classes of capital or common stock as of June 28, 2012 was: 12,343,597 Ordinary Shares, £0.01 par value per share**

** In addition, the Company has 633,333 Deferred B Shares, £0.001 par value per share, and 400,000 Deferred C Shares, £0.001 par value per share. All of such Deferred B and Deferred C Shares are outstanding but have expired and are no longer exercisable into Ordinary Shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☐ Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

☐ Yes ☐ No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section13 or15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☐ Yes ☒ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☐ No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

☐ Yes ☐ No

Morria Biopharmaceuticals PLC

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

The Securities and Exchange Commission, or the SEC, encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This registration statement contains forward-looking statements.

Words such as "may," "anticipate," "estimate," "expects," "projects," "intends," "plans," "believes" and words and terms of similar substance used in connection with any discussion of future operating or financial performance, identify forward-looking statements. Forward-looking statements represent management's present judgment regarding future events and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These risks include, but are not limited to, risks and uncertainties regarding our preclinical studies, our ability to conduct clinical trials of our product candidates and the results of such trials, as well as risks and uncertainties relating to litigation, government regulation and third-party reimbursement, economic conditions, markets, products, competition, intellectual property, services and prices, key employees, future capital needs, dependence on third parties and other factors. Please also see the discussion of risks and uncertainties under "Risk Factors" contained in this registration statement.

In light of these assumptions, risks and uncertainties, the results and events discussed in the forward-looking statements contained in this registration statement might not occur. Investors are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this registration statement. We are not under any obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements attributable to us or to any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

A. Directors and Senior Management

Directors

The following table sets forth, as of the date of this registration statement, the names and business addresses of the members of our board of directors. Mr. Mark Cohen is our Executive Chairman.

Name	Business Address
Mark S. Cohen	Pearl Cohen Zedek Latzer, LLP 1500 Broadway, 12th Floor New York, NY 10036 United States of America
Dr. Yuval Cohen	53 Davies Street Mayfair London W1K 5JH UK
Dr. David Sidransky, M.D.	17 Pinsker Street, Rehovot, Israel 7630825
Dr. Johnson Yiu Nam Lau, M.B.,B.S., M.D., F.R.C.P.	Kinex Pharmaceuticals 701 Ellicott Street Buffalo, New York 14203 United States of America
Prof. Saul Yedgar	Department of Biochemistry Hebrew University-Hadassah Medical School Jerusalem, Israel 91120
Amos Eiran	2 Avner Street Herzlia, Israel 4670402
Gilead Raday	255 kefar-Uria, Kefar-Uria, Israel 9973500

Senior Management

The following table sets forth, as of the date of this registration statement, the names, business addresses and positions of the senior members of our management.

Name	Business Address	Position
Dr. Yuval Cohen, Ph.D.	53 Davies Street Mayfair London W1K 5JH UK	President
Dov Elefant	53 Davies Street Mayfair London W1K 5JH UK	Chief Financial Officer
Prof. Saul Yedgar	Department of Biochemistry Hebrew University-Hadassah Medical School Jerusalem, Israel 91120	Chief Scientific Officer
Alan Harris*	190 E 72 St #32C New York NY 10021 United States of America	Chief Medical Officer

***** Effective July 1, 2012

B. Advisers

Our external legal advisers in the United States are Mintz, Levin, Cohn, Ferris, Glovsky & Popeo, P.C., for US corporate and securities matters, located at The Chrysler Center, 666 Third Avenue, New York, NY 10017, and Pearl Cohen Zedek Latzer, LLP for intellectual property matters, located at 1500 Broadway, New York, NY 10036. Our external legal advisers in the United Kingdom are Fladgate LLP, located at 16 Great Queen Street, London WC2B, 5DG United Kingdom.

C. Auditors

Our auditors since January 2011 have been Kost, Forer, Gabbay &Kasserier, a member of Ernst & Young Global, an independent registered public accounting firm, registered with the Public Company Accounting Oversight Board (United States). Kost, Forer, Gabbay & Kasserier have audited our consolidated financial statements for the years ended December 31, 2011 and 2010 and for the three years ended December 31, 2011. Their address is 3 Aminadav St., Tel Aviv 6706703 Israel. Our auditors receive confirmation of their auditing from the Ernst & Young Global branches in the United Kingdom and the United States.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

A. Offer Statistics

Not applicable.

B. Method and Expected Timetable

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following selected consolidated financial data as of December 31, 2011 and 2010 and for the fiscal years ended December 31, 2011, 2010 and 2009 have been derived from our audited consolidated financial statements and notes thereto prepared in accordance with United States GAAP, or GAAP, included elsewhere in this registration statement on Form 20-F. The selected consolidated financial data as of December 31, 2009, 2008 and 2007 and for the fiscal year ended December 31, 2008 and 2007 has been derived from our unaudited consolidated financial statements which are not included in this registration statement on Form 20-F. Our historical results are not necessarily indicative of results to be expected for future periods.

The selected consolidated financial data set forth below should be read in conjunction with, and are entirely qualified by reference to our audited consolidated financial statements and the related notes and "Item 5. Operating and financial review and prospects" included elsewhere in this registration statement.

	As of December 31,				
	2007	**2008**	**2009**	**2010**	**2011**
BALANCE SHEET DATA					
(In United States Dollars in $000's)	Unaudited	Unaudited	Unaudited		
Total current assets	$ 1,256	$ 147	$ 15	$ 34	$ 27
Total assets	1,259	149	15	34	27
Total current liabilities	303	730	805	1,223	2,236
Total liabilities	1,319	1,407	1,716	2,038	2,513
Working capital (deficit)	953	(583)	(790)	(1,189)	(2,209)
Capital stock	205	206	213	216	225
Shareholders' deficiency	(60)	(1,258)	(1,701)	(2,004)	(2,485)

	As of December 31,				
	2007	**2008**	**2009**	**2010**	**2011**
INCOME STATEMENT DATA					
(In United States Dollars in $000's, except for per share data)	Unaudited	Unaudited			
Research and development	$ 1,319	$ 1,018	$ 159	$ 247	$ 841
General and administrative	1,200	734	449	545	1,406
Total operating expenses	2,519	1,752	608	792	2,247
Financial expense (income), net	613	(317)	404	(117)	(128)
Net Loss	3,132	1,435	1,012	675	2,119
Net basic and diluted loss per share	$ (0.29)	$ (0.13)	$ (0.09)	$ (0.06)	$ (0.18)
Weighted average number of ordinary shares	10,905,071	10,946,573	11,244,002	11,420,369	11,920,562

	Year ended December 31,				
	2007	2008	2009	2010	2011
OTHER FINANCIAL DATA					
(In United States Dollars in $000's)	Unaudited	Unaudited			
Net cash used in operating activities	$ (2,548)	$ (1,233)	$ (580)	$ (366)	$ (1,008)
Net cash used in investing activities	(4)	-	-	-	-
Net cash provided by financing activities	3,091	69	499	372	1,005

B. Capitalization and Indebtedness

The following table sets forth our consolidated capitalization as of December 31, 2011. This table should be read in conjunction with "Item 5. Operating and Financial Review and Prospects" and our consolidated financial statements and related notes included elsewhere in this Registration Statement on Form 20-F.

	(in 000's)
Long-term liabilities:	
Long term loan, less current maturities	-
Deferred shares	216
Liability related to stock options	60
Shareholders' deficiency:	
Share capital	225
Additional paid-in capital	9,836
Receipt on account of shares	75
Deficit accumulated during the development stage	(12,621)
Total shareholder's deficiency	(2,485)
Total capitalization (debt and equity)	(2,209)

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

You should carefully consider the risks we describe below, in addition to the other information set forth elsewhere in this Registration Statement on Form 20-F, including our consolidated financial statements and the related notes beginning on page F-1, before deciding to invest in our ordinary shares or our ADSs. These material risks could adversely impact our results of operations, possibly causing the trading price of our ordinary shares and ADSs to decline, and you could lose all or part of your investment.

Risks Relating to Our Financial Position and Our Business

We anticipate that we will incur losses for the foreseeable future and we may never achieve or sustain profitability.

We do not expect to generate revenue or profitability that is necessary to finance our operations in the short term. We incurred losses of $2,119,000, $675,000 and $1,012,000 for the years ended December 31, 2011, 2010 and 2009, respectively. We expect to continue to incur significant research and development and other significant operating expenses and capital expenditures and anticipate that we will continue to have significant expenses and losses in the foreseeable future as we:

- conduct our Phase 2 clinical trials of MRX-4 for allergic rhinitis, and MRX-6 for dermatitis and initiate additional clinical trials, if supported by the results of such trials;
- conduct the synthesis and formulation of MRX-4 and MRX-6;
- conduct preclinical toxicology and absorption, distribution, metabolism and excretion, or ADME, studies for MRX-4 and MRX-6;
- conduct preclinical studies of OPT-1 for allergic conjunctivitis (including synthesizing and formulation of OPT-1);
- conduct our Phase I clinical trial of OPT-1 for allergic conjunctivitis;
- expand our management;
- prepare and make filings with regulatory agencies; and
- incur increased general and administrative expenses as a result of being a public company.

We must generate significant revenue to achieve and maintain profitability. Even if we succeed in developing and commercializing one or more of our product candidates, we may not be able to generate sufficient revenue and we may never be able to achieve or maintain profitability.

We are a development stage company and our limited operating history may make it difficult to evaluate the success of our business to date and to assess our future viability.

We are a development stage company. We commenced operations in February 2005. Our operations to date have been limited to organizing and staffing our company, acquiring, developing, and securing our technology, and undertaking pre-clinical studies and certain clinical trials of our product candidates. We have not filed regulatory applications in the United States for our product candidates and we have not yet demonstrated an ability to obtain regulatory approval, or to synthesize, formulate and manufacture a commercial-scale product, or conduct sales and marketing activities necessary for successful product commercialization. Consequently, any predictions about our future success or viability may not be as accurate as they could be if we had a longer operating history or had previously discovered, developed, and/or commercialized an approved product.

We will require additional capital to fund our operations, and if we are unable to obtain such capital, we will be unable to successfully develop and commercialize our product candidates.

We believe that our existing cash and investment securities will be sufficient to support our current contemplated operating plan until December 31, 2012, based on management's commitment to defer their salaries in the last three months of 2012. However, we will require additional capital in order to complete the clinical development of and to commercialize our product candidates and our pre-clinical product candidates' and to expand our operational plan and management. Our future capital requirements will depend on many factors that are currently unknown to us, including:

- the timing of initiation, progress, results and costs of our clinical trials for MRX-4 and MRX-6;
- the timing and costs related to the filing of INDs for MRX-4 and MRX-6;
- the results of preclinical studies of OPT-1, MRX-5 and CFX-1 and the timing of initiation, progress, results and costs of any clinical trials that we may initiate based on the preclinical results;
- the costs of synthesis and formulation;
- the costs of raw materials in order to produce our product candidates;
- the costs of producing the product candidates;
- the costs of establishing commercial manufacturing arrangements and of establishing sales and marketing functions, if needed;
- the cost of scale-up and optimization;
- the scope, progress, results, and cost of preclinical development, clinical trials, and regulatory review of any new product candidates for which we may initiate development;
- the cost of filing regulatory applications for our product candidates;
- the costs of preparing, filing, and prosecuting patent applications and maintaining, enforcing, and defending intellectual property-related claims;
- our ability to establish research collaborations and strategic collaborations and licensing or other arrangements on terms favorable to us;
- the costs to satisfy our obligations under potential future collaborations; and
- the timing, receipt, and amount of sales, milestone payments, licensing fees or royalties, if any, from any approved product candidates.

There can be no assurance that additional funds will be available when we need them on terms that are acceptable to us, or at all. If adequate funds are not available on a timely basis, we may be required to terminate or delay clinical trials or other development for one or more of our product candidates.

We may seek to raise any necessary funds through public or private equity offerings, debt financings, or strategic alliances and licensing arrangements. We may not be able to obtain additional financing on terms favorable to us, if at all. General market conditions may make it very difficult for us to seek financing from the capital markets. We may be required to relinquish rights to our technologies or product candidates, or grant licenses on terms that are not favorable to us, in order to raise additional funds through alliance, joint venture or licensing arrangements.

Pursuant to the terms of the senior secured convertible notes, or convertible notes, issued to certain investors in our convertible note bridge financing completed on April 4, 2012, until we repay the convertible notes, we may raise additional capital upon terms no more favorable to the new investors than those offered to such investors. In addition, if we make certain dilutive issuances, the conversion price of the convertible notes and the exercise price of the warrants will be lowered to the per share price paid in the applicable dilutive issuance. Such terms and conditions may make it more difficult to raise additional capital on terms favorable to us.

The convertible note bridge financing may result in significant dilution for existing stockholders.

On April 4, 2012, we entered into a securities purchase agreement with certain investors pursuant to which we sold convertible notes and warrants in a bridge financing. Both the convertible notes and warrants issued in the bridge financing contain "down round" provisions, which provides that if we make certain dilutive issuances, the conversion price of the convertible notes and the exercise price of the warrants will be lowered to the per share price paid in the applicable dilutive issuance. We are required to repay the convertible notes by January 4, 2013. We do not currently have sufficient cash available to repay the convertible notes. The down round terms of the convertible notes and warrants could result in significant and material dilution to current shareholders.

If we default on our convertible notes, we may lose all of our assets and intellectual property.

Our obligations under the convertible notes issued on April 4, 2012 are secured pursuant to the terms of a security agreement entered into by us and certain of our subsidiaries and the buyers of such convertible notes. Pursuant to the security agreement, we granted each of the buyers a security interest in all of our assets. In addition, certain of our subsidiaries executed guaranties with the buyers pursuant to which such subsidiaries guarantee our obligation under the convertible notes. In the event that we default under the convertible notes, the note holders may obtain our assets, including all of our intellectual property. If we lose all or a substantial portion of our assets, our shares will significantly decline in value or become worthless.

Raising additional capital may cause dilution to existing shareholders, restrict our operations or require us to relinquish rights.

We may seek the additional capital necessary to fund our operations through public or private equity offerings, collaboration agreements, debt financings or licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, existing shareholders' ownership interests will be diluted and the terms may include liquidation or other preferences that adversely affect their rights as a shareholder. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions such as incurring additional debt, making capital expenditures, or declaring dividends. If we raise additional funds through collaboration and licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies or product candidates, or grant licenses on terms that are not favorable to us.

Capital markets are currently experiencing a period of disruption and instability, which has had and could continue to have a negative impact on the availability and cost of capital.

The United States capital markets have been adversely affected by the current economic problems being experienced in the United States and abroad, particularly in Europe. These global conditions have impacted the broader worldwide financial and credit markets and reduced the availability of debt and equity capital for the market as a whole. These global conditions could persist for a prolonged period of time or worsen in the future. Our ability to access the capital markets may be restricted at a time when we would like, or need, to access those markets, which could have an impact on our flexibility to react to changing economic and business conditions. The resulting lack of available credit, lack of confidence in the financial sector, increased volatility in the financial markets could materially and adversely affect the cost of debt financing and the proceeds of equity financing may be materially adversely impacted by these market conditions.

Our future success depends on our ability to retain our key executives and to attract, retain, and motivate qualified personnel.

The competition for qualified personnel in the biopharmaceutical field is intense and we must retain and motivate highly qualified scientific personnel as well as attract new personnel. We are highly dependent on certain officers and employees, including Mr. Mark Cohen, our Executive Chairman, Mr. Yuval Cohen, our President, Prof. Saul Yedgar, our Chief Scientific Officer, Dov Elefant, our Chief Financial Officer, Alan Harris, our Chief Medical Officer, and our key consultant Joseph Bondi, responsible for Pre-Clinical Development, and certain principal members of our executive and scientific teams. All of the agreements with these principal members of our executive and scientific teams provide that employment is at-will and may be terminated by the employee at any time and without notice. The loss of the services of any of these persons might impede the achievement of our research, development, and commercialization objectives. Recruiting and retaining qualified scientific personnel and possibly sales and marketing personnel will also be critical to our success. We may not be able to attract and retain these personnel on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific personnel from universities and research institutions. We do not maintain "key person" insurance on any of our employees. In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development and commercialization strategy. Our consultants and advisors may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us.

We will need to hire additional employees in order to commercialize our product candidates in the future. Any inability to manage future growth could harm our ability to commercialize our product candidates, increase our costs and adversely impact our ability to compete effectively.

In order to commercialize our product candidates in the future, we will need to hire experienced sales and marketing personnel to sell and market those product candidates we decide to commercialize, and we will need to expand the number of our managerial, operational, financial and other employees to support commercialization. Competition exists for qualified personnel in the biopharmaceutical field.

Future growth will impose significant added responsibilities on members of management, including the need to identify, recruit, maintain and integrate additional employees. Our future financial performance and our ability to commercialize our product candidates and to compete effectively will depend, in part, on our ability to manage any future growth effectively.

We are exposed to risks related to foreign currency exchange rates.

Some of our costs and expenses are denominated in foreign currencies. Most of our foreign expenses are associated with our research and development operations in the United Kingdom. When the United States dollar weakens against the British pound, the United States dollar value of the foreign currency denominated expense increases, and when the United States dollar strengthens against the British pound, the United States dollar value of the foreign currency denominated expense decreases. Consequently, changes in exchange rates, and in particular a weakening of the United States dollar, may adversely affect our results of operations.

Risks Related to the Development and Regulatory Approval of Our Product candidates

Our success is largely dependent on the success of our product candidates, and we cannot be certain that we will be able to obtain regulatory approval for or successfully commercialize any of these product candidates.

We have invested significant time and financial resources in the development of our product candidates. We anticipate that our success will depend largely on the receipt of regulatory approval of clinical development and successful commercialization of our product candidates. The future success of our clinical and pre-clinical programs will depend on several factors, including the following:

- our ability to provide acceptable evidence of their safety and efficacy;
- receipt of marketing approval from the FDA and similar foreign regulatory authorities;
- obtaining and maintaining commercial manufacturing arrangements with third-party manufacturers or establishing commercial-scale manufacturing capabilities;
- possibly establishing an internal sales force or collaborating with pharmaceutical companies or contract sales organizations to market and sell any approved drug;
- acceptance of any approved drug in the medical community and by patients and third-party payers;
- the availability of the raw materials to produce our product candidates; and
- the submission and approval of regulatory filings, and availability of Drug Master Files for raw materials that we are using.

Many of these factors are beyond our control. Accordingly, we cannot assure you that we will ever be able to generate revenues through the license or sale of any of our product candidates.

Our product candidates are still in the early stages of development and remain subject to clinical testing and regulatory approval. If we are unable to successfully develop and test our product candidates, we will not be successful.

To date, we have not filed any US regulatory applications, have not received regulatory approval, nor distributed or sold any drugs. The success of our business depends substantially upon our ability to develop and commercialize our product candidates successfully. We currently have two clinical-stage product candidates in development, MRX-4 and MRX-6, which are in the early stages of clinical development. Our product candidates are prone to the risks of failure inherent in drug development. Before obtaining regulatory approvals for the commercial sale of MRX-4 and MRX-6 or any other product candidate for a target indication, we must demonstrate with substantial evidence gathered in well-controlled clinical trials, and, with respect to approval in the United States, to the satisfaction of the FDA and, with respect to approval in other countries, similar regulatory authorities in those countries, that the product candidate is safe and effective for use for that target indication. Satisfaction of these and other regulatory requirements is costly, time consuming, uncertain, and subject to unanticipated delays. Despite our efforts, our product candidates may not:

- offer improvement over existing, comparable drugs;
- be proven safe and effective in clinical trials;
- meet applicable regulatory standards; or

- be successfully commercialized.

Positive results in preclinical studies or clinical studies of a product candidate may not be predictive of similar results in humans during clinical trials, and promising results from early clinical trials of a product candidate may not be replicated in later clinical trials. Interim results of a clinical trial do not necessarily predict final results. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in late-stage clinical trials even after achieving promising results in early-stage development. Accordingly, the results from completed preclinical studies and clinical trials for our product candidates may not be predictive of the results we may obtain in later stage trials or studies. Our preclinical studies or clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional preclinical studies or clinical trials, or to discontinue clinical trials altogether. We may also decide to stop development of a product candidate for other reasons. We do not expect any of our product candidates to be commercially available for at least several years and some or all may never become commercially available.

If clinical trials for our product candidates are prolonged or delayed, we may be unable to commercialize our product candidates on a timely basis, which would require us to incur additional costs and delay our receipt of any revenue from potential product sales.

We cannot predict whether we will encounter problems with any of our ongoing or planned clinical trials that will cause us or any regulatory authority to delay or suspend those clinical trials or delay the analysis of data derived from them. A number of events, including any of the following, could delay the completion of our ongoing and planned clinical trials and negatively impact our ability to obtain regulatory approval for, and to market and sell, a particular product candidate:

- conditions imposed on us by the FDA or any foreign regulatory authority regarding the scope or design of our clinical trials;
- the possible lack of acceptance of our data from our Phase 2 results by the FDA, due to the fact that the trials were not conducted under FDA protocols or in the United States;
- delays in obtaining, or our inability to obtain, required approvals from institutional review boards, or IRBs, or other reviewing entities at clinical sites selected for participation in our clinical trials;
- insufficient supply or deficient quality of our product candidates supply or materials to produce our product candidates or other materials necessary to conduct our clinical trials;
- delays in obtaining regulatory agreement for the conduct of our clinical trials;
- lower than anticipated enrollment and retention rate of subjects in clinical trials for a variety of reasons, including size of patient population, nature of trial protocol, the availability of approved effective treatments for the relevant disease and competition from other clinical trial programs for similar indications;
- serious and unexpected drug-related side effects experienced by patients in clinical trials;
- failure of our third-party contractors to meet their contractual obligations to us in a timely manner;
- preclinical or clinical trials may produce negative or inconclusive results, which may require us or any potential future collaborators to conduct additional preclinical or clinical testing or to abandon projects that we expect to be promising;
- even if preclinical or clinical trial results are positive, the FDA or foreign regulatory authorities could nonetheless require us to conduct unanticipated additional clinical trials;
- registration or enrollment in clinical trials may be slower than we anticipate, resulting in significant delays or study terminations;

- we or any potential future collaborators may suspend or terminate clinical trials if the participating patients are being exposed to unacceptable health risks;
- regulators or institutional review boards may suspend or terminate clinical research for various reasons, including noncompliance with regulatory requirements; and
- our product candidates may not have the desired effects or may include undesirable side effects.

Clinical trials may also be delayed or terminated as a result of ambiguous or negative interim results. In addition, a clinical trial may be suspended or terminated by us, the FDA, the IRBs at the sites where the IRBs are overseeing a trial, or other regulatory authorities due to a number of factors, including:

- failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols;
- the imposition of a clinical hold by the FDA;
- varying interpretation of data by the FDA or similar foreign regulatory authorities;
- failure to achieve primary or secondary endpoints or other failure to demonstrate efficacy;
- seasonal issues, as the conducting of our clinical trials is dependent on the season of the year;
- unforeseen safety issues; or
- the lack of adequate funding to continue the synthesis, formulation, manufacture and/or clinical trials.

Additionally, changes in standard of care or regulatory requirements and guidance may occur and we may need to amend clinical trial protocols to reflect these changes. Such amendments may require us to resubmit our clinical trial protocols to IRBs for reexamination, which may impact the cost, timing or successful completion of a clinical trial. Such changes may also require us to reassess the viability of the program in question.

We do not know whether our clinical trials will begin as planned, will need to be restructured or will be completed on schedule, if at all. Delays in our clinical trials will result in increased development costs for our product candidates. In addition, if we experience delays in completion of, or if we terminate, any of our clinical trials, the commercial prospects for our product candidates may be affected and our ability to generate product revenues will be delayed. Furthermore, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of a product candidate.

Even if our product candidates receive regulatory approval in the United States, we may never receive approval or commercialize our products outside of the United States.

In order to market any products outside of the United States, we must establish and comply with numerous and varying regulatory requirements of other countries regarding safety and efficacy. Approval procedures vary among countries and can involve additional product testing and additional administrative review periods. The time required to obtain approval in other countries might differ from that required to obtain FDA approval. The regulatory approval process in other countries may include all of the risks detailed above regarding FDA approval in the United States as well as other risks. Regulatory approval in one country does not ensure regulatory approval in another, but a failure or delay in obtaining regulatory approval in one country may have a negative effect on the regulatory process in others. Failure to obtain regulatory approval in other countries or any delay or setback in obtaining such approval would impair our ability to develop foreign markets for our product candidates and may have a material adverse effect on our results of operations and financial condition.

Both before and after marketing approval, our product candidates are subject to ongoing regulatory requirements, and if we fail to comply with these continuing requirements, we could be subject to a variety of sanctions and the sale of any approved commercial products could be suspended.

Both before and after regulatory approval to market a particular product candidate, the manufacturing, labeling, packaging, adverse event reporting, storage, advertising, promotion and record keeping related to the product candidates are subject to extensive regulatory requirements. If we fail to comply with the regulatory requirements of the FDA and other applicable U.S. and foreign regulatory authorities, we could be subject to administrative or judicially imposed sanctions, including:

- restrictions on the products or manufacturing processes;
- warning letters;
- civil or criminal penalties;
- fines;
- injunctions;
- product seizures or detentions and related publicity requirements;
- suspension or withdrawal of regulatory approvals;
- regulators or IRBs may not authorize us or any potential future collaborators to commence a clinical trial or conduct a clinical trial at a prospective trial site, or we may experience substantial delays in obtaining these authorizations;
- total or partial suspension of production; and
- refusal to approve pending applications for marketing approval of new product candidates or supplements to approved applications.

Changes in the regulatory approval policy during the development period, changes in or the enactment of additional regulations or statutes, or changes in regulatory review for each submitted product application may cause delays in the approval or rejection of an application. For example, the FDA announced in 2008 that, due to staffing and resource limitations, it has given its managers discretion to miss certain timing goals for completing reviews of NDAs set forth under the Prescription Drug User Fee Act, or PDUFA. Although the FDA has since publicly expressed a recommitment to meeting PDUFA deadlines, it remains unclear whether and to what extent the FDA will adhere to PDUFA deadlines in the future. If the FDA were to miss a PDUFA timing goal for one of our product candidates, the development and commercialization of the product candidate could be delayed. In addition, the Food and Drug Administration Amendments Act of 2007, or FDAAA, which was enacted in September 2007, expands the FDA's authority to regulate drugs throughout the product life cycle, including enhanced authority to require post-approval studies and clinical trials. Other proposals have been made to impose additional requirements on drug approvals, further expand post-approval requirements and restrict sales and promotional activities. This new legislation, and the additional proposals if enacted, may make it more difficult or burdensome for us or our potential future collaborators to obtain approval of our product candidates. Even if the FDA approves a product candidate, the approval may impose significant restrictions on the indicated uses, conditions for use, labeling, advertising, promotion, marketing and/or production of such product, and may impose ongoing requirements for post-approval studies, including additional research and development and clinical trials. The approval may also impose risk evaluation mitigation strategies, or REMS, on a product if the FDA believes there is a reason to monitor the safety of the drug in the market place. REMS may include requirements for additional training for health care professionals, safety communication efforts and limits on channels of distribution, among other things. The sponsor would be required to evaluate and monitor the various REMS activities and adjust them if need be. The FDA also may impose various civil or criminal sanctions for failure to comply with regulatory requirements, including withdrawal of product approval.

Furthermore, the approval procedure and the time required to obtain approval varies among countries and can involve additional testing beyond that required by the FDA. Approval by one regulatory authority does not ensure approval by regulatory authorities in other jurisdictions. The FDA has substantial discretion in the approval process and may refuse to accept any application or may decide that our data are insufficient for approval and require additional preclinical, clinical or other studies.

In addition, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit, or prevent regulatory approval of a product candidate. Even if we submit an application to the FDA for marketing approval of a product candidate, it may not result in marketing approval from the FDA.

We do not expect to receive regulatory approval for the commercial sale of any of our product candidates that are in development in the near future, if at all. The inability to obtain FDA approval or approval from comparable authorities in other countries for our product candidates would prevent us or any potential future collaborators from commercializing these product candidates in the United States or other countries.

If side effects emerge that can be linked to our product candidates are in development or after they are approved and on the market, we may be required to perform lengthy additional clinical trials, change the labeling of any such products, or withdraw such products from the market, any of which would hinder or preclude our ability to generate revenues.

If we identify side effects or other problems occur in future clinical trials, we may be required to terminate or delay clinical development of the product candidate. Furthermore, even if any of our product candidates receives marketing approval, as greater numbers of patients use a drug following its approval, if the incidence of side effects increases or if other problems are observed after approval that were not seen or anticipated during pre-approval clinical trials, a number of potentially significant negative consequences could result, including:

- regulatory authorities may withdraw their approval of the product;
- we may be required to reformulate such products, change the way the product is manufactured or administered, conduct additional clinical trials or change the labeling of the product;
- we may become the target of lawsuits, including class action suits; and
- our reputation in the market place may suffer resulting in a significant drop in the sales of the affected products.

Any of these events could substantially increase the costs and expenses of developing, commercializing and marketing any such product candidates or could harm or prevent sales of any approved products.

We have not conducted any absorption, distribution, metabolism and excretion (ADME), studies with respect to our clinical and pre-clinical product candidates.

To date, we have not conducted any ADME studies with respect to any of our product candidates. The objective of the ADME studies are to determine if the test substance or any of its components are absorbed and if any absorbed components are metabolized into harmful chemicals that may or may not accumulate in the body. In the event that our ADME studies show detrimental effects on certain tissues or poor efficacy, we may be required to terminate or delay clinical development of a particular product candidate.

The number of subjects in our study pools in our clinical trials may be deemed by regulators to be too small.

Our clinical trials have been conducted on a pool of subjects that is structured for such research. Nevertheless, there is the possibility that for statistical reasons, the pool of subjects may be determined by the FDA or another regulatory body to be too small to verify statistical significance. In such a case, the conclusions from the previous trials will need to be established with at least another set of clinical trials testing the relevant issue.

While we choose to test our product candidates in specific clinical indications based in part on our understanding of their mechanisms of action, our understanding may be incorrect or incomplete and, therefore, our product candidates may not be effective against the diseases tested in our clinical trials.

Our rationale for selecting the particular therapeutic indications for each of our product candidates is based in part on our understanding of the mechanism of action of these product candidates. However, our understanding of the product candidate's mechanism of action may be incomplete or incorrect, or the mechanism may not be clinically relevant to the diseases treated. In such cases, our product candidates may prove to be ineffective in the clinical trials for treating those diseases.

We may not be able to keep up with the rapid technological change in the biotechnology and pharmaceutical industries, which could make any future approved products obsolete and reduce our revenue.

Biotechnology and related pharmaceutical technologies have undergone and continue to be subject to rapid and significant change. Our future will depend in large part on our ability to maintain a competitive position with respect to these technologies. Our competitors may render our technologies obsolete by advances in existing technological approaches or the development of new or different approaches, potentially eliminating the advantages in our drug discovery process that we believe we derive from our research approach and proprietary technologies. In addition, any future products that we develop, including our clinical product candidates, may become obsolete before we recover expenses incurred in developing those products, which may require that we raise additional funds to continue our operations.

Risks Related to the Commercialization of Our Product candidates

Even if any of our product candidates receives regulatory approval, if the approved product does not achieve broad market acceptance, the commercial success and revenues that we generate from sales of the product will be limited.

Even if product candidates we may develop or acquire in the future obtain regulatory approval, they may not gain broad market acceptance among physicians, healthcare payers, patients, and the medical community. If these products do not achieve an adequate level of acceptance, we may not generate material product revenues or receive royalties to the extent we currently anticipate, and we may not become profitable. The degree of market acceptance for any approved product candidate will depend on a number of factors, including:

- demonstration of clinical safety and efficacy compared to other products;
- prevalence and severity of adverse side effects;
- availability of reimbursement from government health programs and other third-party payers;
- convenience and ease of administration;
- cost-effectiveness;
- timing of market introduction of competitive products;
- ineffective marketing and distribution support of our products;
- potential advantages over alternative treatments;
- whether the products we commercialize remain a preferred course of treatment;
- the ability to offer our product candidates for sale at competitive prices;
- relative convenience and ease of administration;
- the cost of the materials to produce our product candidates;
- the strength of marketing and distribution support; and
- sufficient third-party coverage or reimbursement.

If our approved product candidates fail to achieve broad market acceptance, we may not be able to generate significant revenue and our business would suffer. Furthermore, if any of these events were to occur and, as a result, we or any potential future collaborators have significant delays in or termination of clinical trials, our costs could increase and our ability to generate revenue could be impaired, which would materially and adversely impact our business, financial condition and growth prospects.

If we or any potential future collaborators observe serious or other adverse events during the time our product candidates are in development or after our products are approved and on the market, we or any potential future collaborators may be required to perform lengthy additional clinical trials, may be denied regulatory approval of such products, may be forced to change the labeling of such products or may be required to withdraw any such products from the market, any of which would hinder or preclude our ability to generate revenues.

If the incidence of serious or other adverse events related to our product candidates increases in number or severity, if a regulatory authority believes that these or other events constitute an adverse effect caused by the drug, or if other effects are identified during clinical trials that we or any potential future collaborators may conduct in the future or after any of our product candidates are approved and marketed, then:

- we or any potential future collaborators may be required to conduct additional preclinical or clinical trials, make changes in the labeling of any such approved products, reformulate any such products, or implement changes to or obtain new approvals of our contractors' manufacturing facilities;

- regulatory authorities may be unwilling to approve our product candidates or may withdraw approval of our products;
- we may experience a significant drop in the sales of the affected products;
- our reputation in the marketplace may suffer; and
- we may become the target of lawsuits, including class action suits.

Any of these events could prevent approval or harm sales of the affected product candidates or products, or could substantially increase the costs and expenses of commercializing and marketing any such products.

If we are unable to establish sales and marketing capabilities or enter into and maintain agreements with third parties to market and sell our product candidates, we may be unable to generate product revenue.

We do not currently have an organization nor have any experience in sales, marketing and distribution of pharmaceutical products. We will need to establish sales and marketing capabilities or establish and maintain agreements with third parties to market and sell our product candidates. In order to market any products that may be approved by the FDA, or similar foreign regulatory authorities, we must build our sales, marketing, managerial and other non-technical capabilities, license to a commercial partner, or make arrangements with third parties to perform these services. There are risks involved with entering into arrangements with third parties to perform these services, which could delay the commercialization of any of our product candidates if approved for commercial sale. If we are unable to establish adequate sales, marketing and distribution capabilities, whether independently or with third parties, we may not be able to generate product revenue and our business would suffer. In addition, to the extent that when we enter into arrangements with third parties to perform sales, marketing and distribution services, our product revenues are likely to be lower than if we could market and sell any products that we develop ourselves.

If we and/or any potential future collaborators are unable to obtain reimbursement or experience a reduction in reimbursement from third-party payers for products we sell, our revenues and prospects for profitability will suffer.

Sales of products developed by us and/or any potential future collaborators are dependent on the availability and extent of reimbursement from third-party payers. Changes in the reimbursement policies of these third-party payers that results in reduction of reimbursements for our prospective product candidates and any other products that we and/or any potential future collaborators may develop and sell, could negatively impact our future operating and financial results.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 established comprehensive Medicare coverage and reimbursement of prescription drugs under Medicare Part D. The prescription drug program established by this legislation may have the effect of reducing the prices that we or any potential future collaborators are able to charge for products we and/or any potential future collaborators develop and sell through the program. This legislation may also cause third-party payers other than the federal government, including the states under the Medicaid program, to discontinue coverage for products that we and/or any potential future collaborators may develop or to lower the amount that they pay.

In March 2010, the United States Congress enacted the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act. This health care reform legislation will increase the number of individuals who receive health insurance coverage and will close a gap in drug coverage under Medicare Part D as established in 2003. However, the legislation also implements cost containment measures that could adversely affect our revenues. These measures include increased drug rebates under Medicaid for brand name prescription drugs, such as our prospective product candidates, and extension of these rebates to Medicaid managed care, each of which have reduced the amount of net reimbursement received for our prospective product candidates and would reduce the amount of net reimbursement for any other products that we and/or any potential future collaborators may develop and sell. The legislation also extended 340B discounted pricing on outpatient drugs to children's hospitals, critical access hospitals, and rural health centers, which has reduced the amount of reimbursement received for drugs purchased by these new 340B-covered entities. Additional provisions of the health care reform legislation may negatively affect our revenues and prospects for profitability in the future. Along with other pharmaceutical manufacturers and importers of brand name prescription drugs, we are assessed a fee based on our proportionate share of sales of brand name prescription drugs to certain government programs, including Medicare and Medicaid, made in the preceding year if such sales exceed a defined threshold. As part of the health care reform legislation's provisions closing a funding gap that currently exists in the Medicare Part D prescription drug program (commonly known as the "donut hole"), as of January 1, 2011, we are required to provide a 50% discount on brand name prescription drugs, including our prospective product candidates, sold to beneficiaries who fall within the donut hole. The health care reform legislation has been subject to judicial challenge. While some courts have upheld the law, other courts have concluded that the individual mandate component of the law is unconstitutional. One of those courts determined that the individual mandate component could not be severed from the law and therefore concluded that the entire law was void. All of the rulings on the merits are being appealed. There is no certainty regarding the final outcome of the litigation or the impact of the outcome on the pricing and potential profitability of any products that we and/or any potential future collaborators may develop.

Economic pressure on state budgets may result in states increasingly seeking to achieve budget savings through mechanisms that limit coverage or payment for drugs. State Medicaid programs are increasingly requesting manufacturers to pay supplemental rebates and requiring prior authorization for use of drugs where supplemental rebates are not provided. Private health insurers and managed care plans are likely to continue challenging the prices charged for medical products and services, and many of these third-party payers may limit reimbursement for newly-approved health care products. In particular, third-party payers may limit the indications for which they will reimburse patients who use any products that we and/or any potential future collaborators may develop or sell. These cost-control initiatives could decrease the price we might establish for products that we or any potential future collaborators may develop or sell, which would result in lower product revenues or royalties payable to us.

Similar cost containment initiatives exist in countries outside of the United States, particularly in the countries of the European Union, where the pricing of prescription pharmaceuticals is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take six to twelve months or longer after the receipt of regulatory marketing approval for a product. To obtain reimbursement or pricing approval in some countries, we or any potential future collaborators may be required to conduct a clinical trial that compares the cost effectiveness of our product candidates or products to other available therapies. The conduct of such a clinical trial could be expensive and result in delays in our or a potential future collaborators' commercialization efforts. Third-party payers are challenging the prices charged for medical products and services, and many third-party payers limit reimbursement for newly-approved health care products. In particular, third-party payers may limit the indications for which they will reimburse patients who use any products that we and/or any potential future collaborators may develop or sell. Cost-control initiatives could decrease the price we might establish for products that we or any potential future collaborators may develop or sell, which would result in lower product revenues or royalties payable to us. Another development that could affect the pricing of drugs would be if the Secretary of Health and Human Services allowed drug re-importation into the United States. The Medicare Prescription Drug, Improvement and Modernization Act of 2003 gives discretion to the Secretary of Health and Human Services to allow drug re-importation into the United States under some circumstances from foreign countries, including from countries where the drugs are sold at a lower price than in the United States. If the circumstances were met and the Secretary exercised the discretion to allow for the direct re-importation of drugs, it could decrease the price we or any potential future collaborators receive for any products that we and/or any potential future collaborators may develop, negatively affecting our revenues and prospects for profitability.

If we are unable to establish manufacturing capabilities or enter into agreements with third parties to supply materials to make our product candidates, or manufacture our clinical trial drug supplies, we may be unable to generate product revenue.

We do not currently have the capability to manufacture pharmaceutical products. In order to commercialize any products that may be approved by the FDA, or similar foreign regulatory authorities, we must build and operate manufacturing, storage and distribution facilities, or make arrangements with third parties to perform these services. If we are unable to establish manufacturing capabilities, whether independently or with third parties, we may not be able to generate product revenue and our business would suffer.

Changes in healthcare policy could adversely affect our business.

U.S. and foreign governments continue to propose and pass legislation designed to reduce the cost of healthcare. For example, the Medicare Prescription Drug Improvement and Modernization Act of 2003, or MMA, expanded Medicare coverage for drugs purchased by Medicare beneficiaries and introduced new reimbursement methodologies. In addition, this law provided authority for limiting the number of drugs that will be covered in any therapeutic class. We do not know what impact the MMA and similar laws will have on the availability of coverage for and the price that we receive for any approved products. Moreover, while the MMA applies only to drug benefits for Medicare beneficiaries, private payers often follow Medicare policies in setting their own reimbursement policies, and any reduction in reimbursement that results from the MMA may result in similar reductions by private payers.

In March 2010, the President signed the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, together the Affordable Care Act or ACA. This law is expected to result in an increase in the number of people who are covered by both public and private insurance and is also expected to substantially change the way health care is financed by both government health program and private insurers, and significantly impact the pharmaceutical industry. The ACA contains a number of provisions that may impact our business and operations in ways that may negatively affect our potential revenues in the future. For example, the ACA imposes a non-deductible excise tax on pharmaceutical manufacturers or importers that sell branded prescription drugs to U.S. government programs which we believe will increase the cost of any products that we develop. In addition, as part of the ACA's provisions closing a funding gap that currently exists in the Medicare Part D prescription drug program (commonly known as the "donut hole"), we will be required to provide a 50% discount on any branded prescription drugs that we develop sold to beneficiaries who fall within the donut hole. While it is too early to predict all the specific effects the ACA or any future healthcare reform legislation will have on our business, they could have a material adverse effect on our business and financial condition.

The availability of government reimbursement for prescription drugs is also likely to be impacted by the Budget Control Act of 2011, which was signed into law on August 2, 2011. This law is expected to result in federal spending cuts totaling between $1.2 trillion and $1.5 trillion over the next decade over half of which will include cuts in Medicare and other health related spending.

If a successful product liability claim or series of claims is brought against us for uninsured liabilities or in excess of insured liabilities, we could incur substantial liability.

The use of our product candidates in clinical trials and the sale of any products for which we obtain marketing approval expose us to the risk of product liability claims. Product liability claims might be brought against us by consumers, health care providers or others selling or otherwise coming into contact with our products. If we cannot successfully defend ourselves against product liability claims, we could incur substantial liabilities. In addition, regardless of merit or eventual outcome, product liability claims may result in:

- decreased demand for any approved product candidates;
- impairment of our business reputation;
- withdrawal of clinical trial participants;
- costs of related litigation;
- distraction of management's attention from our primary business;
- substantial monetary awards to patients or other claimants;
- loss of revenues; and
- the inability to successfully commercialize any approved product candidates.

We have obtained product liability insurance coverage for our clinical trials with a US $3 million coverage for dermatitis clinical trials, and €5 million coverage for hay fever clinical trials. However, our insurance coverage may not be sufficient to reimburse us for any expenses or losses we may suffer. Moreover, insurance coverage is becoming increasingly expensive, and, in the future, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses due to liability. If and when we obtain marketing approval for any of our product candidates, we intend to expand our insurance coverage to include the sale of commercial products; however, we may be unable to obtain this product liability insurance on commercially reasonable terms. On occasion, large judgments have been awarded in class action lawsuits based on drugs that had unanticipated side effects. A successful product liability claim or series of claims brought against us could cause our share price to decline and, if judgments exceed our insurance coverage, could decrease our cash and adversely affect our business.

We are subject to federal and state laws prohibiting "kickbacks" and false or fraudulent claims, and state gift ban laws which, if violated, could subject us to substantial penalties. Additionally, any challenge to or investigation into our practices under these laws could cause adverse publicity and be costly to respond to, and thus could harm our business.

A federal law commonly known as the federal anti-kickback law, and several similar state and foreign laws, prohibit the payment of any remuneration that is intended to induce physicians or others either to refer patients or to acquire or arrange for or recommend the acquisition of health care products or services. Other federal and state and foreign laws generally prohibit individuals or entities from knowingly presenting, or causing to be presented, claims for payment to Medicare, Medicaid or other third-party payers that are false or fraudulent, or for items or services that were not provided as claimed.

A number of states have enacted laws that require pharmaceutical and medical device companies to monitor and report payments, gifts and other remuneration made to physicians and other health care professional and health care organizations. Some state statutes impose an outright ban on gifts to physicians. These laws are often referred to as "gift ban" or "aggregate spend" laws, and they carry substantial fines if they are violated. In addition, the ACA requires the annual reporting of certain payments and other transfers of value that are made to health care professionals in 2012 and thereafter. The federal ACA does not preempt all aspects of the similar state laws.

In the event that we are found to have violated these laws or decide to settle a claim that we have done so, our business may be materially adversely affected as a result of any payments required to be made, restrictions on our future operations or actions required to be taken, damage to our business reputation or adverse publicity in connection with such a finding or settlement or other adverse effects relating thereto. Additionally, even an unsuccessful challenge or investigation into our practices could cause adverse publicity, and be costly to respond to, and thus could harm our business and results of operations.

If our competitors are better able to develop and market products than any products that we and/or any potential future collaborators may develop, our commercial opportunity will be reduced or eliminated.

We face competition from commercial pharmaceutical and biotechnology enterprises, as well as from academic institutions, government agencies and private and public research institutions. Our commercial opportunities will be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer side effects or are less expensive than any products that we and/or any potential future collaborators may develop. Competition could result in reduced sales and pricing pressure on our product candidates, if approved, which in turn would reduce our ability to generate meaningful revenue and have a negative impact on our results of operations. In addition, significant delays in the development of our product candidates could allow our competitors to bring products to market before us and impair any ability to commercialize our product candidates.

Various products are currently marketed or used off-label for some of the diseases and conditions that we are targeting in our pipeline and a number of companies are or may be developing new treatments. These product uses, as well as promotional efforts by competitors and/or clinical trial results of competitive products, could significantly diminish any ability to market and sell any products that we and/or any potential future collaborators may develop.

With respect to our clinical and pre-clinical programs, there are other product candidates in development that may compete with our product candidates and any future similar product candidates, if approved for commercial sale, Many of our competitors have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies and technology licenses complementary to our programs or advantageous to our business.

Risks Related to Our Dependence on Third Parties

If we do not establish collaborations for our product candidates or otherwise raise substantial additional capital, we will likely need to alter our development and any commercialization plans.

Our strategy includes selectively partnering or collaborating with multiple pharmaceutical and biotechnology companies to assist us in furthering development and potential commercialization of our product candidates. We face significant competition in seeking appropriate collaborators, and collaborations are complex and time consuming to negotiate and document. We may not be successful in entering into new collaborations with third parties on acceptable terms, or at all, including as a result of the collaboration discussions we are pursuing for several of our product candidates .In addition, we are unable to predict when, if ever, we will enter into any additional collaborative arrangements because of the numerous risks and uncertainties associated with establishing such arrangements. If we are unable to negotiate new collaborations, we may have to curtail the development of a particular product candidate, reduce, delay, or terminate its development or one or more of our other development programs, delay its potential commercialization or reduce the scope of our sales or marketing activities or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to increase our expenditures to fund development or commercialization activities on our own, we will need to raise substantial additional capital, which may not be available to us on acceptable terms, or at all. If we do not have sufficient funds, we will not be able to bring our product candidates to market and generate product revenues.

We depend on third-party suppliers for key raw materials used in our manufacturing processes, and the loss of these third-party suppliers or their inability to supply us with adequate raw materials could harm our business.

We rely on third-party suppliers for the raw materials required for the production of our product candidates. Our dependence on these third-party suppliers and the challenges we may face in obtaining adequate supplies of raw materials involve several risks, including limited control over pricing, availability, quality, and delivery schedules. We cannot be certain that our current suppliers will continue to provide us with the quantities of these raw materials that we require or satisfy our anticipated specifications and quality requirements. Any supply interruption in limited or sole sourced raw materials could materially harm our ability to manufacture our products until a new source of supply, if any, could be identified and qualified. Although we believe there are several other suppliers of these raw materials, we may be unable to find a sufficient alternative supply channel in a reasonable time or on commercially reasonable terms. Any performance failure on the part of our suppliers could delay the development and commercialization of our product candidates, including limiting supplies necessary for clinical trials and regulatory approvals, or interrupt production of the existing products that are already marketed, which would have a material adverse effect on our business.

Any collaborative arrangements that we establish in the future may not be successful or we may otherwise not realize the anticipated benefits from these collaborations. In addition, any future collaboration arrangements may place the development and commercialization of our product candidates outside our control, may require us to relinquish important rights or may otherwise be on terms unfavorable to us.

In the future, we may not be able to locate third-party collaborators to develop and market our product candidates, and we may lack the capital and resources necessary to develop our product candidates alone. Dependence on collaborative arrangements subjects us to a number of risks, including:

- we may not be able to control the amount and timing of resources that our potential future collaborators may devote to our product candidates;

- potential future collaborations may experience financial difficulties or changes in business focus;
- we may be required to relinquish important rights such as marketing and distribution rights;
- should a collaborator fail to develop or commercialize one of our compounds or product candidates, we may not receive any future milestone payments and will not receive any royalties for the compound or product candidate;
- business combinations or significant changes in a collaborator's business strategy may also adversely affect a collaborator's willingness or ability to complete its obligations under any arrangement;
- under certain circumstances, a collaborator could move forward with a competing product candidate developed either independently or in collaboration with others, including our competitors; and
- collaborative arrangements are often terminated or allowed to expire, which could delay the development and may increase the cost of developing our product candidates.

If third parties do not manufacture our product candidates in sufficient quantities, in the required timeframe, and at an acceptable cost, clinical development and commercialization of our product candidates would be delayed.

We do not currently own or operate manufacturing facilities, and we rely, and expect to continue to rely, on third parties for the production of clinical and commercial quantities of our product candidates. Our current and anticipated future dependence upon others for the manufacture of our product candidates may adversely affect our future profit margins, if any, and our ability to develop product candidates and commercialize any product candidates on a timely and competitive basis.

We rely on third-party vendors for the manufacture of our materials. If our supply of these synthetic raw materials becomes unusable or if the contract manufacturers that we are currently utilizing to meet our supply needs for these materials or any future such product candidates prove incapable or unwilling to continue to meet our supply needs, we could experience a delay in conducting any additional clinical trials of our product candidates or any future product candidates. Furthermore, the respective third parties hold the Drug Master File (DMF) on these materials. Accordingly, we will need to maintain access to them or create them ourselves, a procedure that will be very costly, and shall take time. In addition, we rely on third-party contractors for the manufacture of our drug substance. We may not be able to maintain or renew our existing or any other third-party manufacturing arrangements on acceptable terms, if at all. If for some reason our contract manufacturers cannot perform as agreed, we may be required to replace them. Although we believe there are a number of potential replacements as our manufacturing processes are not manufacturer specific, we may incur added costs and delays in identifying and qualifying any such replacements because the FDA must approve any replacement manufacturer prior to manufacturing our product candidates. Such approval would require new testing and compliance inspections. In addition, a new manufacturer would have to be educated in, or develop substantially equivalent processes for, production of our product candidates after receipt of FDA approval.

We anticipate continued reliance on third-party manufacturers if we are successful in obtaining marketing approval from the FDA and other regulatory agencies for any of our product candidates.

To date, our product candidates have been manufactured in small quantities for preclinical testing and clinical trials by third-party manufacturers. If the FDA or other regulatory agencies approve any of our product candidates for commercial sale, we expect that we would continue to rely, at least initially, on third-party manufacturers to produce commercial quantities of our approved product candidates. These manufacturers may not be able to successfully increase the manufacturing capacity for any of our approved product candidates in a timely or economic manner, or at all. Significant scale-up of manufacturing may require additional validation studies, which the FDA must review and approve. If they are unable to successfully increase the manufacturing capacity for a product candidate, or we are unable to establish our own manufacturing capabilities, the commercial launch of any approved products may be delayed or there may be a shortage in supply.

Use of third-party manufacturers may increase the risk that we will not have adequate supplies of our product candidates or products.

Reliance on third-party manufacturers entails risks, to which we would not be subject if we manufactured product candidates or products ourselves, including:

- reliance on the third party for regulatory compliance and quality assurance;
- the possible breach of the manufacturing agreement by the third party because of factors beyond our control;
- the possible termination or non-renewal of the agreement by the third party, based on its own business priorities, at a time that is costly or inconvenient for us; and
- drug product supplies not meeting the requisite requirements for clinical trial use.

If we are not able to obtain adequate supplies of our product candidates, it will be more difficult for us to develop our product candidates and compete effectively. Our product candidates and any products that we and/or our potential future collaborators may develop may compete with other product candidates and products for access to manufacturing facilities.

Our present or future manufacturing partners may not be able to comply with FDA-mandated current Good Manufacturing Practice regulations, other FDA regulatory requirements or similar regulatory requirements outside the United States. Failure of our third-party manufacturers or us to comply with applicable regulations could result in sanctions being imposed on us, including fines, injunctions, civil penalties, failure of regulatory authorities to grant marketing approval of our product candidates, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of product candidates or products, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect supplies of our product candidates.

We rely on third parties to conduct our clinical trials, and those third parties may not perform satisfactorily, including failing to meet established deadlines for the completion of such clinical trials.

We do not have the ability to independently conduct clinical trials for our product candidates, and we rely on third parties, such as numerous contract research organizations, medical institutions, and clinical investigators to perform this function. Our reliance on these third parties for clinical development activities reduces our control over these activities. Furthermore, these third parties may also have relationships with other entities, some of which may be our competitors. Although we have, in the ordinary course of business, entered into agreements with these third parties, we continue to be responsible for confirming that each of our clinical trials is conducted in accordance with its general investigational plan and protocol. Moreover, the FDA requires us to comply with regulations and standards, commonly referred to as good clinical practices, for conducting, recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the trial participants are adequately protected. Our reliance on third parties does not relieve us of these responsibilities and requirements. To date, we believe our contract research organizations and other similar entities with which we are working have performed well. However, if these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may be required to replace them. Although we believe that there are a number of other third-party contractors we could engage to continue these activities, it may result in a delay of the affected trial. Accordingly, we may be delayed in obtaining regulatory approvals for our product candidates and may be delayed in our efforts to successfully commercialize our product candidates for targeted diseases.

If we do not establish strategic collaborations, we may have to alter our development plans.

Our drug development programs and potential commercialization of our product candidates will require substantial additional cash to fund expenses. Our strategy includes collaborating with leading pharmaceutical and biotechnology companies to assist us in furthering development and potential commercialization of some of our product candidates, in some or all geographies. It may be difficult to enter into one or more of such collaborations in the future. We face significant competition in seeking appropriate collaborators and these collaborations are complex and time-consuming to negotiate and document. We may not be able to negotiate collaborations on acceptable terms, or at all. If that were to occur, we may have to curtail the development of a particular product candidate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of our sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to increase our expenditures to fund development or commercialization activities on our own, we may need to obtain additional capital, which may not be available to us on acceptable terms, or at all. If we do not have sufficient funds, we will not be able to bring our product candidates to market and generate product revenue.

Risks Related to Our Intellectual Property

If we are unable to adequately protect the intellectual property relating to our product candidates, or if we infringe the rights of others, our ability to successfully commercialize our product candidates will be harmed.

We own or hold licenses to a number of issued patents and U.S. pending patent applications, as well as foreign patents and foreign counterparts. Our success depends in part on our ability to obtain patent protection both in the United States and in other countries for our product candidates, as well as the methods for treating patients in the product indications using these product candidates. Our ability to protect our product candidates from unauthorized or infringing use by third parties depends in substantial part on our ability to obtain and maintain valid and enforceable patents. Due to evolving legal standards relating to the patentability, validity and enforceability of patents covering pharmaceutical inventions and the scope of claims made under these patents, our ability to obtain, maintain and enforce patents is uncertain and involves complex legal and factual questions. Even if our product candidates, as well as methods for treating patients for prescribed indications using these product candidates are covered by valid and enforceable patents and have claims with sufficient scope, disclosure and support in the specification, the patents will provide protection only for a limited amount of time. Accordingly, rights under any issued patents may not provide us with sufficient protection for our product candidates or provide sufficient protection to afford us a commercial advantage against competitive products or processes.

In addition, we cannot guarantee that any patents will issue from any pending or future patent applications owned by or licensed to us. Even if patents have issued or will issue, we cannot guarantee that the claims of these patents are or will be valid or enforceable or will provide us with any significant protection against competitive products or otherwise be commercially valuable to us. Patent applications in the United States are maintained in confidence for up to 18 months after their filing. In some cases, however, patent applications remain confidential in the U.S. Patent and Trademark Office, or the U.S. Patent Office, for the entire time prior to issuance as a U.S. patent. Similarly, publication of discoveries in scientific journals or patent literature often lag behind actual discoveries. Consequently, we cannot be certain that we or our licensors or co-owners were the first to invent, or the first to file patent applications on, our product candidates or their use as drugs. In the event that a third party has also filed a U.S. patent application relating to our product candidates or a similar invention, we may have to participate in interference proceedings declared by the U.S. Patent Office to determine priority of invention in the United States. The costs of these proceedings could be substantial and it is possible that our efforts would be unsuccessful, resulting in a loss of our U.S. patent position. Furthermore, we may not have identified all U.S. and foreign patents or published applications that affect our business either by blocking our ability to commercialize our products or by covering similar technologies.

The laws of some foreign jurisdictions do not protect intellectual property rights to the same extent as in the United States and many companies have encountered significant difficulties in protecting and defending such rights in foreign jurisdictions. Furthermore, different countries have different procedures for obtaining patents, and patents issued in different countries offer different degrees of protection against use of the patented invention by others. If we encounter such difficulties in protecting or are otherwise precluded from effectively protecting our intellectual property rights in foreign jurisdictions, our business prospects could be substantially harmed.

Changes in either patent laws or in interpretations of patent laws in the United States and other countries may materially diminish the value of our intellectual property or narrow the scope of our patent protection. For example, on September 16, 2011, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, was signed into law. The Leahy-Smith Act includes a number of significant changes to United States patent law. These include provisions that affect the way patent applications will be prosecuted and may also affect patent defense and enforcement. The United States Patent Office is currently developing regulations and procedures to govern administration of the Leahy-Smith Act, and many of the substantive changes to patent law associate with the Leahy-Smith Act will not become effective until one year or 18 months after its enactment. Accordingly, it is too early to determine what effect or impact the Leahy-Smith Act will have on the operation of our business and the protection and enforcement of our intellectual property. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business and financial condition.

The patent positions of biotechnology and pharmaceutical companies, including our patent position, involve complex legal and factual questions, and, therefore, validity and enforceability cannot be predicted with certainty. Patents may be challenged, deemed unenforceable, invalidated, or circumvented. Our patents can be challenged by our competitors who can argue that our patents are invalid, unenforceable, lack sufficient written description or enablement, or that the claims of the issued patents should be limited or narrowly construed. Patents also will not protect our product candidates if competitors devise ways of making or using these product candidates without legally infringing our patents. The Federal Food, Drug, and Cosmetic Act and FDA regulations and policies create a regulatory environment that encourages companies to challenge branded drug patents or to create non-infringing versions of a patented product in order to facilitate the approval of abbreviated new drug applications for generic substitutes. These same types of incentives encourage competitors to submit new drug applications that rely on literature and clinical data not prepared for or by the drug sponsor, providing a less burdensome pathway to approval.

We will be able to protect our proprietary rights from unauthorized use by third parties only to the extent that our proprietary technologies, product candidates, and any future products are covered by valid and enforceable patents or are effectively maintained as trade secrets and we have the funds to enforce our rights, if necessary.

The expiration of our owned or licensed patents before completing the research and development of our product candidates and receiving all required approvals in order to sell and distribute the products on a commercial scale can adversely affect our business and results of operations.

We own or have rights to 10 United States and 8 foreign issued patents; and 16 United States and 48 foreign patent applications, as well as one pending international patent application. Issued patents directed to our product candidate compounds and compositions in the United States, will expire between 2021 and 2022, depending on the specific compounds. Issued patents directed to our product candidate compounds and compositions outside of the United States, will expire between 2021 and 2025, depending on the specific compounds. We have pending patent applications for our product candidate compositions and formulations that, if issued, would expire in the United States and in countries outside of the United States between 2021 and 2032, depending on the specific compounds and formulations. An issued patent directed to methods of manufacturing our product candidate compounds in the United States will expire in 2021. Issued patents directed to methods of treatment using our product candidate compounds and compositions in the United States will expire between 2021 and 2024, depending on the specific indication. Issued patents directed to use of our product candidate compounds and compositions for the candidate indications outside of the United States, will expire between 2021 and 2025, depending on the specific indication. We have pending patent applications for use of our product candidate compositions and formulations that, if issued, would expire in the United States and in countries outside of the United States between 2021 and 2032, depending on the specific indications and formulations. If our owned or licensed patents were to expire before we completed the research and development of our product candidates and before we received all required approvals in order to sell and distribute the products on a commercial scale, it may have a material adverse effect on our business and results of operations.

We license patent rights from third-party owners. Our licenses may be subject to early termination if we fail to comply with our obligations in our licenses with third parties. If we lose our license from Yissum we may be unable to continue a substantial part of our business.

We are party to a number of licenses that give us rights to third-party intellectual property that is necessary or useful for a substantial part of our business. Pursuant to our exclusive license agreement with Yissum Research Development Company of the Hebrew University of Jerusalem, or Yissum, under which we license certain patent rights for our product candidates and their uses, we are required to use commercially reasonable best efforts to commercialize products based on the licensed rights and pay certain royalties and sublicensing revenue to Yissum. We may also enter into additional licenses to third-party intellectual property in the future. Our licensors may terminate their agreements with us in the event we breach the applicable license agreement and fail to cure the breach within a specified period of time. Under our existing license agreements, we are obligated to pay the licensor fees, which include royalties, a percentage of revenues associated with the licensed technology and a percentage of sublicensing revenue. In addition, under our existing license agreements, we are required to use our commercially reasonable best efforts to pursue the development of products using the licensed technology. If we breach any of the terms of our Yissum license, Yissum may terminate the agreements prior to their expiration date of the term of the last to expire licensed patent, which would have a material adverse effect on our business.

Litigation regarding patents, patent applications and other proprietary rights may be expensive and time consuming. If we are involved in such litigation, it could cause delays in bringing product candidates to market and harm our ability to operate.

Our success will depend in part on our ability to operate without infringing the proprietary rights of third parties. The pharmaceutical industry is characterized by extensive litigation regarding patents and other intellectual property rights. Other parties may obtain patents in the future and allege that the use of our technologies infringes these patent claims or that we are employing their proprietary technology without authorization.

In addition, third parties may challenge or infringe upon our existing or future patents. Proceedings involving our patents or patent applications or those of others could result in adverse decisions regarding:

- the patentability of our inventions relating to our product candidates; and/or
- the enforceability, validity or scope of protection offered by our patents relating to our product candidates.

Even if we are successful in these proceedings, we may incur substantial costs and divert management time and attention in pursuing these proceedings, which could have a material adverse effect on us. If we are unable to avoid infringing the patent rights of others, we may be required to seek a license, defend an infringement action or challenge the validity of the patents in court. Patent litigation is costly and time consuming. We may not have sufficient resources to bring these actions to a successful conclusion. In addition, if we do not obtain a license, develop or obtain non-infringing technology, fail to defend an infringement action successfully or have infringed patents declared invalid, we may:

- incur substantial monetary damages;
- encounter significant delays in bringing our product candidates to market; and/or
- be precluded from participating in the manufacture, use or sale of our product candidates or methods of treatment requiring licenses.

We may be unable to adequately prevent disclosure of trade secrets and other proprietary information.

We also rely on trade secrets to protect our proprietary technologies, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. We rely in part on confidentiality agreements with our employees, consultants, outside scientific collaborators, sponsored researchers, and other advisors to protect our trade secrets and other proprietary information. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets and proprietary information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

Risks Related to Our Ordinary Shares and ADSs

No public market exists for our securities and we cannot assure you that our ordinary shares will be listed on any securities exchange or quoted on any over-the-counter quotation system or that an active trading market will ever develop for any of our securities.

Our ordinary shares are not yet eligible for trading on any national securities exchange. Nevertheless, we intend to apply for listing of our ordinary shares as ADSs on the NYSE Amex. Our ADSs may be quoted in the over-the-counter market on the OTC Bulletin Board or in what are commonly referred to as "pink sheets." However, these markets are highly illiquid. There is no assurance that an active trading market in our ADSs will develop, or if such a market develops, that it will be sustained. In addition, there is a greater chance for market volatility for securities quoted in the over-the-counter market as compared with securities traded on a national exchange. This volatility may be caused by a variety of factors, including the lack of readily available quotations, the absence of consistent administrative supervision of "bid" and "ask" quotations and generally lower trading volume. As a result, an investor may find it more difficult to dispose of, or to obtain accurate quotations as to the market value of, our ADSs, or to obtain coverage for significant news events concerning us, and our ADSs could become substantially less attractive or ineligible for margin loans, for investment by financial institutions, as collateral for borrowing, as consideration in future capital raising transactions or for other purposes.

Blue Sky considerations may limit sales in certain states.

The holders of our securities and persons who desire to purchase them in any trading market that might develop in the future should be aware that there may be significant state law restrictions upon the ability of investors to resell our securities. Investors should consider any secondary market for our securities to be a limited one. We intend to seek coverage and publication of information regarding the company in an accepted publication which permits a "manual exemption". This manual exemption permits a security to be distributed in a particular state without being registered if the company issuing the security has a listing for that security in a securities manual recognized by the state. However, it is not enough for the security to be listed in a recognized manual. The listing entry must contain (1) the names of issuers, officers, and directors, (2) an issuer's balance sheet, and (3) a profit and loss statement for either the fiscal year preceding the balance sheet or for the most recent fiscal year of operations. There is no guarantee that we will be able to secure a listing containing all of this information or how long it might take to secure such a listing. Until a listing is published, trading in our securities will be subject to significant state law restrictions.

Because we are becoming a reporting company under the Exchange Act by means of filing this Form 20-F, we may not be able to attract the attention of research analysts at major brokerage firms.

Because we do not intend to become a reporting company by conducting an underwritten initial public offering ("IPO") of our ordinary shares, we do not expect security analysts of major brokerage firms to provide coverage of our company in the near future. In addition, major investment banks may be less likely to agree to underwrite secondary offerings on our behalf than they might if we were to become a public reporting company by means of an IPO. The failure to receive research coverage or support in the market for our shares will have an adverse effect on our ability to develop a liquid market for our ADSs.

Following the effectiveness of this Form 20-F, we intend to file a registration statement on Form F-1 to register for resale the shares underlying our securities issued in the convertible note bridge financing. The availability of a substantial number of shares for resale may adversely impact any trading market that may develop for our ADSs.

We intend to file a registration statement on Form F-1 under the Securities Act shortly following the effectiveness of this Form 20-F to permit the resale of the ordinary shares underlying the securities issued in the convertible note bridge financing. Following the effective date of such registration statement, a large number of ADSs will become available for sale in the public market. In addition, not including all securities and warrants underlying the convertible note bridge financing, there are approximately 12,343,597 ordinary shares outstanding, as well as a substantial number of ordinary shares underlying outstanding options (approximately 823,990 options to purchase ordinary shares), convertible notes to purchase 643,274 ordinary shares, and approximately 1,301,997 warrants to purchase ordinary shares. The availability of a substantial number of shares for resale under the registration statement or pursuant to Rule 144 promulgated under the Securities Act may adversely impact any trading market that may develop for our ADSs.

Our ADSs are likely to be subject to the SEC's penny stock rules, so broker-dealers may experience difficulty in completing customer transactions and trading activity in our securities may be adversely affected.

The SEC has adopted regulations which generally define "penny stock" to be an equity security that has a market price of less than $5.00 per share, subject to specific exemptions. The market price of our ordinary shares may be less than $5.00 per share for some period of time and therefore would be a "penny stock" according to SEC rules, unless our ADSs are listed on a national securities exchange. Under these rules, broker-dealers who recommend such securities to persons other than institutional accredited investors must:

- make a special written suitability determination for the purchaser;
- receive the purchaser's prior written agreement to the transaction;
- provide the purchaser with risk disclosure documents which identify certain risks associated with investing in "penny stocks" and which describe the market for these "penny stocks" as well as a purchaser's legal remedies; and
- obtain a signed and dated acknowledgment from the purchaser demonstrating that the purchaser has actually received the required risk disclosure document before a transaction in a "penny stock" can be completed.

If required to comply with these rules, broker-dealers may find it difficult to effectuate customer transactions and trading activity in our securities may be adversely affected.

The market price of our ADSs may be volatile and may fluctuate in a way that is disproportionate to our operating performance.

Even if an active trading market develops for our ordinary shares, our stock price may experience substantial volatility as a result of a number of factors. The market prices for securities of biotechnology companies in general have been highly volatile and may continue to be so in the future. The following factors, in addition to other risk factors described in this section, may have a significant impact on the market price of our ADSs:

- sales or potential sales of substantial amounts of our ordinary shares or ADSs;
- delay or failure in initiating, enrolling, or completing pre-clinical or clinical trials or unsatisfactory results of these trials or events reported in any of our current or future clinical trials;

- announcements about us or about our competitors, including clinical trial results, regulatory approvals or new product introductions;
- developments concerning our licensors or product manufacturers;
- litigation and other developments relating to our patents or other proprietary rights or those of our competitors;
- conditions in the pharmaceutical or biotechnology industries;
- governmental regulation and legislation;
- variations in our anticipated or actual operating results;
- change in securities analysts' estimates of our performance, or our failure to meet analysts' expectations.
- whether, to what extent and under what conditions the FDA will permit us to continue developing our product candidates, if at all, and if development is continued, any reports of safety issues or other adverse events observed in any potential future studies of these product candidates;
- our ability to enter into new collaborative arrangements with respect to our product candidates;
- the terms and timing of any future collaborative, licensing or other arrangements that we may establish;
- our ability to raise additional capital to carry through with our clinical development plans and current and future operations and the terms of any related financing arrangements;
- the timing of achievement of, or failure to achieve, our and any potential future collaborators' clinical, regulatory and other milestones, such as the commencement of clinical development, the completion of a clinical trial or the receipt of regulatory approval;
- announcement of FDA approval or non-approval of our product candidates or delays in or adverse events during the FDA review process;
- actions taken by regulatory agencies with respect to our product candidates or products, our clinical trials or our sales and marketing activities, including regulatory actions requiring or leading to restrictions, limitations and/or warnings in the label of an approved product candidate;
- uncontemplated problems in the supply of the raw materials used to produce our product candidates;
- the commercial success of any product approved by the FDA or its foreign counterparts;
- introductions or announcements of technological innovations or new products by us, our potential future collaborators, or our competitors, and the timing of these introductions or announcements;
- market conditions for equity investments in general, or the biotechnology or pharmaceutical industries in particular;
- we may have limited or very low trading volume that may increase the volatility of the market price of our ADSs;
- regulatory developments in the United States and foreign countries;

- changes in the structure or reimbursement policies of health care payment systems;
- any intellectual property infringement lawsuit involving us;
- actual or anticipated fluctuations in our results of operations;
- changes in financial estimates or recommendations by securities analysts;
- hedging or arbitrage trading activity that may develop regarding our ADSs;
- regional or worldwide recession;
- sales of large blocks of our ordinary shares or ADSs;
- sales of our ordinary shares or ADSs by our executive officers, directors and significant stockholders;
- managerial costs and expenses;
- changes in accounting principles; and
- the loss of any of our key scientific or management personnel.

The stock markets in general, and the markets for biotechnology stocks in particular, have experienced significant volatility that has often been unrelated to the operating performance of particular companies. The financial markets continue to face significant uncertainty, resulting in a decline in investor confidence and concerns about the proper functioning of the securities markets, which decline in general investor confidence has resulted in depressed stock prices for many companies notwithstanding the lack of a fundamental change in their underlying business models or prospects. These broad market fluctuations may adversely affect the trading price of our common stock.

In the past, class action litigation has often been instituted against companies whose securities have experienced periods of volatility in market price. Any such litigation brought against us could result in substantial costs, which would hurt our financial condition and results of operations and divert management's attention and resources, which could result in delays of our clinical trials or commercialization efforts.

Insiders have substantial control over us which could delay or prevent a change in corporate control or result in the entrenchment of management and/or the board of directors.

Our directors, executive officers and principal shareholders, together with their affiliates and related persons, beneficially own, in the aggregate, approximately 37.5% of our outstanding ordinary shares (approximately 38.5% of our ordinary shares on a fully diluted basis). These shareholders, if acting together, may have the ability to determine the outcome of matters submitted to our shareholders for approval, including the election and removal of directors and any merger, consolidation, or sale of all or substantially all of our assets. In addition, these persons, acting together, may have the ability to control the management and affairs of our company. Accordingly, this concentration of ownership may harm the market price of our ordinary shares by:

- delaying, deferring, or preventing a change in control;
- entrenching our management and/or the board of directors;
- impeding a merger, consolidation, takeover, or other business combination involving us; or

- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

We do not anticipate paying cash dividends, and accordingly, shareholders must rely on the appreciation in our ADSs for any return on their investment.

We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Therefore, the success of an investment in our ADSs will depend upon any future appreciation in their value. There is no guarantee that our ADSs will appreciate in value or even maintain the price at which our shareholders have purchased their shares.

As a result of becoming a SEC registrant, we will be obligated to develop and maintain proper and effective internal controls over financial reporting. We may not complete our analysis of our internal controls over financial reporting in a timely manner, or these internal controls may not be determined to be effective, which may adversely affect investor confidence in our company and, as a result, the value of our ADSs.

We will be required, pursuant to Section 404 of the Sarbanes-Oxley Act ("SOX"), to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting for the first fiscal year beginning after the effective date of this Form 20-F. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting, as well as, if we are an accelerated filer or a large accelerated filer as stipulated in Item 308(b) of Regulations S-K, a statement that our auditors have issued an attestation report on our management's assessment of our internal controls.

We have not begun the costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404. We may not be able to complete our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are effective.

If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our ADSs to decline.

We will incur increased costs and demands upon management as a result of complying with the laws and regulations affecting public companies, which could harm our operating results.

As a public company, we will incur significant legal, accounting and other expenses, including costs associated with public company reporting requirements. We will also incur costs associated with current corporate governance requirements, including requirements under Section 404 and other provisions of SOX, as well as rules implemented by the SEC or any stock exchange or inter-dealer quotations system on which our common stock may be listed in the future. The expenses incurred by public companies for reporting and corporate governance purposes have increased dramatically in recent years. We expect these rules and regulations to substantially increase our legal and financial compliance costs and to make some activities more time-consuming and costly. We are unable to currently estimate these costs with any degree of certainty. We also expect that these new rules and regulations may make it difficult and expensive for us to obtain director and officer liability insurance, and if we are able to obtain such insurance, we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage available to privately-held companies. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as our executive officers.

We are a foreign private issuer and you will receive less information about us than you would from a domestic U.S. corporation.

As a "foreign private issuer," we are exempt from rules under the Exchange Act that impose certain disclosure and procedural requirements in connection with proxy solicitations under Section 14 of the Exchange Act. Our directors, executive officers and principal shareholders also are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and the rules thereunder with respect to their purchases and sales of our shares. In addition, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

If we become a passive foreign investment company, or PFIC, for U.S. federal income tax purposes in 2012 or in any subsequent year, there may be negative tax consequences for U.S. taxpayers that are holders of our ordinary shares or our ADSs.

We will be treated as a PFIC for U.S. federal income tax purposes in any taxable year in which either (i) at least 75% of our gross income is "passive income" or (ii) on average at least 50% of our assets by value produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, certain dividends, interest, royalties, rents and gains from commodities and securities transactions and from the sale or exchange of property that gives rise to passive income. Passive income also includes amounts derived by reason of the temporary investment of funds, including those raised in a public offering. In determining whether a non-U.S. corporation is a PFIC, a proportionate share of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account. We believe that we should not be treated as a PFIC for U.S. federal income tax purposes for the current taxable year and do not expect to become a PFIC in future years. If we are a PFIC in 2012, or any subsequent year, and a U.S. shareholder does not make an election to treat us as a "qualified electing fund," or QEF, or make a "mark-to-market" election, then "excess distributions" to a U.S. shareholder, and any gain realized on the sale or other disposition of our ordinary shares or ADSs will be subject to special rules. Under these rules: (i) the excess distribution or gain would be allocated ratably over the U.S. shareholder's holding period for the ordinary shares (or ADSs, as the case may be); (ii) the amount allocated to the current taxable year and any period prior to the first day of the first taxable year in which we were a PFIC would be taxed as ordinary income; and (iii) the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year. In addition, if the U.S. Internal Revenue Service determines that we are a PFIC for a year with respect to which we have determined that we were not a PFIC, it may be too late for a U.S. shareholder to make a timely QEF or mark-to-market election. U.S. shareholders who hold our ordinary shares or ADSs during a period when we are a PFIC will be subject to the foregoing rules, even if we cease to be a PFIC in subsequent years, subject to exceptions for U.S. shareholders who made a timely QEF or mark-to-market election. A U.S. shareholder can make a QEF election by completing the relevant portions of and filing IRS Form 8621 in accordance with the instructions thereto. Upon request, we will annually furnish U.S. shareholders with information needed in order to complete IRS Form 8621 (which form would be required to be filed with the IRS on an annual basis by the U.S. shareholder) and to make and maintain a valid QEF election for any year in which we or any of our subsidiaries are a PFIC.

U.S. investors may not be able to enforce their civil liabilities against our company or our directors, controlling persons and officers.

It may be difficult for U.S. investors to bring and enforce suits against our company. We are a public limited company under the Companies Act of 2006, as amended. A majority of our directors are not residents of the United States, and all or substantial portions of their assets are located outside of the United States, predominately in the United Kingdom or Israel. As a result, it may be difficult for U.S. holders of our ordinary shares or ADSs to effect service of process on these persons within the United States or to realize in the United States upon judgments rendered against them. In addition, if a judgment is obtained in the U.S. courts based on civil liability provisions of the U.S. federal securities laws against us or our directors or officers, it will be difficult to enforce the judgment in the non-U.S. courts against us and any of our non−U.S. resident executive officers or directors. Accordingly, U.S. shareholders may be forced to bring actions against us and our respective directors and officers under English law and in English courts in order to enforce any claims that they may have against us or our directors and officers. Nevertheless, it may be difficult for U.S. shareholders to bring an original action in the English courts to enforce liabilities based on the U.S. federal securities laws against us and any of our non−U.S. resident executive officers or directors.

Holders of ADSs must act through the depositary to exercise their rights as shareholders of our company.

Holders of our ADSs do not have the same rights of our shareholders and may only exercise the voting rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement for the ADSs. Under our amended and restated memorandum and articles of association, the minimum notice period required to convene an Annual General Meeting is no less than 21 clear days' notice and 14 clear days' notice for a general meeting. When a general meeting is convened, holders of our ADSs may not receive sufficient notice of a shareholders' meeting to permit them to withdraw their ordinary shares to allow them to cast their vote with respect to any specific matter. In addition, the depositary and its agents may not be able to send voting instructions to holders of our ADSs or carry out their voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to holders of our ADSs in a timely manner, but we cannot assure them that they will receive the voting materials in time to ensure that they can instruct the depositary to vote their ADSs. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, holders of our ADSs may not be able to exercise their right to vote and they may lack recourse if their ADSs are not voted as they requested. In addition, in the capacity as an ADS holder, they will not be able to call a shareholders' meeting.

The depositary for our ADSs will give us a discretionary proxy to vote our ordinary shares underlying ADSs if a holder of our ADSs does not vote at shareholders' meetings, except in limited circumstances, which could adversely affect their interests.

Under the deposit agreement for the ADSs, the depositary will give us a discretionary proxy to vote our ordinary shares underlying ADSs at shareholders' meetings if a holder of our ADSs does not vote, unless:

- we have failed to timely provide the depositary with our notice of meeting and related voting materials;
- we have instructed the depositary that we do not wish a discretionary proxy to be given;

- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting; or
- a matter to be voted on at the meeting would have a material adverse impact on shareholders.

The effect of this discretionary proxy is that a holder of our ADSs cannot prevent our ordinary shares underlying such ADSs from being voted, absent the situations described above, and it may make it more difficult for shareholders to influence the management of our company. Holders of our ordinary shares are not subject to this discretionary proxy.

Holders of our ADSs may be subject to limitations on transfers of ADSs.

ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

The rights of holders of our ADSs to participate in any future rights offerings may be limited, which may cause dilution to their holdings and they may not receive cash dividends if it is impractical to make them available to them.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to holders of our ADSs in the United States unless we register the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Also, under the deposit agreement, the depositary will not make rights available to holders of our ADSs unless either both the rights and any related securities are registered under the Securities Act, or the distribution of them to ADS holders is exempted from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, holders of our ADSs may be unable to participate in our rights offerings and may experience dilution in their holdings.

In addition, the depositary has agreed to pay to holders of our ADSs the cash dividends or other distributions it or the custodian receives on our ordinary shares or other deposited securities after deducting its fees and expenses. Holders of our ADSs will receive these distributions in proportion to the number of ordinary shares their ADSs represent. However, the depositary may, at its discretion, decide that it is inequitable or impractical to make a distribution available to any holders of ADSs. For example, the depositary may determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may decide not to distribute such property and holders of our ADSs will not receive any such distribution.

ITEM 4. INFORMATION ON THE COMPANY

In this report, “Morria,” the “Company,” “we,” “us,” and “our” refer to Morria Biopharmaceuticals PLC.

A. History and Development of the Company

Our Corporate History

The technology for Morria's product candidates is based on research conducted by Prof. Saul Yedgar, our principal shareholder, at the Hebrew University in Jerusalem, Israel. On November 27, 2002, Morria Biopharmaceuticals Inc., or Morria USA, a Delaware corporation, entered into a license agreement with Yissum, the research and development arm of the Hebrew University, granting Morria USA an exclusive, global license to develop Yissum's technology in the field of lipid conjugates that may halt and/or minimize the inflammatory process for the treatment of disease.

In January 28, 2005, Morria USA and Morria Biopharmaceuticals Limited #5252842, a private limited liability company formed under the laws of England and Wales on October 7, 2004 (then known as "Freshname No. 333 Limited"), entered into a merger agreement. On January 19, 2005, "Freshname No. 333 Limited" changed its name to the name of "Morria Biopharmaceuticals Limited. On February 1, 2005, Morria USA sublicensed, on a global and exclusive basis, the technology it licensed from Yissum to Morria to sell, market and distribute the licensed technology as defined in the original license agreement between Morria USA and Yissum. On February 15, 2005, Morria re-registered as a non-traded public limited company under the laws of England and Wales in order to facilitate raising capital in the United Kingdom, under the current name of Morria Biopharmaceuticals PLC. Upon completion of the merger, Prof. Yedgar, Yissum, Dr. Yuval Cohen and Mark Cohen, CSS Capital managers LLP and CSS Bridge Partners LP were the shareholders of Morria.

On March 22, 2011, Morria incorporated an Israeli subsidiary, Morria Biopharma Ltd. #51-459419-1, or Morria Ltd. Morria Ltd. is fully owned by Morria. As of the date of this report, Morria Ltd. does not conduct any operations.

Prior Financings

In 2005, we completed our first private placement of 3,177,700 ordinary shares at a price of £0.60 per share. The round was led by our financial consultants, Charles Street Securities Capital Managers LLP, an affiliate of Charles Street Securities Inc., or CSS or CSSCM, and followed a £200,000 private bridge financing which, with the private placement of our shares, resulted in approximately £2.1 million (or $3.5 million) in net proceeds to us. At such time, Mr. Gilead Raday joined our board of directors on behalf of CSS. In 2007, CSS lead another private placement of approximately 2,000,000 of our ordinary shares at a price of £0.80 per share, yielding net proceeds to us of approximately £1.6 million (or $3.1 million). In 2008, we completed another round of financing, pursuant to which we issued an aggregate of 42,996 ordinary shares at a price of £0.80 per share, yielding net proceeds to us of approximately £34 thousand (or $0.1 million). In 2009, we sold an aggregate of 410,097 of our ordinary shares at a price of £0.80 per share, yielding net proceeds to us of approximately £328 thousand (or $0.5 million). In 2010, we raised approximately £201 thousand (or $0.3 million) in net proceeds through the private placement of 200,778 of our ordinary shares at a price of £1.0 per share and $60,000 as receivable on account of shares. In 2011, (i) we issued 21,528 ordinary shares in connection with proceeds received by us in 2010 from the sale of such shares, (ii) we consummated a round of financing, pursuant to which we sold a total of 500,498 of our ordinary shares at a price of $1.90-$1.95 per share, for total net proceeds of approximately $949,000 and (iii) we issued 15,000 ordinary shares upon the exercise of options at an exercise price of £0.01 per share, for proceeds of approximately $245. In the months January through June 2012, we consummated rounds of financing, pursuant to which we sold a total of 235,000 of our ordinary shares at a price of $2.00 per share,10,000 ordinary shares at a price of $2.25 per share and we respectively issued warrants to purchase 254,231 ordinary shares at an exercise price of $2.00 per share, and warrants to purchase 5,000 ordinary shares at an exercise price of $2.25 per share, for total proceeds of approximately $492,500.

April 2012 Private Placement of Senior Secured Convertible Notes and Warrants

On April 4, 2012, we completed a private placement under a Securities Purchase Agreement, dated April 3, 2012 (the "Purchase Agreement"), by and among us and certain institutional accredited investors named Iroquois Master Fund, Ltd. and Alpha Capital Anstalt (the "Financing"). As part of the Financing, we sold an aggregate of $1.1 million aggregate principal amount of original issue discount senior secured convertible notes (the "Notes") and warrants to purchase an aggregate of 643,274 ordinary shares (the "Warrants"), for gross proceeds of $1.0 million. Such securities were issued in reliance on an exemption from registration pursuant to Section 4(2) and Regulation D of the Securities Act of 1933, as amended.

The Purchase Agreement contains customary covenants. Furthermore, under the Purchase Agreement, we will be required to file a registration statement pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, on Form 20-F no later than July 4, 2012 and have such Form 20-F declared effective no later than January 4, 2013 (the earlier of such date and the actual date on which the Form 20-F is declared effective, the "Self Filing Effective Date"). We have agreed to take all necessary actions to have our ordinary shares quoted on the Over-the-Counter Bulletin Board ("OTCBB") as promptly as practicable after the Self Filing Effective Date.

Under the Purchase Agreement, while the Notes are outstanding, we have agreed not conduct any offerings of securities with terms more favorable than the Financing, subject to certain limited exceptions, including a currently contemplated Private Placement, and while the Notes and Warrants are outstanding, we have agreed not to enter into any variable rate transactions, as described in the Purchase Agreement.

Furthermore, the Purchase Agreement provides a participation right to the investors in the Financing to participate in subsequent financings by us. The Purchase Agreement also permits the investors in the Financing to exchange their Notes for securities sold in any subsequent financing, other than certain excluded issuances. If an investor elected to make such an exchange, on a one for one exchange, such investor would receive such securities issued in the subsequent financing that an investor in the subsequent financing would have received for each $1.00 invested.

Description of Notes

Under the Purchase Agreement, we sold to the investors an aggregate of $1.1 million of Notes. The Notes were issued at an original issue discount of approximately 9%. The Notes have a maturity date of January 4, 2013 and do not bear interest. The Notes are guaranteed by our subsidiaries and are secured on a first-priority basis by substantially all of our assets, including our license agreement with Yissum Research Development Company of the Hebrew University of Jerusalem Ltd. and our co-owned patents.

Each Note is convertible into our original shares at an initial conversion price of $1.71 per ordinary share, subject to adjustment as described below. The conversion price of each Note is subject to adjustment in the case of stock splits, stock dividends, combinations of shares and similar recapitalization transactions. The conversion price is also subject to "full ratchet" anti-dilution adjustment, which would decrease the conversion price to equal the price at which we issue or are deemed to issue our ordinary shares, to the extent that the issuance price or the deemed issuance price is less than the then-effective conversion price. The convertibility of each Note may be limited if, upon conversion, the holder thereof would beneficially own more than 4.9% of our ordinary shares.

The Notes contain various covenants, including covenants restricting our ability to incur additional indebtedness, incur additional liens, make certain restricted payments or dividend payments, or transfer assets.

Under the Notes, an event of default is defined to include, among others, the following events:

- the failure to pay any amounts due under the Notes when due;
- the occurrence of a default under other of our obligations or our bankruptcy, insolvency, reorganization or liquidation;
- the failure to file or cause to be declared effective a registration statement in accordance with the terms of the Registration Rights Agreement (as defined below) or the failure to maintain such registration statement after it becomes effective;
- commencing on the date on which our ordinary shares are initial quoted on the OTCBB, the suspension of the trading or the failure of the ordinary shares to be quoted, traded or listed;
- the failure to issue shares upon conversion of a Note or exercise of a Warrant for more than five trading days after the relevant conversion date or exercise date;
- the failure for to remove any restrictive legend on any certificate or any ordinary shares issued upon conversion or exercise required by the terms of Purchase Agreement, unless otherwise prohibited by applicable federal securities laws, and such failure remains uncured for five days;
- we are subject to a judgment against us in excess of $100,000 or we fail to pay when due any indebtedness due any other creditor in excess of $100,000;

- the occurrence of a material breach of the representation, warranties or covenants or other terms of the transaction documents for the Financing, which remain uncured for more than five days;

- the occurrence of a "material adverse event" as described in the Purchase Agreement; and

- the security documents shall for any reason fail or cease to create a separate valid and perfected security interest over the collateral.

If an event of default occurs under a Note, the holder of such Note will have the option to require us to redeem such Note in cash at the greater of (i) 110% of the unconverted principal amount or (ii) 110% of the greatest closing sale price of the ordinary shares from the date immediately prior to the date on which the event of default occurs until the redemption is completed.

The holders of the Notes may also require us to redeem their Notes upon the occurrence of a fundamental transaction (as defined in the Notes and which includes, without limitation, our entering into a merger or consolidation with another entity, our selling all or substantially all of our assets, or a person acquiring 50% of our voting shares) or the consummation of the currently contemplated Private Placement.

Description of Warrants

As part of the Financing, we issued to the investors Warrants to purchase an aggregate of 643,274 ordinary shares. The Warrants have an initial exercise price of $1.71 per share, exercisable for a term of five years, subject to adjustment. On and after the April 4, 2013, if a registration statement registering the ordinary shares underlying the Warrants is not effective, the holders of the Warrants may exercise their Warrants on a cashless basis. If all the Warrants are exercised for cash, we will receive an aggregate of $1.1 million.

The exercise price of the Warrants is subject to adjustment in the case of stock splits, stock dividends, combinations of shares and similar recapitalization transactions. The exercise price is also subject to "full ratchet" anti-dilution adjustment, similar to the Notes. The convertibility of the Warrants may be limited if, upon conversion, the holder thereof would beneficially own more than 4.9% of our ordinary shares.

To the extent we enter into a fundamental transaction (as defined in the Warrants and which includes, without limitation, our entering into a merger or consolidation with another entity, our selling all or substantially all of our assets, or a person acquiring 50% of our voting shares), the holders will have the option to require us to repurchase the Warrants from the investor at its Black-Scholes value.

Registration Rights Agreement

In the Financing, we also entered into a registration rights agreement ("Registration Rights Agreement") with the investors pursuant to which we agreed to register the resale of up to 133% of the number of ordinary shares that may be acquired by the investors by converting the Notes and exercising their Warrants. We agreed to file a registration statement no later than 30 days after the Self Filing Effective Date and to have the registration statement declared effective no later than the earlier of (a) the 90th day after the Self Filing Effective Date (or 120 days if the registration statement is reviewed by the SEC) or (b) the second day after we are notified that the registration statement will not be reviewed or is no longer subject to review. To the extent we fail to file the registration statement on a timely basis or if the registration statement is not declared effective by the agreed upon effectiveness deadline, we agreed to make certain payments to each of the investors.

B. Business Overview

Overview

Morria is a biopharmaceutical company dedicated to the discovery and development of novel, first-in-class, non-steroidal, synthetic anti-inflammatory drugs. We believe that we have created a new class of synthetic drugs that we term Multifunctional Anti-Inflammatory Drugs representing a new multi-drug platform for the treatment of a wide range of inflammatory diseases and conditions. For decades, steroids have been the most commonly used anti-inflammatory drugs in the world, used extensively to treat inflammatory diseases and allergies. However, steroids are associated with severe side effects, such as metabolic changes, weight gain, changes in blood pressure, diabetes, cataract and glaucoma, psychosis and depression. These side effects have led to reluctance by the FDA, medical providers and their patients to use these drugs, providing an unmet need in multiple disease markets for safer alternatives to steroids.

In general, inflammation is a defense mechanism(part of our immune system) protecting our bodies from infection. However, when inflammation is triggered for the wrong reasons (i.e. not as a reaction to infection) or is unable to shut down, this results in an inflammatory disease. Since each organ in the body is capable of protecting itself from infections using inflammation, each organ can suffer from an inflammatory disease or condition such as allergies.

Inflammatory diseases therefore manifest in a wide range of symptoms, affecting any organ in the body and have diverse causes. Inflammatory diseases encompass such diverse diseases as respiratory diseases (e.g. allergic rhinitis, asthma, and chronic obstructive pulmonary disease (COPD)), chronic gastrointestinal diseases (e.g. Crohn's disease and ulcerativecolitis), skin inflammations (e.g. dermatitis, eczema, psoriasis and rosacea), cardiovascular diseases (e.g. restenosis, thrombosis and acute cardiovascular syndrome), diseases of the eye (e.g. dry eye and conjunctivitis), diseases such as arthritis and related diseases (e.g. osteo-arthritis and rheumatoid-arthritis), and disease of the central nervous system (e.g. multiple sclerosis). However, while the causes and symptoms of these diseases are diverse, their treatment is often the same: anti-inflammatory drugs.

Product Candidates

We currently have two novel product candidates in our clinical pipeline, both of which are in Phase 2 clinical trials: MRX-4, a nasal spray for treating allergic rhinitis (or hay fever), and MRX-6, a topical cream for treating contact dermatitis (a common type of eczema). We are also undertaking pre-clinical studies for three other product candidates: OPT-1 (for the treatment of conjunctivitis and dry eye; MRX-5 (for the treatment of inflammatory bowel disease); and CFX-1 (for the treatment of cystic fibrosis). Given the common biochemical mechanism of all inflammatory diseases, we plan to gradually expand the application of our platform technology for our product candidates to other forms of inflammatory diseases in the future, such as arthritis and related diseases (osteoarthritis and rheumatoid-arthritis).

Our corporate headquarters are located at 53 Davies Street, London W1K 5JH, United Kingdom, telephone +44-207-152-6341, and our registered office is located at 42-46 High Street, Esher, Surrey KT109QY, United Kingdom.

Our Business Strategy

Our business strategy is to expand and build our biopharmaceutical business to gradually focus on a spectrum of inflammatory diseases based on our current and upcoming first in class product candidates, that we believe will fill the current unmet need for safe and potent alternatives to steroids. As a drug development company, most of our efforts and resources to-date have been devoted to performing research and development, conducting pre-clinical studies and clinical trials, developing and protecting our intellectual property and raising capital. We intend to enter into strategic licensing arrangements with pharmaceutical companies for the commercialization of our drugs. This process will involve completing our clinical trials and obtaining regulatory approvals for manufacturing, marketing, distribution and sale of our drugs. We also intend to continue to expand the range of our products by gradually targeting additional types of inflammatory diseases.

We currently perform our research and development activity mainly through outsourcing to subcontractors. Our board of directors, which consists of recognized professionals in the fields of biology, medicine and finance, regularly approves our material contracts with subcontractors.

Our unique lead product candidates are first-in-class, novel, non-steroidal, synthetic anti-inflammatory products that address the need to inhibit sPLA2 in a broad-ranged manner while avoiding any interference with the homeostatic cPLA2 family. The lipid inhibiting moiety is responsible for inhibiting PLA2 in a unique and broad-ranged manner while the glycosaminoglycans, or GAGs, prevent the drug's penetration into the cell and any possible interference with cPLA2. Thus, unlike previous attempts at inhibiting PLA2, our product candidates remain on the cell surface and target the pathology-associated secretory PLA2 isomers (sPLA2), but do not interfere with the homeostatic isomers found inside the cell (cytosolic, cPLA2).

Steroids and Currently Available Alternatives

Steroids are the most commonly prescribed medications for inflammatory diseases because of their high potency and unparalleled formulation flexibility but are limited by their side effects that include hypertension, high glucose levels, obesity, brittle bones/osteoporosis, immunosuppression, glaucoma and psychosis. Thus, safer yet potent alternatives to steroids have long been sought to provide this unmet need. However, current alternatives to steroids, while often commercially successful, are less potent than steroids, have limited formulation flexibility and have their own potential safety concerns that relate to the risk of systemic corticosteroid absorption and include adrenal suppression, bone fracture among the elderly, and reduced bone growth and height in children. Adverse local effects may include nosebleeds, stinging, burning and dryness.

We believe that our product candidates will provide safer and more effective treatment than the current alternatives to steroids without the adverse side effects associated with steroids.

The drugs used to treat inflammatory diseases are broadly divided into two groups: steroids and non-steroidal drugs. Non-steroidal drugs, in turn, can be categorized into synthetic drugs, which include our product candidates, and biological drugs (such as monoclonal anti-body therapies).

Non-steroid synthetic drugs include the old generation of non-specific COX inhibitors, such as ibuprofen and Aspirin™ (possibly the most commonly used drug in the world), and a newer generation of specific inhibitors of COX-2, such as Celebrex® and Vioxx®. COX inhibitors are drugs that inhibit the action of the COX enzyme, which is responsible for producing factors that produce inflammation. The old generation of COX inhibitors is associated with severe gastrointestinal adverse effects. The newer generation of specific COX-2 inhibitors, originally designed to be safer, has subsequently been found to have side effects, including primarily cardiovascular complications. These side effects have led to the withdrawal the drug Vioxx® from the market and specific warnings for its related drug Celebrex™.

Non-steroid biological drugs are used to treat severe cases of inflammation. These drugs are derived from proteins, *i.e.*, they are produced from live cells and not by way of artificial chemical synthesis. Examples of this type of drug are Enbrel® and Remicade®, which are used for treating severe rheumatoid arthritis and psoriasis as well as inflammatory bowel disease. These drugs have a number of disadvantages: the drug intake is limited to injection/IV, their cost is very high and they are associated with rare but severe side effects.

In the case of allergic rhinitis (hay fever), the most commercially successful non-steroidal anti-inflammatory drug is Singulair® (montelukast) made by Merck. Singulair® was launched in 1998 for the treatment of asthma. In 2003, the FDA approved Singulair for use in allergic rhinitis. Singulair has a modest potency compared to steroids but can be formulated as a pill (and not as either an inhaler or nasal spray), and it is not associated with severe side effects (unlike steroids). In 2011, Singulair® global sales were $5 billion of which $3.4 billion (70%) were in the United States alone. Approximately 25% of its sales are due to hay fever with the rest due to asthma. We believe that the success of Singulair®, despite its limitations in terms of potency, is indicative of the great market driven demand for drugs that are safer than steroids for treating allergic rhinitis. Although the patent for Singulair® is due to expire in August 2012, we do not believe that this will affect adversely the size of the market available to us, primarily because of the increase in the number of people suffering from hay fever each year.

The drugs for treating mild to moderate dermatitis can be divided into two primary groups: topical steroids, which are the most common treatment for dermatitis, and topical calcineurin inhibitors TCI) such as Elidel® and Protopic®.

In the case of Elidel, topical calcineurin inhibitors are the only commonly used category of topical anti-inflammatory drugs aimed specifically at treating the inflammatory aspect of the disease. The two drugs are identical in their mechanism of action and potency. The latter is generally inferior to steroids with the primary indication being children (who tend to respond better and for whom steroidal side effects are heightened). Elidel (Novartis) was launched in the United States in 2002 and Protopic (Astellas) in 2001. Both are prescribed as second-line of treatment if patients are unresponsive to steroids but are prescribed in order to avoid the use of topical steroids for safety issues. In 2005, the FDA assigned both drugs to a “black box” warning stipulating risks of cancerogencity. The sales of both drugs have declined significantly and its patent has expired. The Elidel franchise was sold to Meda in 2011 for $420 million.

According to sales figures for dermatitis drugs for 2009 compiled by EvaluatePharma, a leading market research company, the total volume of the market in seven major markets was estimated to be approximately $1.0 billion for 2009. The combined sales volume of the major steroid brands and Protopic®/ Elidel, most of which are generic, were approximately 82% of total sales. According to forecasts of EvaluatePharma, the market is expected to expand and reach approximately $1.1 billion in 2012.

The following table provides a comparison of properties of different drug groups that are in development or on the market:

Class	Efficacy	Examples	Side Effects
		Group A – steroids	
Steroids	Effective; affect a wide range of inflammatory mediators	Beconase®, Flonase®, Rhinocort®, Dermovate®, Nasonex®, Synalar®, Topicort®.	Extensive effects in chronic use including the following specific ones for intranasal sprays (INS) and topical (skin) steroids: ***Nasal sprays:*** Systemic effects: adrenal suppression, hyperglycemia, bone demineralization/fracture, growth delay in children. Local effects: increased intraocular pressure, cataract formation, nasal septal atrophy, fungal infection, nosebleeds, stinging, burning, dryness, smell and taste abnormalities ***Topical (skin) steroids:*** Local: atrophy, skin fragility, striae, purpura (itching), telangiectasia acne, contact dermatitis, rosacea, delayed wound healing, scarring, infections (local) Systemic: cataracts, glaucoma
		Group B – non-steroid synthetic drugs	
COX inhibitors	Low potency; primarily used mainly as mild painkillers	Aspirin, ibuprofen, voltaren, etc. (typically pills)	Gastrointestinal bleeding and ulcers
Specific COX-2 inhibitors	Low potency; primarily used mainly as mild painkillers	Celebrex®, Bextra®, Vioxx®	Gastrointestinal side effects and Cardiovascular effects led to the recall of Vioxx
LOX and Leukotriene inhibitors	Mild efficacy	Singulair®, Zyflo®, Accolate®	Liver toxicity (Zyflo®), Risk of infections(particularly lung infections such as pneumonia and TB), risk of cancer (particularly Lymphoma)
		Non-steroid biological drugs	
Antibodies and recombinant receptors	Varies with patients.	Enbel®, Remicade®, Raptiva®, Humira®, Xolair®	Risks of infections, particularly pulmonary infections such as pneumonia and TB. Risks of certain types of cancers, particularly lymphoma. Rare but potentially very dangerous exacerbated by very long duration of drug activity in body
		Our Product Candidates	
Our Product Candidates	Studies indicate excellent safety and promising efficacy	A number of compounds that are candidates for drugs with wide formulation flexibility	To date, no treatment emergent adverse events noted but further investigation is needed

Scientific Background to Inflammation and Our Product Candidates

The phospholipase A2 (PLA2) is a super-family of enzymes responsible for triggering the inflammatory response in the body. This enzyme family includes two sub-families of PLA2 that are of particular interest to anti-inflammatory drug development: the secretory (sPLA2) and the cytosolic (cPLA2) families. The sPLA2 enzyme family consists of at least 13 sub-types (isoforms) and plays a key role in launching inflammation associated with pathogenesis and high levels of sPLA2 have been found in every inflammatory disease studied to date although these enzymes are not necessary to the cell in the absence of inflammation. These enzymes are located outside the cell and are generated and secreted by white blood cells (part of the immune system) but have also been found to be produced by any cell undergoing inflammation. sPLA2hydrolize cell-membrane phospholipids to produce two critical inflammatory pre-cursors in the cell (arachidonic acid and lysophospholipids). These precursors are the substrates for several complex metabolic pathways that give rise to dozens of signaling molecules that generate inflammation (pro-inflammatory mediators). Those derived from arachidonic acid are termed eicosanoids and include prostaglandins and thromboxanes (generated via the COX pathway), as well as the leukotrienes and the expoxins (generated via the LOX pathway). Those derived from lysophospholipids induce activation and extravasation of leukocytes, histamine secretion by mast cells, can induce tissue damage such as gastric ulceration, act as a growth factor (especially lyso-phosphatidic acid). They are also the precursors of PAF, a potent mediator of inflammatory processes. In contrast to the sPLA2 enzymes, the cPLA2 family of enzymes, consisting of at least four isoforms, is located exclusively within the cell and is vital to the functioning of the cell at all times (homeostatic). This family does not play a direct role in triggering or maintaining inflammation associated with pathogenesis and its function seems to be the maintenance of the basal level of inflammatory mediators in the normal cell.

Both COX and LOX have been therapeutic targets for anti-inflammatory drugs for decades. Examples include the COX inhibitors Aspirin and ibuprofen, the COX-2 inhibitors Celebrex and Vioxx and the LOX/leukotriene inhibitors Singulair® and Zyflo. The relatively poor potency of COX and LOX inhibitors is directly related to the fact that they do not affect the activity of the sPLA2 family of enzymes and can therefore not exert an inhibitory effect on the inflammatory process at its inception. Their side effect profile is similarly related to their ability to inhibit only a sub-section of the inflammatory pathway which, in turn, leads to over-stimulation of parallel pathways and the resulting damage.

Since the mid-1980's, the key role of PLA2 in inflammation has become increasingly better understood and in the late 1990's a number of clinical programs were launched using various PLA2 inhibitors to target a number of inflammatory diseases. These programs failed either due to poor clinical efficacy and/or high toxicity. The failure of these programs has been invaluable to our understanding of how to design an effective PLA2 inhibitor drug.

Research and Development

Since our inception in 2005, we have been focused on drug discovery and development programs. Research and development expenses include, but are not limited to, our expenses for personnel associated with our research activities, screening and identification of product candidates, formulation and synthesis activities, manufacturing, preclinical studies, toxicology studies, clinical trials, regulatory and medical affairs activities, quality assurance activities and license fees.

Provided that we are able to raise additional capital, we expect our development expenses for fiscal year 2012 to increase and to be primarily focused on the following:

- the continued clinical development of MRX-4 and MRX6;
- the synthesis and formulation of MRX-4, MRX-6, and OPT-1;
- if and to the extent the FDA permits us to continue developing our drugs;
- the continued preclinical development of other potential product candidates; and
- using the platform to identify and develop new product candidates.

There is a risk that any drug discovery and development program may not produce revenue. Moreover, because of uncertainties inherent in drug discovery and development, including those factors described in "Risk Factors" of this Form 20-F, we may not be able to successfully develop and commercialize any of our product candidates.

Drug development in the United States is a process that includes several steps defined by the FDA. The FDA approval process for a new drug involves completion of preclinical studies and the submission of the results of these studies to the FDA, together with proposed clinical protocols, manufacturing information, analytical data and other information in an Investigational New Drug application which must become effective before human clinical trials may begin. Clinical development typically involves three phases of study: Phase 1, 2 and 3. The most significant costs associated with clinical development are the Phase 3 clinical trials as they tend to be the longest and largest studies conducted during the drug development process. After completion of clinical trials, a New Drug Application, or NDA, may be submitted to the FDA. In responding to a NDA, the FDA may refuse to file the application, or if accepted for filing, the FDA may not grant marketing approval, request additional information or deny the application if it determines that the application does not provide an adequate basis for approval. Even if the FDA grants marketing approval, the FDA may impose restrictions, limitations and/or warnings in the label of an approved product candidate, which may adversely affect the marketability of the product or limit the patients to whom the product is prescribed. In some cases, the FDA may give conditional approval of a NDA for a product candidate on the NDA sponsor's agreement to conduct additional clinical trials to further assess the product's safety and effectiveness after NDA approval. Any approval of a NDA by the FDA conditioned on completing additional clinical trials may require the sponsor to discontinue further marketing of the product if data from the clinical trial fails to demonstrate sufficient efficacy and safety in accordance with the agreed-upon protocol for the clinical trial.

The successful development and commercialization of our product candidates is highly uncertain. We cannot reasonably estimate or know the nature, timing and estimated costs of the efforts necessary to complete the development and commercialization of, or the period in which material net cash inflows are expected to commence from, any of our product candidates due to the numerous risks and uncertainties associated with developing and commercializing drugs, including the uncertainty of:

- our ability to progress product candidates into preclinical and clinical trials;
- the scope, rate of progress and cost of our clinical trials and other research and development activities, including additional development activities or studies that may be required by the FDA if we are permitted to continue developing MRX-4 and MRX-5, as well as our ongoing and any future clinical trials of MRX-4 and MRX-5;
- the terms and timing of any potential future collaborative, licensing and other arrangements that we may establish;
- the amount and timing of any licensing fees, milestone payments and royalty payments from potential future collaborators, if any;
- future clinical trials;

- the cost and timing of regulatory filings and/or approvals to commercialize our product candidates and any related restrictions, limitations, and/or warnings in the label of an approved product candidate;
- the cost and timing of establishing medical education, sales, marketing and distribution capabilities;
- the cost of establishing clinical and commercial supplies of our product candidates and any products that we and/or any potential future collaborators may develop;
- the effect of competing technological and market developments; and the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights, and the cost of defending any other litigation claims;
- the costs of synthesis and formulation; and
- lack of adequate funding to continue the synthesis, formulation, manufacture and/or clinical trials.

Any failure to complete the development of our product candidates in a timely manner could have a material adverse effect on our operations, financial position and liquidity.

Market opportunity in inflammatory diseases

The term "inflammatory diseases" applies to a super-family of diseases and conditions comprising the largest such group with hundreds of distinct diseases. These include autoimmune diseases, allergies, reactions to infections and tissue breakdown, hereditary diseases as well as diseases of unknown etiology. Increasingly, many cancerous processes such as angiogenesis are also being linked to inflammation. Names of inflammatory diseases typically have the suffix "*-itis*" (e.g. bronchitis, appendicitis, dermatitis) but many other do not (e.g. asthma, psoriasis, lupus, etc.). According to a published report by GBI Research, the global drug market for inflammatory diseases was approximately $57 billion in 2009.

MRX-4 and the market for hay fever

MRX-4 is intended to treat patients who suffer from allergic rhinitis (hay fever). Allergic rhinitis is the most common of the chronic respiratory illnesses, affecting both quality of life and health of patients. Based on an article in Nature Reviews Drug Discovery from April 2009, in the seven major markets that comprise North America, Europe and Japan, the total number of patients was over 150 million in 2009 with 62 million in the United States alone making it the second most prevalent disease after hypertension. There is also a strong correlation (co-morbidity) between allergic rhinitis and asthma, making allergic rhinitis a significant risk factor for asthma.

Allergic rhinitis is a disease characterized by symptoms like sneezing, watery nasal discharge, nasal obstruction and itching, associated with inflammation. The most likely cause of allergic rhinitis is under-development of the immune system in childhood, since the most significant risk factors include a personal and family history of asthma and other allergies, such as eczema and hives. Heredity is a major factor in atopy which predisposes an individual to allergic disease.

We consider MRX-4 to be a potential first in class product that would be a direct competitor of the two anti-inflammatory drug types currently existing in the market that are used for disease maintenance: steroids and Singulair®.

Intra-nasal Steroids

Intra-nasal steroids are the most common anti-inflammatory drugs used in allergic rhinitis and have been in use for decades. Examples of such drugs in the US market include: Beconase®, Rhinocort®, Nasonex®, Omnaris® and Veramyst. Intra-nasal steroids are potent and are delivered topically in the form of a nasal spray. However, even in their topical form, these steroids are associated with numerous side effects including: nasal bleeding, dysgeusia (changes in sense of smell and taste) and local infection due to immunosuppression.

Singulair (montelukast)

Merck's Singulair is the only commonly used non-steroidal anti-inflammatory drug for treating the inflammation aspects of hay fever and asthma. The drug acts by blocking the action of cysteinyl leukotriene (CysLT1) pro-inflammatory mediators that are generated by the LOX pathway, downstream of the activity of sPLA2. The drug can only be taken as a pill, not topically. Singulair® was launched in 1998 for the treatment of asthma. In 2003, the FDA approved Singulair for use in allergic rhinitis. While it has a modest potency compared to steroids and can only be formulated as a pill (and not as either an inhaler or nasal spray), it is not associated with severe side effects (unlike steroids) thus making this drug a commercial success. In 2010, Singulair® global sales were $5 billion of which $3.4 billion (70%) were in the United States alone. Approximately 25% of its sales are due to hay fever with the rest due to asthma. We believe that the success of Singulair®, despite its limitations in terms of potency and formulation, is indicative of the great demand for drugs that are safer than steroids for treating allergic rhinitis. Although the patent for Singulair® is due to expire in 2012, we do not believe that this will affect adversely the size of the market available to us, primarily because of the increase in the number of people suffering from hay fever each year and Singulair's inability to provide a potent alternative to steroids.

Based on an article in Nature Reviews Drug Discovery from April 2009, in 2009, sales of drugs for treating hay fever in the seven major markets were approximately $10.35 billion for both over-the-counter and prescription drugs, approximately $4.0 billion and $750.0 million of which were from the sale of nasal aerosol steroids and Singulair®, respectively. Datamonitor forecasts that the sales for this market will reach approximately $11.3 billion in 2016.

Most of the patients with allergic rhinitis achieve symptomatic relief with the drugs that are currently available in the market (primarily nasal steroids). However, we believe that there is an unmet need for drugs that will be safer than steroids and more potent than the current non-steroidal drugs.

MRX-6 and the market for dermatitis (eczema)

MRX-6 is a topical cream aimed at treating eczema (with the first indication being contact dermatitis). There is a wide variety of medical conditions that fall under the broad definition of dermatitis/eczema, including contact dermatitis, atopic dermatitis and seborrhea dermatitis. The first is an allergy, the second is of unknown etiology but probably autoimmune in nature and the last is an abnormal reaction to normal skin flora. All forms of eczema may cause discomfort, pain and embarrassment to the person affected. The incidence of atopic dermatitis, for example, has increased significantly over the past 30 years in the industrialized world, probably due to environmental factors.

The drugs for treating mild to moderate dermatitis can be divided into two primary groups: topical steroids, which are the most common treatment for dermatitis, and topical calcineurin inhibitors TCI) such as Elidel® and Protopic®.

Topical Steroids

Topical steroids have dominated the market for decades and are commonly used. Dozens of varieties are available from low-strength over-the-counter versions to potent prescription drugs. Examples of such prescription drugs in the US market include Synalar, Kenalog, Elocon, Ultravate, Temovate, Halog and Topicort.

They are associated with side effects (both local and systemic) including:

- Local: atrophy, skin fragility, striae, purpura (itching), telangiectasia acne, contact dermatitis, rosacea, delayed wound healing, scarring, infections (local).
- Systemic: cataracts, glaucoma.

Topical Calcineurin Inhibitors

Topical calcineurin inhibitors are the only commonly used category of topical anti-inflammatory drugs aimed specifically at treating the inflammatory aspect of the disease. The two drugs are identical in their mechanism of action and potency. The latter is generally inferior to steroids with the primary indication being children (who tend to respond better and for whom steroidal side effects are heightened). Elidel (Novatris) was launched in the United States in 2002 and Protopic (Astellas) in 2001. Both are prescribed as second-line of treatment if patients are unresponsive to steroids but, in reality, would be frequently prescribed to avoid the use of topical steroids for safety issues. At the height of sales (2005), these drugs had combined global sales of $550 million. In 2005, the FDA assigned both drugs to a "black box" warning stipulating risks of cancerogencity. The sales of both drugs have declined significantly and its patent has expired. Its franchise was sold to Meda Pharmaceuticals Inc. in 2011 for $420 million.

According to sales figures for dermatitis drugs for 2009 compiled by EvaluatePharma, a leading market research company, the total volume of the market in seven major markets was estimated to be approximately $1.0 billion for 2009. The combined sales volume of the major steroid brands and Protopic®/Elidel most of which are generic, were approximately 82% of total sales. According to forecasts of EvaluatePharma, the market is expected to expand and reach approximately $1.1 billion in 2012.

Development of our Clinical Pipeline for our Product Candidates

We are currently clinically developing two product candidates for the treatment of allergic rhinitis and dermatitis, respectively. In addition, we are in the pre-clinical stages of developing three product candidates for: ophthalmology (conjunctivitis and dry eye), cystic fibrosis and inflammatory bowel disease (IBD).

Clinical advancement of our lead product candidates

We are currently in Phase 2 clinical trials of our two lead product candidates: MRX-4, a nasal spray for allergic rhinitis, and MRX-6, a topical cream for dermatitis. We anticipate completing our Phase 2 clinical trials by mid-2013 and submitting an application for the FDA's Investigational New Drug, or IND, program for MRX-4 by the end of 2013 and MRX-6 by the third quarter of 2012. If these applications are approved, we intend to seek licensing arrangements with international pharmaceutical companies.

MRX-4

Phase 1 clinical trial. We conducted Phase 1 clinical trials on MRX-4 in Israel. The clinical trial in Israel was approved by the Israeli Ministry of Health and was conducted at Ichilov Hospital at the Tel Aviv Medical Center on 16 subjects. The primary and only objective of the trial was safety, and it was based on a double blind study with a placebo control group, and patients were treated once a day. A double blind clinical trial is a trial in which two alternative treatments are given to two groups of patients: one is treated with a drug and the other a negative control group, which receives placebo treatment. In this trial, both the investigators and the subjects were unaware of which subjects belonged to the control group and which to the trial group. Only after concluding the trial and analyzing the results does the affiliation to these groups become clear. This way, the effect of prejudices and biases, the placebo effect and physical effects (including subconscious ones) are reduced. Randomization into the control and trial groups is vital, and the key assigning each participant in the trial to one of the groups is kept by a third party until the conclusion of the trial.

The trial showed that MRX-4 was well tolerated and no drug-related adverse effects were noted. A second Phase 1 trial was combined with a Phase 2 trial that was conducted in South Africa at the UCT Lung Research Institute, the results of which are discussed below.

Phase 2a clinical trials. MRX-4 completed a Phase 1/2a clinical trial in South Africa in 2008. The study, including all of its stages, has been conducted according to the requirements of the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use, or ICH, by third parties. The standards of the ICH are accepted by the FDA and European Medicines Agency, or EMA, and allow for the submission of our trials' results to those regulators.

The hay fever drug development project was coordinated by Scilucent Inc. (based in Virginia), a clinical research organization, or CRO, that specializes in promoting the development of products, obtaining regulatory approvals and managing projects for pharmaceutical companies. The trial was conducted in South Africa and included 105 allergic rhinitis patients who were treated for six days (morning and evening). The primary objectives of the study were to examine safety and tolerability of the drug, with the secondary objectives of examining the clinical and biochemical efficacy of MRX-4 in treating the illness. The study was conducted in accordance with ICH standards. The principal investigators were Profs. Eric Bateman and Paul Potter, both of whom have a global reputation in allergic rhinitis and asthma. The results of the study were reported to the international scientific community by Prof. Bateman at the annual conference of the European Academy of Allergy and Clinical Immunology that was held in London in June 2010.

The study consisted of two parts: the first compared MRX-4 to a placebo and examined the safety, tolerability and efficacy of the drug. The other was a positive control group that compared Rhinocort® (a widely used intranasal steroid spray for the treatment of rhinitis and that has been marketed for about a decade) – to a placebo group. The primary objective was met and there were no side effects related to the use of MRX-4 (no treatment emergent adverse events).The patients in the MRX-4 group demonstrated the same safety profile as patients in the placebo group. In addition to this, the positive control group (Rhinocort®) demonstrated signs of significant, and common, steroid treatment related effects (nasal bleeding, headaches and local infections), illustrating the need for a safe alternative to steroid treatment. The safety checks included a pharmacokinetic analysis, which examines whether the drug that is administered as a nasal spray penetrates the blood system. The results of this test showed that there are no remnants of MRX-4 in the bloodstream, making it much safer than steroid-based drugs and Singulair®, both of which penetrate the bloodstream and thereby potentially affect other parts of the body. In addition, the group treated with MRX-4 demonstrated reductions in coughing, headaches and the need for bronchodilator rescue medication during the six days of treatment. This is potentially an important indication for the potency of the drug.

The secondary objectives of the trial were also achieved: a significant improvement was found to have occurred in the overall index of clinical symptoms (known as total symptom scores), which is based on four separate symptoms and is the standard method for examining the efficacy of allergic rhinitis drugs. The drug was particularly effective in significantly improving headaches and in improving nasal congestion (a "blocked nose"). The need for bronchodilator rescue medication was also reduced pointing to the potential potency of MRX-4. Another secondary objective, which was met, was a significant decrease in biochemical mediators that constitute indications of an allergic reaction, and sometimes serve as an indication that is predictive of clinical efficacy. The indicators included, among others, changes in the white blood cell count and measurement of inflammatory mediators. Most of those mediators were suppressed by MRX-4 similarly to Rhinocort®.

Phase 2b clinical trial. We are currently planning the follow-up study to our previous Phase 1/2a clinical trial (Phase 2b) which will take place in Vienna, Austria, under the supervision of Prof. Friedrich Horak. Prof. Horak is the inventor of the Vienna Challenge Chamber (VCC), an environmental challenge chamber designed specifically to test drugs aimed at hay fever and asthma. This trial is in the form of a 4-way crossover – a double blind trial with three different active doses and a placebo control group and is being performed on 80 double-blinded subjects. This study is designed to explore the optimum dose that is required for achieving clinical efficacy. As of June 22, 2012, we have invested approximately $37,500 for this part of the Phase 2 clinical trial and expect to invest approximately $6 million overall for the further research and development of MRX-4.

MRX-6

Pre-clinical and Phase 1 clinical trials. From 2005 to 2007, we conducted pre-clinical development of the drug, which included trials in animal models. In 2007, we conducted an initial, exploratory size study (a first in-patient study) on 11 patients who suffered from contact dermatitis with the primary objective of determining initial efficacy in treating humans. The study was conducted under the supervision of Prof. Arieh Ingber, head of the Dermatology Department at Hadassah Ein-Kerem Hospital. The patients were treated for 28 days with MRX-6 (morning and evening) and double-blinded with placebo. The results showed significant clinical efficacy compared to the placebo group (69% improvement compared to 32% in the placebo group), with efficacy being comparable to the common efficacy of steroid ointments. The efficacy is based on the standard medical index for assessing improvement in disease. Further, no drug-related adverse effects were identified. The results of this study were published in March 2007 in the International Journal of Inflammatory and Immunopathology. From 2007 to early 2010, we further developed the chemical synthesis and formulation of MRX-6.

Phase 2 clinical trials. We received approval to conduct a Phase 2 clinical trial of MRX-6. This trial is being conducted on 80 patients at Hadassah Ein-Kerem Hospital in Israel. Patients are treated for 21 days (morning and evening) with the same tests as we conducted in the previous study. The dermatitis drug development project is being coordinated by Target Health Inc., a New York based CRO.

MRX-6 is formulated as a topical (local) treatment cream. Subject to the results of the trials, we intend to submit an IND application to the FDA for this drug by mid-2013 so that we may conduct clinical trials in the United States. As of June 22, 2012, we have invested approximately $200,000 for this part of the Phase 2 clinical trial and expect to invest approximately $4 million overall for the research and development of MRX-6.

Advancement of our additional research and development programs

We have also initiated a number of preclinical studies for the development of drugs for inflammatory eye diseases (OPT-1), inflammatory bowel disease (MRX-5), and cystic fibrosis (CFX-1). We intend to conduct such studies throughout 2012 and 2013; OPT-1 pre-clinical studies planned to take place during 2012 include synthesizing and formulating the drug, conducting safety studies and animal model optimization screening. MRX-5 pre-clinical studies are intended to take place beginning of the first quarter of 2013, in which we intend to synthesize and formulate the drug, conduct safety studies and animal model optimization screening.

Intellectual Property

We will be able to protect our technology from unauthorized use by third parties only to the extent it is covered by valid and enforceable patents or is effectively maintained as trade secrets. Patents and other proprietary rights are an essential element of our business.

Our success will depend in part on our ability to obtain and maintain proprietary protection for our product candidates, technology, and know-how, to operate without infringing on the proprietary rights of others, and to prevent others from infringing our proprietary rights. Our policy is to seek to protect our proprietary position by, among other methods, filing U.S. and foreign patent applications related to our proprietary technology, inventions, and improvements that are important to the development of our business. We also rely on trade secrets, know-how, continuing technological innovation, and in-licensing opportunities to develop and maintain our proprietary position.

For our product candidate compounds, we have an exclusive license from Yissum under its issued patents and pending patent applications in the United States, Canada, Australia, Japan, before the European Patent Office designating Germany, Great Britain, Spain, France, Italy, and other European Union Countries, as well in certain other countries outside those regions, covering the composition of matter and methods of synthesizing them. We have also exclusively licensed from Yissum issued patents and pending patent applications in the United States, Canada, Australia, Japan, before the European Patent Office designating Germany, Great Britain, Spain, France, Italy, and other European Union Countries, as well in certain other countries outside those regions for the use of our product candidate compounds for treating patients in the product candidate indications

We own or have rights to 10 United States and 8 foreign issued patents; and 16 United States and 48 foreign patent applications, as well as one pending international patent application. Issued patents directed to our product candidate compounds and compositions in the United States, will expire between 2021 and 2022, depending on the specific compounds. Issued patents directed to our product candidate compounds and compositions outside of the United States, will expire between 2021 and 2025, depending on the specific compounds. We have pending patent applications for our product candidate compositions and formulations that, if issued, would expire in the United States and in countries outside of the United States between 2021 and 2032, depending on the specific compounds and formulations. An issued patent directed to methods of manufacturing our product candidate compounds in the United States, will expire in 2021. Issued patents directed to methods of treatment using our product candidate compounds and compositions in the United States, will expire between 2021 and 2024, depending on the specific indication. Issued patents directed to use of our product candidate compounds and compositions for the candidate indications outside of the United States, will expire between 2021 and 2025, depending on the specific indication. We have pending patent applications for use of our product candidate compositions and formulations that, if issued, would expire in the United States and in countries outside of the United States between 2021 and 2032, depending on the specific indications and formulations.

Any patent applications which we have filed or will file or to which we have licensed or will license rights may not issue, and patents that do issue may not contain commercially valuable claims. In addition, any patents issued to us or our licensors may not afford meaningful protection for our products or technology, or may be subsequently circumvented, invalidated or narrowed, or found unenforceable. Our processes and potential products may also conflict with patents which have been or may be granted to competitors, academic institutions or others. As the pharmaceutical industry expands and more patents are issued, the risk increases that our processes and potential products may give rise to interferences filed by others in the U.S. Patent and Trademark Office, or to claims of patent infringement by other companies, institutions or individuals. These entities or persons could bring legal actions against us claiming damages and seeking to enjoin clinical testing, manufacturing and marketing of the related product or process. In recent years, several companies have been extremely aggressive in challenging patents covering pharmaceutical products, and the challenges have often been successful. If any of these actions are successful, in addition to any potential liability for damages, we could be required to cease the infringing activity or obtain a license in order to continue to manufacture or market the relevant product or process. We may not prevail in any such action and any license required under any such patent may not be made available on acceptable terms, if at all. Our failure to successfully defend a patent challenge or to obtain a license to any technology that we may require to commercialize our technologies or potential products could have a materially adverse effect on our business.

In addition, changes in either patent laws or in interpretations of patent laws in the United States and other countries may materially diminish the value of our intellectual property or narrow the scope of our patent protection. For example, on September 16, 2011, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, was signed into law. The Leahy-Smith Act includes a number of significant changes to United States patent law. These include provisions that affect the way patent applications will be prosecuted and may also affect patent defense and enforcement. The United States Patent Office is currently developing regulations and procedures to govern administration of the Leahy-Smith Act, and many of the substantive changes to patent law associate with the Leahy-Smith Act will not become effective until one year or 18 months after its enactment. Accordingly, it is too early to determine what effect or impact the Leahy-Smith Act will have on the operation of our business and the protection and enforcement of our intellectual property. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business and financial condition.

We also rely upon unpatented proprietary technology, and in the future may determine in some cases that our interests would be better served by reliance on trade secrets or confidentiality agreements rather than patents or licenses. We may not be able to protect our rights to such unpatented proprietary technology and others may independently develop substantially equivalent technologies. If we are unable to obtain strong proprietary rights to our processes or products after obtaining regulatory clearance, competitors may be able to market competing processes and products.

Others may obtain patents having claims which cover aspects of our products or processes which are necessary for, or useful to, the development, use or manufacture of our services or products. Should any other group obtain patent protection with respect to our discoveries, our commercialization of potential therapeutic products and methods could be limited or prohibited.

Material Licenses

License Agreement with Yissum

Our research and development programs are based on technology that was licensed from Yissum, Research & Development Company of the Hebrew University of Jerusalem, or Yissum, where our controlling shareholder, Prof. Yedgar, is conducting studies focused on inflammation. Our breach of this license or failure to obtain a license to technology required to develop, test and commercialize our products may seriously harm our business.

Prof. Yedgar performed these studies during his employment as a retired Prof. at the Department of Biochemistry of the Hebrew University of Jerusalem. Thus, except for Prof. Yedgar having the right to receive any distribution of dividends or other distributions under the terms of Prof. Yedgar's employment agreement, Prof. Yedgar and his heirs have the right to receive 60% of the net income that would be distributed by the Company to Yissum.

On November 27, 2002, Morria USA entered into an exclusive license agreement, which we refer to as the License Agreement, with Yissum Research and Development Company of the Hebrew University in Jerusalem, or Yissum. Pursuant to the License Agreement, Morria USA was granted an exclusive, worldwide license, including a right to sublicense (subject to the prior written consent of Yissum), to make, have made, use, market, sell, have sold, offer to sell, import, license and distribute the technology owned by Yissum for the use of lipid conjugates for the treatment of disease. Unless earlier terminated, the term of the License Agreement is the later of 20 years from the date of the License Agreement and the term of the patents or patent applications. On February 1, 2005, the License Agreement was sublicensed from Morria USA to us pursuant to an exclusive sublicense agreement which will terminate upon the termination of the License Agreement.

Under the terms of the License Agreement, we will pay to Yissum royalties on a quarterly basis, as follows: a percentage (4%) of the net sales, or if we receive sublicensing revenue from third parties, we will pay a royalty of 18% of the sublicensing revenue received. "Net sales" is defined under the License Agreement as the amount billed by us, our affiliates or distributors to third parties (other than sublicensees) for sales of licensed products, less (i) customary discounts, (ii) sales, tariff duties , use taxes including VAT and (iii) outbound transportation costs, credits, returns, export licenses, import duties, value added tax and prepaid freight. "Sublicensing revenue" is defined as all cash, fees and royalties paid to us by the sublicensee in consideration for the granting of rights to the patents and/or use the licensed technology, excluding any reimbursements for expenses directly attributable to the conduct of clinical development and/or trials by us.

We have undertaken, at our own expense, to use our commercially reasonable best efforts to develop the licensed products under the License Agreement and to be responsible for the preparation, filing prosecution and maintenance of all the patents. The intellectual property rights of the licensed technology are, and will remain, owned by Yissum. We assume full responsibility and conduct of patent prosecution and maintenance of the intellectual property. Any application for registration of a patent will be registered exclusively to the title of Yissum, is subject to the approval of Yissum and will be made at our full expense. We have undertaken, at our own expense, to provide full protection against third party's infringement of the intellectual property.

We have undertaken to indemnify Yissum or any person acting on our behalf, against any liability, including product liability, damage, loss or expense derived from the use, development, manufacture, marketing, sale or sublicensing of the license product and technology.

On April 4, 2012, we amended the termination of the sub-license agreement, pursuant to a lien granted to the Original Issue Discount Senior Secured Convertible note holders. The amendment added another option of termination of the sub-license, such termination shall commence upon a written notice from an Original Issue Discount Senior Secured Convertible note holder that an event of default as defined in the note has occurred.

If we default or fail to perform any of the terms, covenants, provisions or our obligations under the License Agreement, Yissum has the option to terminate the License Agreement, subject to advance notice to cure such default.

Pursuant to the April 2012 Financing transaction, on March 29, 2012, Yissum acknowledged that we are not in breach of the License Agreement and have not been in breach of the License Agreement at any time from the effective date of the License Agreement. Yissum acknowledged and gave consent to the loan and the lien relating to the transaction. In connection with the loan, the lien and any action by the note holders to enforce the lien, Yissum agreed to not take any actions to cause the cessation of our license in the licensed technology. If the Sublicense Agreement ceases to be effective, Yissum acknowledged and agreed that Morria USA may sublicense the licensed technology to any third party selected by Morria USA. Following an event of default and any action by any of the note holders to enforce the lien, Yissum acknowledged and agreed that Morria USA may assign the License Agreement to the note holder or its affiliate and such assignee may sublicense the licensed technology to any third party selected by the assignee. In such events of (i) sublicense of the licensed technology to any third party or (ii) assignment of the License Agreement to a note holder or its affiliate or (iii) the assignee's sublicense of the licensed technology to any third party, Yissum agreed to not take any actions to cause the cessation of Morria USA's (or, as the case may be, its assignee's) license in the licensed technology.

Manufacturing, Marketing and Sales of our Drugs

Synthetic drugs, such as those developed by us, are based on a chemical manufacturing process that requires raw materials, such as various solvents, sugars, fats and polymers. There are many suppliers of raw materials for these products and, in recent years, no material changes have occurred in the prices of the raw materials that are required for the research, development and manufacturing of the drugs we are developing.

We currently have no in-house manufacturing or development capabilities, and have no current plans to establish laboratories or manufacturing facilities for significant clinical production.

We have no direct experience in manufacturing any of our product candidates, and we currently lack the resources or capability to manufacture any of our product candidates on a clinical or commercial scale. As a result, we will be dependent on third parties for the manufacturing of clinical scale quantities of all of our product candidates. We believe that this strategy will enable us to direct operational and financial resources to the development of our product candidates rather than diverting resources to establishing a manufacturing infrastructure.

Because we are focused on discovery and development of drugs, we do not have any marketing or distribution capabilities, nor are we at a stage where we would have any customers.

Competition

The development and commercialization of new drugs is highly competitive. We will face competition with respect to all product candidates we may develop or commercialize in the future from pharmaceutical and biotechnology companies worldwide. The key factors affecting the success of any approved product will be its efficacy, safety profile, drug interactions, method of administration, pricing, reimbursement and level of promotional activity relative to those of competing drugs. If approved, we would expect our clinical-stage product candidates, MRX-4 and MRX-6, to compete with approved drugs and potentially with product candidates currently under development, including the following:

- *MRX-4*. If approved, we would expect MRX-4 to compete in the hay fever drug market with nasal sprays that contain steroids (Flixonase®, Beconase®, Nasacort®, Rhinocort®) and the drug Singulair®, which is a non-steroidal, anti-inflammatory pill. The leading companies in the field include Merck (the manufacturer of Singulair®), GlaxoSmithKline (the manufacturer of Flixonase® and Beconase®), Sanofi (the manufacturer of Nasacort) and AstraZeneca (the manufacturer of Rhinocort). According to Datamonitor, the total market, as of its 2011 report, is approximately $7 billion, and is mostly dominated by nasal sprays.

- *MRX-6*. If approved, we would expect MRX-6 to compete in the dermatitis drug market is with skin ointments that contain steroids (Hydrocortisone®, Fluticasone®, Betamethasone®) and the drugs Elidel® and Protopic®, which are non-steroidal anti-inflammatory ointments. The leading companies in the market include Galderma, Medicis and Novartis (the manufacturer of Elidel®). According to Datamonitor, the total volume of the market, as of its 2011 report, is approximately $2.4 billion, and is dominated mostly by steroidal ointments.

Many of our potential competitors have substantially greater financial, technical, and personnel resources than us. In addition, many of these competitors have significantly greater commercial infrastructures. Our ability to compete successfully will depend largely on our ability to leverage our collective experience in drug discovery, development and commercialization to:

- discover and develop medicines that are differentiated from other products in the market;
- obtain patent and/or proprietary protection for our medicines and technologies;
- obtain required regulatory approvals;
- obtain a commercial partner;
- commercialize our drugs, if approved; and
- attract and retain high-quality research, development and commercial personnel.

We believe that Anthera Pharmaceuticals, Inc. is the only other company that was recently focused on the phospholipase A2 pathway like Morria. Anthera is a biopharmaceutical company focused on developing and commercializing products to treat serious diseases, including cardiovascular and autoimmune diseases. It has in-licensed a portfolio of clinical and pre-clinical inhibitors of PLA2 and is developing an in-licensed drug from Eli Lilly and Shinogi & Co., which they developed as part of their collaboration. Anthera's drug candidates are entirely different in both structure (chemical class) and function to Morria's product candidates.

Government Regulation

To date, we have conducted our preclinical and clinical trials in Israel and South Africa. We do not have the ability to independently conduct clinical trials for our product candidates, and we rely on third parties, such as contract research organizations, medical institutions, and clinical investigators, to perform this function. Our reliance on these third parties for clinical development activities reduces our control over these activities. Although we have, in the ordinary course of business, entered into agreements with these third parties, we continue to be responsible for confirming that each of our clinical trials is conducted in accordance with its general investigational plan and protocol. Moreover, the FDA requires us to comply with regulations and standards, commonly referred to as good clinical practices, for conducting, recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the trial participants are adequately protected. Our reliance on third parties does not relieve us of these responsibilities and requirements. To date, we believe our contract research organizations and other similar entities with which we are working have performed well. However, if these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may be required to replace them.

We plan to seek approvals in the European Union from the European Medicines Authority, or EMA, and in the United States from the Food and Drug Administration, or FDA. Therefore, we currently are and may be in the future subject to a variety of regional regulations governing clinical trials and commercial sales and distribution of our products, if any. The approval process varies from country to country and the time may be longer or shorter than that required for FDA approval. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from country to country.

We currently have all necessary approvals for the preclinical trials we conduct on animals in Israel. In order to conduct preclinical trials on animals in Israel, companies must obtain the approval of the Ministry of Health and the Council for Trials on Animals at the Ministry of Health, which operates pursuant to the Prevention of Cruelty to Animals Law (Experiments on Animals) 5754 – 1994. The approvals of the following committees are given on applications as they are submitted:

Institutional Review Board (IRB), also known as an Independent Ethics Committee (IEC) or Ethical Review Board (ERB), is a committee that has been formally designated to approve, monitor, and review biomedical and behavioral research involving humans.

Helsinki (ethics) Committee – An Israeli Committee that acts according to the Public Health Regulations (Clinical Trials on Human Subjects) 1980, including all subsequent additions and amendments thereto until 1999 and applies the principles stated in the Helsinki and ICH-GCP Guidelines. The Committee deliberates on proposals for clinical trials on human subjects. It also deliberates on research proposals in the sphere of the social sciences. The Committee operates under the auspices of the Ministry of Health and the State Comptroller. The Committee is comprised of at least five (five to 11) members who have attained senior status in their professions and in academia.

Clinical trials in Israel and South Africa must undergo inspection by and receive prior approval from an ethics committee at the institute at which the trial is to be conducted as well as from the Israeli Ministry of Health and the South African Medicines Control Council. In accordance with the Declaration of Helsinki, legislation developed by the World Medical Association as a statement of ethical principles for medical research involving human subjects, including research on identifiable human material and data, the supervisory committee of the clinical trials at the institute at which the trial is conducted, or the Helsinki committees, and the relevant healthcare regulatory authority consider, when examining the application, among other things, the ethical foundations related to the trial, the safety of the product to the user and the exposure to tort claims of the institute conducting the trial. Results of preclinical trials, along with the details on the manner of manufacturing products and their analytic properties (i.e., composition, stability of the drug over time, etc.), are also examined as part of the approval process for conducting clinical trials on humans. We have received the approval of the Helsinki committees at Hadassah Ein-Kerem, Ichilov and the Lung Research Institute in South Africa, where have conducted our Phase 1 and 2 trials, as well as the Israeli Ministry of Health and the South African Medicines Control Council.

On May 5, 2008, the Department of Health of The Republic of South Africa approved the clinical trial application of MRX-4.

On July 14, 2009 the Hadassa Hospital, Jerusalem, notified us that the Helsinki Committee approved the clinical trial application of MRX-6 on January 2, 2009.

United States

The FDA and comparable regulatory agencies in state and local jurisdictions and in foreign countries impose substantial requirements upon the clinical development, manufacture, marketing and distribution of drugs. These agencies and other federal, state and local entities regulate research and development activities and the testing, manufacture, quality control, safety, effectiveness, labeling, storage, record keeping, approval, advertising and promotion of our product candidates and commercialized drugs.

In the United States, the FDA regulates drugs under the Federal Food, Drug and Cosmetic Act and implementing regulations. The process required by the FDA before our product candidates may be marketed in the United States generally involves the following:

- completion of extensive preclinical laboratory tests, preclinical animal studies and formulation studies, all performed in accordance with the FDA's good laboratory practice, or GLP, regulations;
- submission to the FDA of an Investigational New Drug, or IND, application which must become effective before clinical trials may begin;
- performance of adequate and well-controlled clinical trials to establish the safety and efficacy of the product candidate for each proposed indication;
- performance of adequate and well-controlled clinical trials to establish the safety and efficacy of the product candidate for each proposed indication;
- submission of a New Drug Application, or NDA, to the FDA;
- satisfactory completion of an FDA pre-approval inspection of the manufacturing facilities at which the product is produced to assess compliance with current good manufacturing practice, or cGMP, regulations;
- FDA review and approval of the NDA prior to any commercial marketing, sale or shipment of the drug; and
- regulation of commercial marketing and sale of drugs.

This testing and approval process requires substantial time, effort and financial resources, and we cannot be certain that any approvals for our product candidates will be granted on a timely basis, if at all. Preclinical tests include laboratory evaluation of product chemistry, formulation and stability, as well as studies to evaluate toxicity in animals. The results of preclinical tests, together with manufacturing information and analytical data, are submitted as part of an IND application to the FDA. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day time period, raises concerns or questions about the conduct of the clinical trial, including concerns that human research subjects will be exposed to unreasonable health risks. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. Our submission of an IND, or those of our collaborators, may not result in FDA authorization to commence a clinical trial. A separate submission to an existing IND must also be made for each successive clinical trial conducted during product development. Further, an independent institutional review board, or IRB, for each medical center proposing to conduct the clinical trial must review and approve the plan for any clinical trial before it commences at that center and it must monitor the clinical trial until completed. The FDA, the IRB or the clinical trial sponsor may suspend a clinical trial at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk. Clinical testing also must satisfy extensive GCP regulations and regulations for informed consent.

Clinical Trials

For purposes of an NDA submission and approval, clinical trials are typically conducted in the following three sequential phases, which may overlap:

- *Phase 1:* The clinical trials are initially conducted in a limited population to test the product candidate for safety, dose tolerance, absorption, metabolism, distribution and excretion in healthy humans or, on occasion, in patients, such as cancer patients. Phase 1 clinical trials can be designed to evaluate the impact of the product candidate in combination with currently approved drugs.

- *Phase 2:* These clinical trials are generally conducted in a limited patient population to identify possible adverse effects and safety risks, to determine the efficacy of the product candidate for specific targeted indications and to determine dose tolerance and optimal dosage. Multiple Phase 2 clinical trials may be conducted by the sponsor to obtain information prior to beginning larger and more expensive Phase 3 clinical trial.

- *Phase 3:* These clinical trials are commonly referred to as pivotal clinical trials. If the Phase 2 clinical trials demonstrate that a dose range of the product candidate is effective and has an acceptable safety profile, Phase 3 clinical trials are then undertaken in large patient populations to further evaluate dosage, to provide substantial evidence of clinical efficacy and to further test for safety in an expanded and diverse patient population at multiple, geographically dispersed clinical trial sites.

In some cases, the FDA may condition approval of an NDA for a product candidate on the sponsor's agreement to conduct additional clinical trials to further assess the drug's safety and effectiveness after NDA approval.

New Drug Application

The results of product candidate development, preclinical testing and clinical trials are submitted to the FDA as part of an NDA. The NDA also must contain extensive manufacturing information. Once the submission has been accepted for filing, by law the FDA has 180 days to review the application and respond to the applicant. The review process is often significantly extended by FDA requests for additional information or clarification. The FDA may refer the NDA to an advisory committee for review, evaluation and recommendation as to whether the application should be approved. The FDA is not bound by the recommendation of an advisory committee, but it generally follows such recommendations. The FDA may deny approval of an NDA if the applicable regulatory criteria are not satisfied, or it may require additional clinical data or an additional pivotal Phase 3 clinical trial. Even if such data are submitted, the FDA may ultimately decide that the NDA does not satisfy the criteria for approval. Data from clinical trials are not always conclusive and the FDA may interpret data differently than we or our collaborators do. Once issued, the FDA may withdraw a drug approval if ongoing regulatory requirements are not met or if safety problems occur after the drug reaches the market. In addition, the FDA may require further testing, including Phase 4 clinical trials, and surveillance programs to monitor the effect of approved drugs which have been commercialized. The FDA has the power to prevent or limit further marketing of a drug based on the results of these post-marketing programs. Drugs may be marketed only for the approved indications and in accordance with the provisions of the approved label. Further, if there are any modifications to a drug, including changes in indications, labeling or manufacturing processes or facilities, we may be required to submit and obtain FDA approval of a new NDA or NDA supplement, which may require us to develop additional data or conduct additional preclinical studies and clinical trials.

Fast Track Designation

The FDA's fast track program is intended to facilitate the development and to expedite the review of drugs that are intended for the treatment of a serious or life-threatening condition for which there is no effective treatment and which demonstrate the potential to address unmet medical needs for the condition. Under the fast track program, the sponsor of a new product candidate may request the FDA to designate the product candidate for a specific indication as a fast track drug concurrent with or after the filing of the IND for the product candidate. The FDA must determine if the product candidate qualifies for fast track designation within 60 days of receipt of the sponsor's request.

If fast track designation is obtained, the FDA may initiate review of sections of an NDA before the application is complete. This rolling review is available if the applicant provides and the FDA approves a schedule for the submission of the remaining information and the applicant pays applicable user fees. However, the time period specified in the Prescription Drug User Fees Act, which governs the time period goals the FDA has committed to reviewing an application, does not begin until the complete application is submitted. Additionally, the fast track designation may be withdrawn by the FDA if the FDA believes that the designation is no longer supported by data emerging in the clinical trial process.

In some cases, a fast track designated product candidate may also qualify for one or more of the following programs:

- *Priority Review.* Under FDA policies, a product candidate is eligible for priority review, or review within a six-month time frame from the time a complete NDA is accepted for filing, if the product candidate provides a significant improvement compared to marketed drugs in the treatment, diagnosis or prevention of a disease. We cannot suggest or in any way guarantee that any of our product candidates will receive a priority review designation, or if a priority designation is received, that review or approval will be faster than conventional FDA procedures, or that the FDA will ultimately grant drug approval.

- *Accelerated Approval.* Under the FDA's accelerated approval regulations, the FDA is authorized to approve product candidates that have been studied for their safety and effectiveness in treating serious or life-threatening illnesses, and that provide meaningful therapeutic benefit to patients over existing treatments based upon either a surrogate endpoint that is reasonably likely to predict clinical benefit or on the basis of an effect on a clinical endpoint other than patient survival. In clinical trials, surrogate endpoints are alternative measurements of the symptoms of a disease or condition that are substituted for measurements of observable clinical symptoms. A product candidate approved on this basis is subject to rigorous post-marketing compliance requirements, including the completion of Phase 4 or post-approval clinical trials to validate the surrogate endpoint or confirm the effect on the clinical endpoint. Failure to conduct required post-approval studies, or to validate a surrogate endpoint or confirm a clinical benefit during post-marketing studies, will allow the FDA to withdraw the drug from the market on an expedited basis. All promotional materials for product candidates approved under accelerated regulations are subject to prior review by the FDA. In rare instances the FDA may grant accelerated approval of an NDA based on Phase 2 data and require confirmatory Phase 3 studies to be conducted after approval and/or as a condition of maintaining approval. We can give no assurance that any of our drugs will be reviewed under such procedures.

When appropriate, we and our collaborators may attempt to seek fast track designation or accelerated approval for our product candidates. We cannot predict whether any of our product candidates will obtain a fast track or accelerated approval designation, or the ultimate impact, if any, of the fast track or the accelerated approval process on the timing or likelihood of FDA approval of any of our product candidates.

Satisfaction of FDA regulations and requirements or similar requirements of state, local and foreign regulatory agencies typically takes several years and the actual time required may vary substantially based upon the type, complexity and novelty of the product or disease. Typically, if a product candidate is intended to treat a chronic disease, as is the case with some of our product candidates, safety and efficacy data must be gathered over an extended period of time. Government regulation may delay or prevent marketing of product candidates for a considerable period of time and impose costly procedures upon our activities. The FDA or any other regulatory agency may not grant approvals for new indications for our product candidates on a timely basis, if at all. Even if a product candidate receives regulatory approval, the approval may be significantly limited to specific disease states, patient populations and dosages. Further, even after regulatory approval is obtained, later discovery of previously unknown problems with a drug may result in restrictions on the drug or even complete withdrawal of the drug from the market. Delays in obtaining, or failures to obtain, regulatory approvals for any of our product candidates would harm our business. In addition, we cannot predict what adverse governmental regulations may arise from future United States or foreign governmental action.

Other regulatory requirements

Any products manufactured or distributed by us or our collaborators pursuant to FDA approvals are subject to continuing regulation by the FDA, including recordkeeping requirements and reporting of adverse experiences associated with the drug. Drug manufacturers and their subcontractors are required to register their establishments with the FDA and certain state agencies and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with ongoing regulatory requirements, including cGMP, which impose certain procedural and documentation requirements upon us and our third-party manufacturers. Failure to comply with the statutory and regulatory requirements can subject a manufacturer to possible legal or regulatory action, such as warning letters, suspension of manufacturing, seizure of product, injunctive action or possible civil penalties. We cannot be certain that we or our present or future third-party manufacturers or suppliers will be able to comply with the cGMP regulations and other ongoing FDA regulatory requirements. If our present or future third-party manufacturers or suppliers are not able to comply with these requirements, the FDA may halt our clinical trials, require us to recall a product from distribution, or withdraw approval of that product.

The FDA closely regulates the post-approval marketing and promotion of drugs, including standards and regulations for direct-to-consumer advertising, off-label promotion, industry-sponsored scientific and educational activities and promotional activities involving the Internet. A company can make only those claims relating to safety and efficacy that are approved by the FDA. Failure to comply with these requirements can result in adverse publicity, warning letters, corrective advertising and potential civil and criminal penalties. Physicians may prescribe legally available drugs for uses that are not described in the drug's labeling and that differ from those tested by us and approved by the FDA. Such off-label uses are common across medical specialties. Physicians may believe that such off-label uses are the best treatment for many patients in varied circumstances. The FDA does not regulate the behavior of physicians in their choice of treatments. The FDA does, however, impose stringent restrictions on manufacturers' communications regarding off-label use.

European Union

The European Medicines Agency, or EMA, is a decentralized agency of the European Union, located in London. The Agency is responsible for the scientific evaluation of medicines developed by pharmaceutical companies for use in the European Union, as well as the protection and promotion of public health through the evaluation and supervision of medicines for human use.

Under European Union regulatory systems, we may submit marketing authorization applications either under a centralized or decentralized procedure. The centralized procedure, which is compulsory for medicines produced by biotechnology or those medicines intended to treat AIDS, cancer, neurodegenerative disorders, or diabetes and optional for those medicines which are highly innovative, provides for the grant of a single marketing authorization that is valid for all European Union member states. The decentralized procedure provides for mutual recognition of national approval decisions. Under this procedure, the holder of a national marketing authorization may submit an application to the remaining member states. Within 90 days of receiving the applications and assessments report each member state must decide whether to recognize approval. If a member state does not recognize the marketing authorization, the disputed points are eventually referred to the European Commission, whose decision is binding on all member states.

Reimbursement

Sales of pharmaceutical products depend in significant part on the availability of third-party reimbursement. Third-party payers include government health administrative authorities, managed care providers, private health insurers and other organizations. We anticipate third-party payers will provide reimbursement for our products. However, these third-party payers are increasingly challenging the price and examining the cost-effectiveness of medical products and services. In addition, significant uncertainty exists as to the reimbursement status of newly approved healthcare products. We may need to conduct expensive pharmacoeconomic studies in order to demonstrate the cost-effectiveness of our products. Our product candidates may not be considered cost-effective. It is time consuming and expensive for us to seek reimbursement from third-party payers. Reimbursement may not be available or sufficient to allow us to sell our products on a competitive and profitable basis.

The passage of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, or the MMA, imposes new requirements for the distribution and pricing of prescription drugs for Medicare beneficiaries, and includes a major expansion of the prescription drug benefit under a new Medicare Part D. Under Part D, Medicare beneficiaries may enroll in prescription drug plans offered by private entities which will provide coverage of outpatient prescription drugs. Part D plans include both stand-alone prescription drug benefit plans and prescription drug coverage as a supplement to Medicare Advantage plans. Unlike Medicare Part A and B, Part D coverage is not standardized. Part D prescription drug plan sponsors are not required to pay for all covered Part D drugs, and each drug plan can develop its own drug formulary that identifies which drugs it will cover and at what tier or level. However, Part D prescription drug formularies must include drugs within each therapeutic category and class of covered Part D drugs, though not necessarily all the drugs in each category or class. Any formulary used by a Part D prescription drug plan must be developed and reviewed by a pharmacy and therapeutic committee.

It is not clear what effect the MMA will have on the prices paid for currently approved drugs and the pricing options for future approved drugs. Government payment for some of the costs of prescription drugs may increase demand for products for which we receive marketing approval. However, any negotiated prices for our products covered by a Part D prescription drug plan will likely be lower than the prices we might otherwise obtain. Moreover, while the MMA applies only to drug benefits for Medicare beneficiaries, private payers often follow Medicare coverage policy and payment limitations in setting their own payment rates. Any reduction in payment that results from the MMA may result in a similar reduction in payments from non-governmental payers.

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009. This law provides funding for the federal government to compare the effectiveness of different treatments for the same illness. A plan for the research will be developed by the Department of Health and Human Services, the Agency for Healthcare Research and Quality and the National Institutes for Health, and periodic reports on the status of the research and related expenditures will be made to Congress. Although the results of the comparative effectiveness studies are not intended to mandate any policies for public or private payers, it is not clear what if any effect the research will have on the sales of our product candidates if any such product candidate or the condition that it is intended to treat is the subject of a study. Decreases in third-party reimbursement for our product candidates or a decision by a third-party payer to not cover our product candidates could reduce physician usage of the product candidate and have a material adverse effect on our sales, results of operations and financial condition.

We expect that there will continue to be a number of federal and state proposals to implement governmental pricing controls and limit the growth of healthcare costs, including the cost of prescription drugs. For example, in March 2010, President Obama signed one of the most significant health care reform measures in decades, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, collectively referred to as the PPACA. The PPACA will significantly impact the pharmaceutical industry. The PPACA will require discounts under the Medicare drug benefit program and increased rebates on drugs covered by Medicaid. In addition, the PPACA imposes an annual fee, which will increase annually, on sales by branded pharmaceutical manufacturers starting in 2011. The financial impact of these discounts, increased rebates and fees and the other provisions of the PPACA on our business is unclear.

In addition, in some foreign countries, the proposed pricing for a drug must be approved before it may be lawfully marketed. The requirements governing drug pricing vary widely from country to country. For example, the European Union provides options for its member states to restrict the range of medicinal products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. A member state may approve a specific price for the medicinal product or it may instead adopt a system of direct or indirect controls on the profitability of the company placing the medicinal product on the market. There can be no assurance that any country that has price controls or reimbursement limitations for pharmaceutical products will allow favorable reimbursement and pricing arrangements for any of our product candidates.

Scientific Advisors

We seek advice from our scientific advisory board, which consists of a number of leading scientists and physicians, on scientific and medical matters. Our scientific advisory board assesses:

- our research and development programs;
- new technologies relevant to our research and development programs; and
- specific scientific and technical issues relevant to our business.

The current members of our scientific advisory board are:

Name	Position/Institutional Affiliation
Prof. Peter J. Barnes, M.A., D.M. D.Sc., FRCP. F.Med.Sci.,FRS Imperial College, London	Peter Barnes is Prof. of Thoracic Medicine at the National Heart and Lung Institute, Head of Respiratory Medicine at Imperial College and Honorary Consultant Physician at Royal Brompton Hospital, London. He qualified at Cambridge and Oxford Universities and was appointed to his present post in 1987. He has published over 1000 peer-review papers on asthma, COPD and related topics and has written or edited over 50 books. He is also amongst the top 50 most highly cited researchers in the world and has been the most highly cited clinical scientist in Europe and the most highly cited respiratory researcher in the world over the last 20 years. He was elected a Fellow of the Royal Society in 2007, the first respiratory researcher for over 150 years. He is currently a member of the Scientific Committee of the WHO/NIH global guidelines on asthma (GINA) and COPD (GOLD). He also serves on the Editorial Board of over 30 journals and is currently an Associate Editor of Chest, European Journal of Clinical Investigation, American Journal of Respiratory and Critical Care Medicine and respiratory Editor of PLoS Medicine. He has given several prestigious lectures, including the Amberson Lecture at the American Thoracic Society, the Sadoul Lecture at the European Respiratory Society and the Croonian Lecture at the Royal College of Physicians, London. He has been received honorary MD degrees from the Universities of Ferrara (Italy), Athens (Greece), Tampere (Finland) and Leuven (Belgium).
Prof. Sir Marc Feldmann, MB BS, BSc(Med) Hons, PhD, FRCPath, FRCP, FMedSci, FAA, FRS. Head, Kennedy Institute of Rheumatology, Nuffield Department of Orthopaedics, Rheumatology and Musculoskeletal Sciences, University of Oxford.	Prof. Feldmann has a medical degree and a PhD from Melbourne University. He is an expert in the fields of immunology, cytokines and autoimmune disease. He discovered the key role played by tumor necrosis factor (TNF)-alpha in the development of inflammatory autoimmune diseases, such as rheumatoid arthritis, with his colleague Prof. RavinderMaini, and they designed clinical trials for the anti-TNF antibody. For this discovery he has been elected a Fellow of the Royal Society and the Australian Academy of Science, a Foreign member of National Academy of Science, USA, and has received major international prizes, such as the Crafoord Prize of the Royal Swedish Academy (2000) and Albert Lasker Clinical Medical Research award (2003). He is a consultant to a number of major pharmaceutical and biotechnology companies.

Prof. Roderick Flower, Ph.D., PhD, FRS Head of Biochemical Pharmacology William Harvey Research Institute, Queen Mary's College, London	Prof. Flower is recognized as one of the leading scientists in the field of inflammation in general and COX/LOX pathways specifically. He is a recognized international authority on several inflammatory diseases as well as on lipoxins. He serves as consultant to numerous pharmaceutical companies. Prof. Flower graduated in 1971 from the University of Sheffield with a first class degree in Physiology. He received his post graduate training at the department of pharmacology in the Royal College of Surgeons of England in London, where his supervisor was Sir John Vane. He moved with Sir Vane, when the latter became R&D Director at the Wellcome foundation in Beckenham in Kent and worked there as part of his prostaglandin research team until 1984. Prof. Flower left to take up the Chair of Pharmacology at the University of Bath where he also took over as Head of School of Pharmacy and Pharmacology from 1987 to 1989. In 1989, he took up a post in the medical college of St. Bartholomew's hospital, where he became a Director and Founding member of the William Harvey Research Institute, William Harvey Research Limited, and the department of Biochemical Pharmacology. He served as Head of the Institute between 1998 and 2002. Prof. Flower is a Wellcome Principal Research Fellow and much of his research is funded by grants from the Wellcome Trust. His main interests are the mechanism of action of anti-inflammatory drugs including Cox inhibitors and especially the glucocorticoid steroids.
Prof. Charles Serhan Ph.D. Brigham and Women[1]s Hospital Harvard Institutes of Medicine Building, Room 829 77 Avenue Louis Pasteur Boston, MA 02115	Charles N. Serhan is the Simon Gelman Prof. of Anaesthesia (Biochemistry and Molecular Pharmacology) at Harvard Medical School and Prof. of Oral Medicine, Infection and Immunity at HSDM, Harvard University. Since 1995, he has been the Director of the Center for Experimental Therapeutics and Reperfusion Injury at Brigham and Women[1]s Hospital in Boston. Prof. Serhan received his Bachelor[1]s degree in biochemistry from Stony Brook University, New York, and went on to receive his doctorate in experimental pathology and medical sciences from New York University (NYU) School of Medicine. From 1981-86, he was a visiting scientist at the Karolinska Institutet and post-doctoral fellow with Prof. Bengt Samuelsson. In 1996, he received an honorary degree from Harvard University.

Dr. Serhan was awarded an NIH MERIT Award (2000), the MacArthur Research Service Award in 2003, and the Outstanding Scientist Award in Inflammation Research at BioDefense, 2004. He delivered the 2005 Kreshover Lecture at NIH and received the LSU Chancellor's Award in Neuroscience in 2006 and in 2007 the Dart/New York University Biotechnology Outstanding Achievement Award. In 2008, he delivered the Sir John Vane Memorial Lecture and received the William Harvey Outstanding Scientist Medal 2008. Prof. Serhan's research interests include the structural elucidation of novel mediators in the resolution of acute inflammation and reperfusion injury and their impact in human disease. Recent studies focus on mechanisms in the resolution of inflammation and receptors for pro-resolving mediators. His discoveries include aspirin-triggered lipid mediators, the resolvins and protectins, and most recently the maresins and their roles in programmed resolution and homeostasis.

Prof. Serhan serves on several International Organizing Committees and has been a session chair and keynote lecturer at many meetings. He is a founder and board member of the Eicosanoid Research Foundation. He is a member of several societies and editorial boards, including the ASBMB, Inflammation (Associate Editor), American Society for Pharmacology and Experimental Therapeutics, AAI, ASIP and the Journal of Experimental Medicine (Editorial Board). Since 2007 he has served on the Foundation for the NIH Biomarkers Consortium. Dr. Serhan led, as principal director, the NIH Program Project Molecular Mechanisms in Leukocyte-Mediated Tissue Injury (P01-DE13499), and recently serves as Principal Investigator/Program Director of the Center grant entitled Specialized Center for Oral Inflammation and Resolution (P50-DE016191). Prof. Serhan has authored more than 400 publications, 5 books, and over 200 US patents.

C. Organizational Structure

Morria Biopharmaceuticals PLC. is organized under the laws of England and Wales and has two wholly-owned subsidiaries: Morria Biopharmaceuticals Inc., a company incorporated under the laws of the State of Delaware, or Morria USA, and Morria Biopharma Ltd., a company formed under the laws of Israel, or Morria Israel. Neither of these subsidiaries currently conduct any material business.

D. Property, Plant and Equipment

We do not own any property or fixed assets in our London office. We lease office space and receive office services in London from a third party, which includes mail management and transfer, fax and telephone services and secretarial services for £345 (or approximately $537, based on an exchange rate as of June 14, 2012) (excluding VAT) per month. Each party may terminate this arrangement by giving three months' advance notice.

Item 4A. UNRESOLVED STAFF COMMENTS

None.

Item 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion of our operating and financial condition and prospects in conjunction with the financial statements and the notes thereto included elsewhere in this Registration Statement on Form 20-F. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Registration Statement on Form 20-F, particularly those in "Item 3. Key Information — Risk Factors."

Overview

Morria is a biopharmaceutical company dedicated to the discovery and development of novel, first-in-class, non-steroidal, synthetic anti-inflammatory drugs. We believe that we have created a new class of synthetic drugs that we term Multifunctional Anti-Inflammatory Drugs representing a new multi-drug platform for the treatment of a wide range of inflammatory diseases and conditions. For decades, steroids have been the most commonly used anti-inflammatory drugs in the world, used extensively to treat inflammatory diseases and allergies. However, steroids are associated with severe side effects, such as metabolic changes, weight gain, changes in blood pressure, diabetes, cataract and glaucoma, psychosis and depression. These side effects have led to reluctance by both medical providers and their patients to use these drugs, providing an unmet need in multiple disease markets for safer alternatives to steroids.

In general, inflammation is a defense mechanism protecting our bodies from pathogenic infection (as part of our immune system). However, when inflammation is triggered for the wrong reasons (i.e. not as a reaction to infection) or is unable to shut down these result in an inflammatory disease. Since each organ in the body is capable of protecting itself from pathogens using inflammation, each organ can suffer from an inflammatory disease or condition.

Inflammatory diseases therefore manifest in a wide range of symptoms, affecting any organ in the body and have diverse causes. Inflammatory diseases encompass such diverse diseases as chronic gastrointestinal diseases (e.g. Crohn's disease and colitis), skin inflammations (e.g. dermatitis, eczema, psoriasis and rosacea), cardiovascular diseases (e.g. restenosis, thrombosis and acute cardiovascular syndrome), diseases of the eye (e.g. dry eye and conjunctivitis), disease of the central nervous system (e.g. multiple sclerosis) and even conditions affecting multiple organs (e.g. sepsis and scleroderma). However, while the causes and symptoms of these diseases are diverse, their treatment is often the same: anti-inflammatory drugs.

The technology for Morria's product candidates is based on research conducted by Prof. Saul Yedgar, our principal shareholder, at the Hebrew University in Jerusalem, Israel. On November 27, 2002, Morria Biopharmaceuticals Inc., or Morria USA, a Delaware corporation, entered into a license agreement with Yissum, the research and development arm of the Hebrew University, granting Morria USA an exclusive, global license to develop Yissum's technology in the field of lipid conjugates that may halt and/or minimize the inflammatory process for the treatment of disease.

We currently have two novel product candidates in our clinical pipeline, both of which are in Phase 2 clinical trials: MRX-4, a nasal spray for treating allergic rhinitis (or hay fever), and MRX-6, a topical cream for treating contact dermatitis (a common type of eczema). We are also undertaking pre-clinical studies for three other product candidates: OPT-1 (for the treatment of conjunctivitis and dry eye), MRX-5 (for the treatment of inflammatory bowel disease), and CFX-1 (for the treatment of cystic fibrosis).Given the common biochemical mechanism of all inflammatory diseases, we plan to gradually expand the application of our technology for our product candidates to other forms of inflammatory diseases in the future.

We are currently in Phase 2 clinical trials of our two lead product candidates: MRX-4, a nasal spray for allergic rhinitis, and MRX-6, a topical cream for dermatitis. We anticipate completing our Phase 2 clinical trials by mid-2013 and submitting an application for the FDA's Investigational New Drug, or IND, program for MRX-4 by the end of 2013 and MRX-6 by the third quarter of 2012. If these applications are approved, we intend to seek licensing arrangements with international pharmaceutical companies.

We have also initiated a number of preclinical studies for the development of drugs for inflammatory eye diseases (OPT-1), inflammatory bowel disease (MRX-5)and cystic fibrosis (CFX-1). We intend to conduct such studies throughout 2012 and 2013; OPT-1 pre-clinical studies planned to take place during 2012 include synthesizing and formulating the drug, conducting safety studies and animal model optimization screening. MRX-5 pre-clinical studies are intended to take place beginning of the first quarter of 2013, in which we intend to synthesize and formulate the drug, conduct safety studies and animal model optimization screening.

Our research and development expenses consist primarily of salaries and related personnel expenses, fees paid to external service providers for formulation and synthesis activities, manufacturing and costs of preclinical studies and clinical trials. We primarily use external service providers to manufacture our product candidates for clinical trials and for all of our preclinical and clinical development work. We charge all research and development expenses to operations as they are incurred. We expect our research and development expense to remain our primary expense in the near future as we continue to develop our product candidates. We currently perform our research and development activity mainly through outsourcing to subcontractors. Our board of directors, which consists of recognized professionals in the fields of biology, medicine and finance, regularly approves our material contracts with subcontractors.

Since inception in 2005, we have generated significant losses in connection with our research and development, including the pre-clinical and clinical development of our product candidates. At December 31, 2011, we had an accumulated deficit of $12,621,000. We have not yet generated any revenues and we expect to continue to generate losses in connection with the research and development activities relating to our pipeline of product candidates. Such research and development activities are budgeted to expand over time and will require further resources if we are to be successful. As a result, we may continue to incur operating losses, which may be substantial over the next several years, and we may need to obtain additional funds to further develop our research and development programs.

Since inception, we have funded our operations primarily through the sale of equity securities and equity-linked securities and in 2005 we completed our first private placement of 3,177,700 ordinary shares at a price of £0.60 per share. The round was led by our financial consultants, Charles Street Securities Capital Managers LLP, an affiliate of Charles Street Securities Inc., or CSS or CSSCM, and followed a £200,000 private bridge financing which, with the private placement of our shares, resulted in approximately £2.1 million (or $3.5 million) in net proceeds to us. At such time, Mr. Gilead Raday joined our board of directors on behalf of CSS. In 2007, CSS lead another private placement of approximately 2,000,000 of our ordinary shares at a price of £0.80 per share, yielding net proceeds to us of approximately £1.6 million (or $3.1 million). In 2008, we completed another round of financing, pursuant to which we issued an aggregate of 42,996 ordinary shares at a price of £0.80 per share, yielding net proceeds to us of approximately £34 thousand (or $0.1 million). In 2009, we sold an aggregate of 410,097 of our ordinary shares at a price of £0.80 per share, yielding net proceeds to us of approximately £328 thousand (or $0.5 million). In 2010, we raised approximately £201 thousand (or $0.3 million) in net proceeds through the private placement of 200,778 of our ordinary shares at a price of £1.0 per share and $60,000 as receivable on account of shares. In 2011, (i) we issued 21,528 ordinary shares from proceeds received by us in 2010 from the sale of such shares, (ii) we consummated a round of financing, pursuant to which we sold a total of 500,498 of our ordinary shares at prices of $1.90-$1.95 per share, for total net proceeds of approximately $949,000 and (iii) we issued 15,000 ordinary shares upon the exercise of options at an exercise price of £0.01 per share for proceeds of approximately $245. In the months January through June 2012, we consummated rounds of financing, pursuant to which we sold a total of 235,000 of our ordinary shares at a price of $2.00 per share, 10,000 ordinary shares at a price of $2.25 per share, and we respectively issued warrants to purchase 254,231 ordinary shares at an exercise price of $2.00 per share, and warrants to purchase 5,000 ordinary shares at an exercise price of $2.25 per share, for total proceeds of $492,500.

On April 4, 2012, we completed a private placement to certain institutional accredited investors in which we sold an aggregate of $1.1 million aggregate principal amount of original issue discount senior secured convertible notes (the "Notes") and warrants to purchase an aggregate of 643,274 ordinary shares, for gross proceeds of $1.0 million (the "Financing"). Under the Purchase Agreement, while the Notes are outstanding, we have agreed not conduct any offerings of securities with terms more favorable than the Financing, subject to certain limited exceptions, including the July 2012 Private Placement. Furthermore, the Purchase Agreement provides a participation right to the investors in the Financing to participate in subsequent financings by us. The Purchase Agreement also permits the investors in the Financing to exchange their Notes for securities sold in any subsequent financing, other than certain excluded issuances. If an investor elected to make such an exchange, on a one for one exchange, such investor would receive such securities issued in the subsequent financing that an investor in the subsequent financing would have received for each $1.00 invested.

The Notes were issued at an original issue discount of approximately 9%. The Notes have a maturity date of January 4, 2013 and do not bear interest. The Notes are guaranteed by our subsidiaries and are secured on a first-priority basis by substantially all of our assets, including our license agreement with Yissum Research Development Company of the Hebrew University of Jerusalem Ltd. and our co-owned patents. Each Note is convertible into our original shares at an initial conversion price of $1.71 per ordinary share, subject to adjustment as described below. The conversion price of each Note is subject to adjustment in the case of stock splits, stock dividends, combinations of shares and similar recapitalization transactions. The conversion price is also subject to "full ratchet" anti-dilution adjustment, which would decrease the conversion price to equal the price at which we issue or are deemed to issue our ordinary shares, to the extent that the issuance price or the deemed issuance price is less than the then-effective conversion price. The convertibility of each Note may be limited if, upon conversion, the holder thereof would beneficially own more than 4.9% of our ordinary shares.

The Notes contain various covenants, including covenants restricting our ability to incur additional indebtedness, incur additional liens, make certain restricted payments or dividend payments, or transfer assets. If an event of default occurs under a Note, the holder of such Note will have the option to require us to redeem such Note in cash at the greater of (i) 110% of the unconverted principal amount or (ii) 110% of the greatest closing sale price of the ordinary shares from the date immediately prior to the date on which the event of default occurs until the redemption is completed.

The holders of the Notes may also require us to redeem their Notes upon the occurrence of a fundamental transaction (as defined in the Notes and which includes, without limitation, our entering into a merger or consolidation with another entity, our selling all or substantially all of our assets, or a person acquiring 50% of our voting shares) or the consummation of the permitted Private Placement.

We expect to continue to fund our operations over the next several years through our existing cash resources and additional capital to be raised through public or private equity offerings or debt.

The timing and amount of any future expenses, completion dates, and revenues for our product candidates is not readily determinable due to the early stage of these development programs.

We do not know if we will be successful in developing any of our product candidates. While expenses associated with the completion of our current clinical programs are expected to be substantial and increase, we believe that accurately projecting total program-specific expenses through commercialization is not possible at this time. The timing and amount of these expenses will depend upon the costs associated with potential future clinical trials of our product candidates, and the related expansion of our development organization, regulatory requirements, advancement of our preclinical programs and product manufacturing costs, many of which cannot be determined with accuracy at this time. We are also unable to predict when, if ever, material net cash inflows will commence from our product candidates. This is due to the numerous risks and uncertainties associated with the duration and cost of clinical trials, which vary significantly over the life of a project as a result of unanticipated events arising during clinical development, including:

- the scope, rate of progress, and expense of our clinical trials and other development activities;
- the length of time required to enroll suitable subjects;
- the number of subjects that ultimately participate in the trials;
- the efficacy and safety results of our clinical trials and the number of additional required clinical trials;
- the terms and timing of regulatory approvals;
- our ability to market, commercialize, manufacture and supply, and achieve market acceptance for our product candidates that we are developing or may develop in the future; and
- the filing, prosecuting, defending or enforcement of any patent claims or other intellectual property rights.

A change in the outcome of any of the foregoing variables in the development of a product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. For example, if the FDA or another regulatory authority were to require us to conduct clinical trials beyond those which we currently anticipate to complete clinical development of a product candidate, or if we experience significant delays in the enrollment of patients in any of our clinical trials, we would be required to expend significant additional financial resources and time on the completion of clinical development.

Critical Accounting Policies and Use of Estimates

The preparation of the consolidated financial statements in conformity with United States Generally Accepted Accounting Principles requires management to make estimates, judgments and assumptions. Our management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Stock-Based Compensation and Fair Value of Ordinary Shares

We account for stock-based compensation in accordance with ASC 718, "Compensation - Stock Compensation," which requires the measurement and recognition of compensation expense based on estimated fair values for all share-based payment awards made to employees, directors and non-employees. ASC 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in our consolidated statement of operations.

We recognize compensation expenses for the value of our awards granted based on the straight-line method over the requisite service period of each of the awards, net of estimated forfeitures. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Estimated forfeitures are based on actual historical pre-vesting forfeitures.

We selected the Black-Scholes-Merton ("Black-Scholes") option-pricing model as the most appropriate fair value method for the majority of our stock-options awards and values stock based on the market value of the underlying shares at the date of grant. The option-pricing model requires a number of assumptions. The computation of expected volatility is based on realized historical stock price volatility of peer companies. The expected term of options granted is based on the "Simplified" method acceptable by ASC 718. For non-employees, the expected term assumption is based on the contractual term. The risk free interest rate assumption is the implied yield currently available on British government bond and the U.S Treasury yield zero-coupon issues with a remaining term equal to the expected life of the Company's options. The dividend yield assumption is based on our historical experience and expectation of no future dividend payouts and may be subject to substantial change in the future. We have historically not paid cash dividends and have no foreseeable plans to pay cash dividends in the future.

The fair value of the ordinary shares underlying the options, warrants and deferred shares through December 31, 2011, had been determined by management, based on the share price used in the equity financing rounds. In order to determine the fair value of the ordinary shares as of December 31, 2011, since subsequent to balance sheet date, we, for the first time, issued units of shares and warrants to new investors, management used the assistance of an independent valuation firm by applying of market approach using recent third-party transactions in our equity. Because there has been no public market for our ordinary shares, management has determined fair value of the ordinary shares at the time of grant of options by considering a number of objective and subjective factors, including valuation of warrants issued by us. The fair value of the underlying ordinary shares shall be determined by management until such time as our ordinary shares are quoted or listed on an established stock exchange or national market system.

We apply ASC 718 and ASC 505-50, "Equity-Based Payments to Non-Employees" with respect to options, warrants and deferred shares issued to non-employees. ASC 718 requires the use of option valuation models to measure the fair value of the options, warrants and deferred shares at the measurement date. Since the exercise price of some of the options, warrants and deferred shares is denominated in a currency that is different from our functional currency, we account for such warrants as a liability.

A. Results of Operations

For the years ended December 31, 2011 and December 31, 2010

Research and development expenses

Research and development expenses for the year ended December 31, 2011 were approximately $841,000 compared to $247,000 for the year ended December 31, 2010. This 240% or $594,000 increase was due to higher expenses of approximately $543,000 for formulation and synthesis activities, manufacturing, preclinical studies, toxicology studies and clinical trials and $58,000 for salary expenses, offset by $7,000 higher stock-based compensation expenses in 2010.

Provided that we are able to raise additional capital, we expect our research and development expenses will fluctuate over the next several years as we conduct additional clinical trials to support the clinical development of MRX-4 and MRX-6, and advance other product candidates into pre-clinical and clinical development. Without additional capital, we will not be able to perform research and development activities with respect to our product candidates.

General and administrative expenses

General and administrative expenses for the year ended December 31, 2011 were approximately $1,406,000 compared to $545,000 for the year ended December 31, 2010. This 158% or $861,000 increase was primarily due to higher expenses of approximately $343,000 for legal fees and $260,000 for consulting, professional and accounting fees, $140,000 of stock-based compensation expense related to warrants granted to board members and consultants, $64,000 for board fees, $21,000 for salaries, $10,000 for insurance costs and $23,000 of other miscellaneous expenses.

We expect our general and administrative expenses to increase due to increased legal, accounting and professional fees associated with becoming a publicly reporting company in the United States.

Financial income/expenses

Financial income for the year ended December 31, 2011 was approximately $128,000 compared to $117,000 for the year ended December 31, 2010. This increase was primarily attributed to the revaluation of the deferred shares liabilities and British Pound and US Dollar exchange rate differences due to the year-end exchange rates were different than the average rates during the year.

For the years ended December 31, 2010 and December 31, 2009

Research and development expenses

Research and development expenses for the year ended December 31, 2010 were approximately $247,000 compared to approximately $159,000 for the year ended December 31, 2009. This 55% or $88,000 increase was due to higher expenses of approximately $109,000 for higher formulation and synthesis activities, manufacturing, preclinical studies, toxicology studies and clinical trials, $14,000 for salary expenses, offset by $35,000 of higher stock-based compensation expenses in 2009.

General and administrative expenses

General and administrative expenses for the year ended December 31, 2010 were approximately $545,000 compared to $449,000 for the year ended December 31, 2009. This 21% or $96,000 increase was primarily due to higher expenses of approximately $136,000 for legal fees, $36,000 for consulting, professional and accounting fees and $3,000 of other miscellaneous expenses, offset by higher expenses of $70,000 for stock-based compensation expense and $9,000 for board fees in 2009.

Financial income/expenses

Financial income for the year ended December 31, 2010 were approximately $117,000 compared to financial expense of $404,000 for the year ended December 31, 2009. This change was primarily attributed to British Pound and US Dollar exchange rate differences due to the year-end exchange rates were different than the average rates during the year, and the revaluation of the deferred shares liabilities.

Liquidity and Capital Resources

Net cash used in operating activities was approximately $1,009,000 during the year-ended December 31, 2011 compared to $366,000 used by operating activities during the prior fiscal year. The change in cash flow from operating activity of approximately $643,000 can be attributed primarily to the higher net loss in 2011 compared to 2010 of $1,444,000 offset by $140,000 in higher non-cash charges associated with stock-based compensation, increased accounts payable of $374,000 and increased other accounts payable and accrued expenses of $294,000 recorded in fiscal 2011.

In both 2011 and 2010, we had no investment activity and anticipate our investment will be minimal in the future.

Net cash provided by financing activities was approximately $1,006,000 during the year-ended December 31, 2011, compared to approximately $372,000 during the prior fiscal year. Financing activities in fiscal 2011 and 2010 were comprised of cash proceeds from the issuance of stock.

As of December 31, 2011, we had approximately $6,000 in cash and cash equivalents, a decrease of approximately $3,000 from December 31, 2010. In addition, as of December 31, 2011, we had accumulated losses in the total amount of approximately $12,621,000 and had cumulative negative cash flow from operating activity in the amount of approximately $8,614,000.

Since inception, we have funded our operations primarily through the sale of equity securities and equity-linked securities. In the months of January through June, 2012, we sold ordinary shares for net proceeds of approximately $492,500. Furthermore, in April 2012, we completed a private placement in which we sold an aggregate of $1,100,000 principal amount of convertible notes for net proceeds of $1,000,000. We intend to address our liquidity issues by seeking additional fund raisings and controlling expenditures, which will delay research and development activities, to allow covering of our anticipated budget deficit for 2012 until such time we are able to raise additional capital. We cannot be certain that such funding will be available on acceptable terms or available at all. To the extent that we raise additional funds by issuing equity securities, our stockholders may experience significant dilution. If we are unable to raise funds when required or on acceptable terms, we may have to curtail, or possibly cease operations. These matters raise substantial doubt about our ability to continue as a going concern. These financial statements were prepared under the assumption that we will continue as a going concern and do not include any adjustments that might result from the outcome of that uncertainty. We believe that our existing cash and investment securities will be sufficient to support our current contemplated operating plan until December 31, 2012, based on management's commitment to defer their salaries in the last three months of 2012. However, we will require additional capital in order to complete the clinical development of and to commercialize our product candidates and our pre-clinical product candidates. Our future capital requirements will depend on many factors that are currently unknown to us, including:

- the timing of initiation, progress, results and costs of our clinical trials for MRX-4 and MRX-6;the timing and costs related to the filing of INDs for MRX-4 and MRX-6; the results of preclinical studies of OPT-1, MRX-5 and CFX-1 and the timing of initiation, progress, results and costs of any clinical trials that we may initiate based on the preclinical results;
- the costs of synthesis and formulation;
- the costs of raw materials in order to produce our product candidates;
- the costs of producing the product candidates;
- the costs of establishing commercial manufacturing arrangements and of establishing sales and marketing functions, if needed;
- the cost of scale-up and optimization;
- the scope, progress, results, and cost of preclinical development, clinical trials, and regulatory review of any new product candidates for which we may initiate development;
- the cost of filing regulatory applications for our product candidates;
- the costs of preparing, filing, and prosecuting patent applications and maintaining, enforcing, and defending intellectual property-related claims;
- our ability to establish research collaborations and strategic collaborations and licensing or other arrangements on terms favorable to us;
- the costs to satisfy our obligations under potential future collaborations; and
- the timing, receipt, and amount of sales, milestone payments, licensing fees or royalties, if any, from any approved product candidates.

Pursuant to the terms of the senior secured convertible notes, or convertible notes, issued to certain investors in our convertible note bridge financing completed on April 4, 2012, until we repay the convertible notes, we may raise additional capital upon terms no more favorable to the new investors than those offered to such investors. In addition, if we make certain dilutive issuances, the conversion price of the convertible notes and the exercise price of the warrants will be lowered to the per share price paid in the applicable dilutive issuance. Such terms and conditions may make it more difficult to raise additional capital on terms favorable to us.

C. Research and Development, Patents and Licenses, etc.

Our research and development expenditures were $841,000, $247,000 and $159,000 in the years ended December 31, 2011, 2010 and 2009, respectively. Most of such research and development expenditures was in the form of payments to third parties to carry out our formulation and synthesis activities, manufacturing, preclinical and clinical research activities. See also “Item 5. Operating and Financial Review and Prospects - Overview.”

D. Trend Information

For a discussion of Trend information, see "Item 5. Operating and Financial Review and Prospects -Overview and - A. Results of Operations."

E. Off-balance Sheet Arrangements

We currently do not have any off-balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our known contractual obligations for the periods indicated therein as of December 31, 2011.

	Payments due by period				
Contractual obligations	*Total*	*Less than 1 year*	*1-3 years*	*3-5 years*	*More than 5 years*
Lease of office space	1,500	1,500			
Total	1,500	1,500			

We have minimum rental commitments of approximately $500 plus VAT for each month. The lease shall continue until it is terminated with three months prior written notice. Our contingent liability as of December 31, 2011 is approximately $1,500 to be paid during 2012.

Item 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES/

A. Directors and Senior Management

Directors

Our Articles of Association, as amended, provide that our business is to be managed by or under the direction of the board of directors. Our board of directors is divided into three classes for purposes of election. One class is elected at each annual meeting of stockholders to serve for a three-year term. Our board of directors currently consists of seven members, classified into three classes as follows: (1) Saul Yedgar and Gilead Raday constitute Class A, with a term ending at the 2013 annual general meeting; (2) Yuval Cohen, Amos Eiran and Dr. Johnson Lau constitute Class B, with a term ending at the 2014 annual general meeting; and (3) Mark Cohen and David Sidransky constitute Class C, with a term ending at the 2015 annual general meeting. Mark Cohen serves as Executive Chairman of our board of directors. The following table presents the names of the current members of our board of directors.

Name	Director Class and Position
Mark S. Cohen	Class C Director - Executive Chairman of the Board; Nominating and Corporate Governance Committee (Chairman).
Yuval Cohen, Ph.D.	Class B Director - President
David Sidransky, M.D.	Class C Director - Audit Committee; Compensation Committee (Chairman); Nominating and Corporate Governance Committee
Dr. Johnson Yiu-Nam Lau, M.B.,B.S., M.D., F.R.C.P.	Class B Director - Audit Committee (Chairman); Compensation Committee
Prof. Saul Yedgar , Ph.D.	Class A Director - Chief Scientific Officer
Gilead Raday	Class A Director - Audit Committee; Compensation Committee
Amos Eiran	Class B Director - Nominating and Corporate Governance Committee

Biographical information of the members of our board of directors is set forth below.

Mark S. Cohen*,* age 45, has served as the Chairman of our board of directors since December 21, 2004. Currently, he is a senior partner and the chair of the life sciences group at the law firm Pearl Cohen Zedek Latzer, LLP, which he joined in 1999. Mr. Cohen holds a B.A. in biochemistry from Rutgers University, an M.S. in biology from New York University and a J.D. from University of Baltimore School of Law. He is admitted to practice law in New York, New Jersey and Israel, and he is a registered patent attorney in the United States.

Yuval Cohen, Ph.D.*,* age 37, has served as our President, and a member of our board of directors, since January 12, 2005.Mr. Cohen holds a B.S. in microbiology and biochemistry from University of Cape Town, South America, and a Ph.D. in toxicology, *summa cum laude*, from University of Paris and the Curie Institution.

David Sidransky, M.D., age 51, has served as a director of our board of directors since June 13, 2007. Currently, Mr. Sidransky serves as a Prof. of oncology at the Johns Hopkins University in Baltimore, and has held this position since 1996. He served as Vice Chairman of the Board of Directors of Imclone until the sale of the company to Eli Lily. He also serves as a member of the board of directors of K–V Pharmaceutical Company (NYSE: KV-A), Tamir Biotechnology, Inc. (ACLE.PK), Rosetta Genomics (NASDAQ:ROSG) and Champions Oncology, Inc. (OTCBB: CSBR). Dr. Sidransky holds a B.S. in chemistry from Brandeis University and an M.D., specializing in Oncology, from Baylor College of Medicine.

Johnson Yiu Nam Lau, M.B.,B.S., M.D., F.R.C.P.*,* age 52, has served as a member of our board of directors since May 2, 2007. Currently, he serves as the chairman and CEO of Kinex Pharmaceuticals LLC, a drug discovery and development biotech company, which he joined in 2003. He also serves as a member of the board of directors and Chairman of each of the Audit and Risk Management and Nominating and Corporate Governance Committees of Chelsea Therapeutics International, Ltd. (NASDAQ: CHTP). Dr. Lau holds an M.B.B.S. and M.D. from the University of Hong Kong and an M.R.C.P. and an F.R.C.P. from the Royal College of Physicians.

Gilead Raday*,* age 37, has served as a director of our board of directors since June 16, 2005. Currently, he is Vice President of Corporate and Product Development at RedHillBiopharma Ltd. (TASE: RDHL). From January 2010 to November 2010, he served as the interim chief executive officer at Sepal Pharma Plc., a biopharmaceutical company developing novel oncologic drugs. From February 2009 to December 2009, Mr. Raday was a self-employed consultant specializing in business development in life science, project management and management consulting. From August 2004 to December 2008, Mr. Raday served as principal, and then partner, at Charles Street Securities Europe LLP in the field of financing biopharma activities in Israel. Mr. Raday serves as a member of the board of directors of Sepal Pharma Plc. Mr. Raday holds an M.S. in neurobiology from the Hebrew University of Jerusalem and an M.Phil. in business and technology management in life sciences from Cambridge University.

Saul Yedgar, Ph.D., age 71, has served as a member of our board of directors since January 28, 2005, and in addition currently holds the position of Chief Scientific Officer. Since June 2010, he has been a Prof. Emeritus of the Hebrew University of Jerusalem School of Medicine, where he served as a Prof. of Biochemistry since 1982. Prof. Yedgar carried out work at the NIH, Bethesda, MD; Institute Curie, Paris; and Aachen University of Applied Sciences, Germany. He is a member of various international scientific committees and editorial boards, including the European the International Biorheology Society, and the Journal *Biorheology* for Biorheology and Microcirculation Society, and has received the following international awards: The Hebrew University-Hadassah Medical School Prize for Outstanding Ph.D. research; The Hadassah University-Hospital Postdoctoral award; CNRS (Centre National RechercheScientific) fellowship for research in Institut Curie, France; The US Cystic Fibrosis Foundation award for new ideas in Cystic Fibrosis research; The Henri de Rothchild award for research in Institut Curie, Paris, France; The Walter & Greta Stiel Chair in Heart Studies (Hebrew University); and the Kaye Innovation Prize for inventing and development of the platform of the Multi-Functional Anti-Inflammatory drugs (licensed to Morria). Prof. Yedgar has authored over 120 scientific papers. Prof. Yedgar received his B.S. from the Bar-Ilan University Dept. of Chemistry, his M.S. from The Hebrew University, Dept of Physical Chemistry and his Ph.D. from The Hebrew University-Hadassah Medical School, Jerusalem in 1977. Prof. Yedgar also conducted post-doctoral studies at the University of California, San Diego, Department of Medicine, after which he received his position in 1982 at the Department of Biochemistry at the Hebrew University Faculty of Medicine in Jerusalem.

Amos Eiran, age 75, has served as a member of our board of directors since June 28, 2012. From November 1972 to June 1975 and from June 1977 to June 1988, he served as the CEO and Chairman of Mivtahim, Israel's largest pension fund. From June 1974 to May 1988, Mr. Eiran served as a director of Bank HaPoalim and from August 1993 to August 1997, served as director of Bank HaMizrahi, from March 1993 to August 1997, as chairman of BioLight Israeli Life Sciences Investments Ltd from March 2007 to May 2011. From May 1988 to August 1990, he served as the President of the University of Haifa. Since January 2000, he has been serving on the board of directors of Clal-Bituah and Delek Explorations. From June 1975 to June 1977, Mr. Eiran served as Director General of the Prime Minister's Office, during the term of Prime Minister Itzhak Rabin. Mr. Eiran holds a B.A. from American University (Washington DC) in humanities and M.A. in history from Tel Aviv University, and a diploma in institutional investments from Wharton School of Business.

Executive Officers

There are no family relationships among officers and directors of Morria.

The executive officers of Morria are responsible for the day-to-day management of the Company. The following table lists the names and positions of our executive officers.

Name	Position
Yuval Cohen, Ph.D.	President
Dov Elefant	Chief Financial Officer
Prof. Saul Yedgar, Ph.D.	Chief Scientific Officer
Alan Harris, M.D.	Chief Medical Officer (effective July 1, 2012)

Biographical information of our executive officers is set forth below. Biographical information for Drs. Cohen and Yedgar is set forth above under “Directors.”

Dov Elefant*,* age 44, has served as our Chief Financial Officer since January 11, 2012. From March 2011 until January 2012, he was Chief Financial Officer of Althera Medical Ltd. and from March 2009 to February 2011 he performed consulting services to a number of companies. He was also the Corporate Controller, from March 2007 to February 2009 for Lev Pharmaceuticals (OTCBB:LEVP), which was acquired by ViroPharma in 2008,Controller and Vice President of Finance and Administration at EpiCept Corporation (NASDAQ:EPCT.PK) from December 1999 to March 2007,Assistant Controller at Tetragenex Pharmaceuticals from November 1998 to October 1999 and held other accounting and finance roles from March 1991 to October 1998. Mr. Elefant holds a B.S. in accounting from Yeshiva University.

Alan Harris, M.D. Ph.D.*,* Age 61, will serve as our Chief Medical Officer, effective July 1, 2012, and previously served as our Chief Medical Consultant since December 2010. Dr. Harris started his career in the pharmaceutical industry in 1984 when he joined Sandoz (Novartis) in Switzerland as international clinical project leader and headed the clinical development of a major therapeutic peptide breakthrough therapy, octreotide (Sandostatin®), the first long-acting somatostatin analog approved worldwide for the treatment of hormone-producing gastrointestinal endocrine tumors and growth hormone-producing tumors.

Between 1995 and 2003, Dr. Harris worked in Schering-Plough and became a VP of Global Healthcare Research. As one of his key responsibilities, Dr. Harris led the Medical Affairs clinical development program of the anti-allergy medicine Claritin, which became the leading non-sedating antihistamine worldwide. Dr. Harris was also led the Medical Affairs of the clinical development program of other allergy franchise products Nasonex, Elocon, and Asmanex (which all contain mometasonefuroate- a synthetic corticosteroid with anti-inflammatory activity). His research on the effect of antihistamines on allergic inflammation and congestion associated with rhinitis and asthma has influenced the redefinition of these associated conditions and their treatment.

From 2004 to 2006, Dr. Harris worked at Pfizer as Therapeutic Head of Endocrine Care in the Worldwide Medical Department. While at Pfizer, he oversaw the Medical Affairs clinical development program of the human recombinant growth hormone (GH) Genotropin for the treatment of pediatric short stature conditions and adult GH deficiency and of the GH antagonist Pegvisomant for the treatment of GH-producing pituitary tumors.

In 2006, Dr. Harris became Chief Medical Officer for Manhattan Pharmaceuticals, a biopharmaceutical company. From February 2006 to December 2007, Dr. Harris served as Senior VP and Chief Medical Officer at NPS Pharmaceuticals, a biopharmaceutical company. Between July 2009 and August 2011, he was VP of Drug Development, Regenerative Medicine & Regulatory Affairs at Neostem Inc.

Dr. Harris is currently an Adjunct Prof. of Pharmacology at NYU Lagone Medical School and Visiting Prof. of Medicine in the Department of Endocrinology at Liège University Medical School in Belgium. He was previously an Associate Prof. of Medicine at Cedars Sinai Medical Center, UCLA School of Medicine.

Dr. Harris is a fellow of the American College of Physicians, the Royal College of Physicians (U.K.) and the Royal Society of Medicine. He has served on the editorial boards of several international peer reviewed medical journals and has authored over 120 peer reviewed scientific papers. Dr. Harris received his medical degree from the Louis Pasteur Faculty of Medicine, University of Strasbourg, France, and his Ph.D. in Endocrinology from Erasmus University, Rotterdam, The Netherlands.

Key consultant

The following table lists the names of our key consultant upon whose work our company is dependent.

Name	Position
Joseph Bondi, Ph.D.	Pre-Clinical Development Consultant

Biographical information for our key employees is set forth below.

Joseph Bondi, Ph.D., Age 72, has served as our Pre-Clinical Development consultant, since January 2005. He retired from Merck and Co., Inc. after 39 years of service, where he served as Director of Pharmaceutical Coordination in a variety of multidisciplinary operations within the Pharmaceutical Research division over his career. Dr. Bondi holds a B.S. and M.S. in Pharmacy from Duquesne University and a Ph.D. in Pharmaceutics from the Philadelphia College of Pharmacy and Sciences (now University of the Sciences).

B. Compensation

The following table provides information on all compensation paid, or due to be paid, by our company to each of our directors, officers and key consultants during the year ended December 31, 2011:

Name	Cash	Stock Options	Other
Mark S. Cohen	$ 11,746(1)	0	0
Yuval Cohen, Ph.D.	$ 171,290(2)	0	0
Dr. Johnson Yiu Nam Lau, M.B.,B.S., M.D., F.R.C.P.	$ 8,744(3)	0	0
Gilead Raday	$ 16,494(4)	0	0
David Sidransky, M.D.	$ 7,993(5)	0	0
Prof. Saul Yedgar , Ph.D.	$ 11,746(6)	0	0
Dov Elefant	$ 0(7)	0	0
Joseph Bondi, Ph.D.	$ 120,000(8)	0	0
Alan Harris M.D., Ph.D.	$ 68,225(9)	0	0

(1) Consists of board of directors fees.

(2) Dr. Yuval Cohen receives an annual salary of £103,730 from Morria and board of directors fees of $10,995. We have used a conversion rate of $1.54531 as of December 31, 2011 to convert Dr. Cohen's annual salary to United States Dollars.

(3) Consists of board of directors fees.

(4) Consists of board of directors and financial advisory fees.

(5) Consists of board of directors fees.

(6) Consists of board of directors fees.

(7) Since January 2012, Mr. Elefant has been earning a salary in the amount of $12,500 per month. On June 20, 2012, Mr. Elefant received, as compensation a single grant of options to purchase up to 40,000 ordinary shares at an exercise price of $1.56 per share, which options fully vest on January 11, 2013 and expire on January 11, 2022.

(8) Consists of consulting fees.

(9) Consists of consulting fees.

Employee Stock Option Plan

On August 28, 2007, our Board of Directors approved the 2007 Stock Option Plan, or the ESOP, amended on April 26, 2012 and secondly amended on June 20, 2012. The purpose of the ESOP is to provide an additional incentive to employees, officers, directors, consultants and other service providers of Morria and any parent or subsidiary of Morria (each as defined in the ESOP) to further the growth, development and financial success of our company by providing them with opportunities to purchase our shares pursuant to the ESOP and to promote the success of our business. The material terms of the ESOP are set forth below.

The option plan is administered by our board of directors and grants are made pursuant thereto by the Compensation Committee. The aggregate number of ordinary shares that may be issued upon exercise of options under the ESOP Plan shall not exceed 1,365,000 ordinary shares. Our board of directors may, at any time during the term of the ESOP Plan, increase the number of shares available for grant under the ESOP Plan. Options may be granted at any time. As of June 28, 2012, options to purchase 823,990 of our ordinary shares were outstanding. Unless sooner terminated, the Plan shall expire on the tenth anniversary of its effective date, or August 28, 2017.

The per share exercise price for the shares to be issued pursuant to the exercise of an option shall be such price as determined by our board of directors and set forth in the individual option agreement, subject to any guidelines as may be determined by our board of directors from time to time, provided, however, that the exercise price shall be not less than the par value of the shares underlying the option, and subject to other conditions set forth in the ESOP Plan.

Options are exercisable pursuant to the terms under which they were awarded and subject to the terms and conditions of the ESOP Plan. In general, an option, or any part thereof, may not be exercised unless the optionee is then a service provider of our company or any parent or subsidiary thereof (as each such term is defined in the ESOP Plan).Any tax consequences arising from the grant or exercise of any option from the payment for shares covered thereby, the sale or disposition of such shares and any other expenses are the responsibility of the optionee unless otherwise required by applicable law.

The table below sets forth the material terms of the outstanding options that were granted by us to our directors, officers and key consultants as of December 31, 2011:

Optionee	Date of Grant	No. of Options Granted[1]	Vesting Date	Expiration
Joseph Bondi	8/28/07	20,475	Fully vested	8/28/17
	5/27/09	30,000	Fully vested	5/27/19
Johnson Lau	8/28/07	68,250	Fully vested	8/28/17
Mark Cohen	8/28/07	136,500	Fully vested	8/28/17
Yuval Cohen	8/28/07	27,300	Fully vested	8/28/17
David Sidransky	8/28/07	68,250	Fully vested	8/28/17
	2/5/08	60,227	Fully vested	2/5/18
Gilead Raday	N/A	0	N/A	N/A
Amos Eiran	N/A	0	N/A	N/A
Dov Elefant	N/A	0	N/A	N/A

[1] All the August 28, 2007 options have an exercise price of £0.80 per share(or $1.61per share), the options granted to Dr. Sidransky on February 5, 2008 have an exercise price of £0.79 per share (or $1.58 per share) and the options granted to Dr. Bondi on May 27, 2009 have an exercise price of $1.56 per share.

In addition, the table below sets forth the options with an exercise price of $1.56per share that were granted by us to our directors, executive officers and key employees in 2012:

Optionee	Date of Grant	No. of Options Granted	Vesting Date	Expiration
Yuval Cohen	June 20, 2012	30,000	June 20, 2012	June 20, 2022
Yuval Cohen	June 20, 2012	25,000	March 19, 2013	March 19, 2022
Gilead Raday	June 20, 2012	30,000	June 20, 2012	June 20, 2022
Gilead Raday	June 20, 2012	25,000	March 19, 2013	March 19, 2022
Johnson Lau	June 20, 2012	30,000	June 20, 2012	June 20, 2022
Johnson Lau	June 20, 2012	25,000	March 19, 2013	March 19, 2022
David Sidransky	June 20, 2012	30,000	June 20, 2012	June 20, 2022
David Sidransky	June 20, 2012	25,000	March 19, 2013	March 19, 2022
Mark Cohen	June 20, 2012	60,000	June 20, 2012	June 20, 2022
Mark Cohen	June 20, 2012	75,000	March 19, 2013	March 19, 2022
Dov Elefant	June 20, 2012	40,000	January 11, 2013	January 11, 2022

Other Director Compensation

On June 16, 2005, we entered into an agreement with Mr. Gilead Raday pursuant to which he agreed to serve as a director of Morria. On March 14, 2007, Mr. Raday signed an amendment, under which he is entitled to a £500 fee for each board or committee meeting. On March 7, 2012, he agreed to waive all accrued fees owed to him under that agreement. In addition, we have agreed to pay Mr. Gilead Raday of CSSCM a retainer fee of £1,500 per quarter for financial advisory services which, as of December 31, 2011, has accrued to approximately $49,000.

On February 18, 2005, we entered into an agreement with Mr. Mark Cohen pursuant to which he agreed to act as Chairman of our board of directors. Under the terms of that agreement, he is entitled to a fee of £1,000 for each meeting he attends. On February 13, 2011, Mr. Cohen confirmed that since 2005 he had agreed to waive all accrued fees owed to him under that agreement.

On August 28, 2007, we entered into an agreement with Dr. Lau pursuant to which he agreed to serve as a director of Morria. Under the terms of that agreement, he is entitled to a fee of £750 for each meeting he attends. On February2, 2011, Dr. Lau agreed to waive all accrued fees owed to him under that agreement.

On August 28, 2007, we entered into an agreement with Dr. Sidransky pursuant to which he agreed to serve as a director of Morria. Under the terms of that agreement, he is entitled to a fee of £750 for each meeting he attends. On February2, 2011, Dr. Sidransky agreed to waive all accrued fees owed to him under that agreement.

We have agreed to indemnify our directors and executive officers to the extent permitted by our director and officer liability insurance and English law.

We do not have, and have not had in the past, any bonus or profit-sharing plans, nor have we set aside or accrued any amounts to provide pension, retirement or similar benefits.

Employment and Consulting Agreements

Dr. Yuval Cohen. On February 16, 2005, we entered into an employment agreement with Dr. Yuval Cohen, our President, which agreement has been superseded by an employment agreement dated as of June 1, 2007. The agreement provided that Dr. Cohen will serve as our President until he reaches the age of 65, and is terminable by either party and at any time upon three months' prior notice. In addition, we may terminate Dr. Cohen's employment immediately, under certain circumstances, including, among other things, material, recurring, continuing or fundamental breach of his obligations under the agreement, bankruptcy, non-compliance with the threshold qualification conditions for directors under English law and criminal conviction under certain circumstances.

The agreement requires Dr. Cohen to obtain the prior approval of our board of directors in connection with the following matters: (a) employment of a person at a cost of more than £30,000 per year; (b) employment of a person who is entitled to more than three months' prior notice for termination; (c) entry into a transaction outside the normal course of our business; and (d) assumption by the Company of an obligation in excess of a threshold amount as may be established by the board of directors. There are currently no limits established by the board of directors.

Our shareholders approved, at the General Meeting that was held on March 29, 2011, Dr. Cohen's current annual salary of £103,730, plus reimbursement of out-of-pocket expenses incurred by him in the course of his duties. Although our board of directors is authorized to review Dr. Cohen's salary on an annual basis, it is not obligated to increase it. Dr. Cohen is entitled to 21 days of vacation in addition to public holidays and customary bank holidays in England.

Dr. Cohen's employment agreement, which is governed by English law, also includes a non-competition covenant that prohibits Dr. Cohen, for a period of six months after the termination of his employment with us, to be involved in or provide technical, commercial or professional services to any business that competes, or that is likely to compete, with our business. Dr. Cohen is also obligated to maintain the confidentiality of the Company's confidential information. Dr. Cohen may make inventions or create other intellectual property in the course of his employment; however, all rights to such inventions will be assigned to the Company pursuant to the terms of his employment agreement.

On February 22, 2005, Morria USA entered into an employment agreement with Dr. Cohen, pursuant to which Dr. Cohen was appointed as President of Morria USA, and affirmed his position as managing director Morria. Under the terms of that agreement, Dr. Cohen's salary was $4,000 per month.

On June 1, 2007, Morria USA terminated the employment agreement dated February 16, 2005 and entered into a new employment agreement with Dr. Cohen, pursuant to which Dr. Cohen's monthly salary was increased to $6,000, provided that the combined annual salary of Dr. Cohen with Morria and Morria USA does not exceed £103,730 in the aggregate.

On May 10, 2012, Morria USA terminated the employment agreement dated June 1, 2007 with Dr. Cohen and, on May 10, 2012, Morria amended the employment agreement dated June 1, 2007 with Dr. Cohen, among other things, to appoint him as President of Morria USA and to confirm his employment by Morria for the same annual salary in aggregate of £103,730.

Prof. Saul Yedgar. On February 21, 2005, we entered into a consulting agreement with Prof. Yedgar, pursuant to which Prof. Yedgar agreed to render services to us in the field of compound research and development, clinical trials design and other projects as specified by us from time to time in accordance with the board of directors' requirements. This consulting agreement was terminable by either party upon 90 days' prior notice. The agreement included a non-competition provision that prohibited Prof. Yedgar, for a period of six months after the termination of such agreement with us, to be involved in or provide any consultation services to any business that competes, or that is likely to compete, with our business.

The agreement states that no employer-employee relationship shall exist between the parties, and if a competent court rules that such employer-employee relationship exists, Prof. Yedgar agrees to indemnify the Company for up to 45% of the consideration paid to him under the consulting agreement. In consideration for his services, Prof. Yedgar is entitled to a fee of£750 for each working day, up to a maximum of five working days per month (any additional days is subject to our prior approval) and no more than an aggregate of £12,000in fees per annum.

On March 14, 2007, we entered into an agreement with Prof. Yedgar for his reappointment as a member of our board of directors. Under that agreement, Prof. Yedgar is entitled to £500 for every meeting he attends. The agreement includes a customary non-compete provision for a period of six months after his resignation or departure from the Company. To date, no amounts have been paid to Prof. Yedgar under this agreement and, on February 22, 2011, Prof. Yedgar agreed to waive all accrued fees owed to him as of such date.

Effective as of May 25, 2011, the consulting agreement described above was terminated and we entered into an employment agreement with Prof. Yedgar, which is governed by English law, pursuant to which he agreed to serve as our Chief Scientific Officer for a period of 60 months. This agreement may be terminated by: (a) either party, upon 30 days' prior notice, or (b) immediately by the Company, under certain circumstances, including material, recurring, continuing or a fundamental breach of his obligations under the agreement and his criminal conviction under certain circumstances. Prof. Yedgar is entitled to a monthly salary of NIS 8,312, or approximately an annual salary of £17,000, plus reimbursement of reasonable out-of-pocket expenses incurred by him in performing his duties. Our board of directors is authorized to review Prof. Yedgar's salary on annual basis, although it is not obligated to increase it.Prof. Yedgar is also entitled to 20 vacation days per year.

The employment agreement also includes a non-competition covenant that prohibits Prof. Yedgar, for a period of six months after the termination of his employment with us, to be involved in or provide technical, commercial or professional services to any business that competes, or is likely to compete, with our business in the United Kingdom, Israel or the United States. Prof. Yedgar is also obligated to keep confidential the confidential information of our Company.

The employment agreement also requires the approval of our board of directors in connection with the following actions: (a) incurring any capital expenditure in excess of any sum authorized by the board; and (b) obligate the Company, without prior written authorization from the Chief Executive Officer.

Dr. Joseph Bondi. Effective June 1, 2007, we entered into a consulting agreement with Dr. Joseph Bond if or Preclinical Research and Clinical Development. The agreement which is governed by English law, is cancelable by (a) either party, upon three months' prior notice or (b) upon two months' prior notice. In addition, we are entitled to cancel Dr. Bondi's consultancy immediately, under certain circumstances, including, among other things, upon the occurrence of a material, recurring, continuing or fundamental breach of his obligations under the agreement, bankruptcy, inability to perform his duties under the agreement and criminal conviction under certain circumstances. The board of directors is authorized to review Dr. Bondi's compensation annually, although it is not obligated to increase it.

The monthly compensation of Dr. Bondi is currently $10,000, based on his working 70 hours per month, plus reimbursement of out-of-pocket expenses incurred by him in the course of his duties. In addition, he is entitled to receive options to purchase 20,475 ordinary shares under our ESOP plan.

The agreement includes a non-competition covenant that, during the term, Dr. Bondi cannot be involved, directly or indirectly, in any competitive activity or any other activity that may pose competition to or harm us, and for a period of six months after the termination of his consultancy with us, to be involved in or provide any consultation services to any business that competes, or that is likely to compete with our business. Also, Dr. Bondi may not engage in any activity outside the scope of his consultancy without our prior approval. Dr. Bondi is also obligated to keep confidential the confidential information of our Company. Moreover, the intellectual property and the technology that are developed during the provision of these services will be owned by us.

On May 27, 2009, the agreement was amended, pursuant to which Dr. Bondi was entitled to receive additional options to purchase 5,000 ordinary shares per month pursuant to the ESOP Plan from April 2009 through August 2009, at an exercise price of $1.56 per share.

Dov Elefant. Effective January 11, 2012, we entered into an employment agreement with Mr. Elefant, our Chief Financial Officer. The employment agreement, which is governed by English law, is terminable by either party, upon three months' prior notice. In addition, we are entitled to terminate Mr. Elefant's employment immediately, under certain circumstances, including, among other things, upon the occurrence of a material, recurring, continuing or fundamental breach of his obligations under the employment agreement, bankruptcy, inability to perform his duties under the employment agreement or criminal conviction under certain circumstances. The board of directors will review Mr. Elefant's salary annually, although it is not obligated to increase it.

The monthly salary of Mr. Elefant is currently $12,500 as a full-time employee of the Company, plus reimbursement of out-of-pocket expenses incurred by him in the course of his duties. Under the terms of his employment agreement, on June 20, 2012, the Board granted Mr. Elefant options to purchase up to 40,000 ordinary shares under the ESOP at an exercise price of$1.56 per share, which options shall fully vest on January 11, 2013.

The employment agreement includes a non-competition covenant that, during the term of his employment by us, Mr. Elefant cannot be involved, directly or indirectly, in any competing activity or any activity that may pose competition to or harm us, and for a period of six months after the termination of the agreement with us, to be involved in or provide any consultation services to any business that competes, or that is likely to compete with our business. Mr. Elefant also cannot engage in any activity outside the scope of his employment without our prior approval. Mr. Elefant is also obligated to keep confidential the confidential information of our Company. In addition, the intellectual property and the technology that are developed during the provision of these services will be owned by us.

Dr. Alan Harris. On December 15, 2010, we entered into a consulting agreement with AGH Associates, pursuant to which Dr. Harris exclusively provided us with consulting services in the field of clinical trials, by reviewing, revising and drafting the reports and documents relating to our allergic rhinitis/respiratory program and had the title of Medical Consultant. Dr. Harris was paid a fee of $350.00 per hour, provided that each such hour of services was authorized by us in advance.

The consulting agreement includes a non-competition covenant that, during the term of his consulting agreement, Dr. Harris cannot be involved, directly or indirectly, in any competing activity or any activity that may pose competition to or harm us. In addition, the intellectual property and the technology that are developed during the provision of these services will be owned by us. The agreement also includes a confidentiality provision that defines the use of the information only in connection with consulting activities as defined in the agreement.

The consulting agreement was renewed for a one year term, commencing on December 15, 2011, subject to the terms and conditions of the consulting agreement, except that from the period commencing May 1, 2012 until August 31, 2012, Dr. Harris shall receive a cash payment of $10,000 per month and for the period commencing September 1, 2012 until the termination of the agreement, Mr. Harris shall receive a fee of $350.00 per hour, provided that each such hour shall be authorized by us in advance. The consulting agreement, as amended, shall terminate upon the effective date of Dr. Harris's employment agreement.

We entered into an employment agreement with Dr. Harris, effective July 1, 2012, to be our Chief Medical Officer. The employment agreement, which is governed by English law, is terminable by either party upon three months' prior notice. In addition, we are entitled to terminate Dr. Harris's employment immediately, under certain circumstances, including, among other things, upon the occurrence of a material, recurring, continuing or fundamental breach of his obligations under the employment agreement, bankruptcy, inability to perform his duties under the employment agreement and criminal conviction under certain circumstances. The board of directors is authorized to review Dr. Harris's salary annually, although it is not obligated to increase it.

The annualized salary of Dr. Harris shall be $240,000 (or $20,000 per month), plus reimbursement of out-of-pocket expenses incurred by him in the course of his duties. Until we have closed a financing of privately issued securities to be no less than $15,000,000 USD, Mr. Harris will be at 50% full time employment and receive 50% of his base salary ($10,000 per month). In addition, he is entitled to receive options to purchase 60,000 ordinary shares under our ESOP plan. At the sole discretion of the Board of Directors or the Compensation Committee of the Board, following each calendar year of employment, Mr. Harris shall be eligible to receive an additional cash bonus of up to twenty-five percent (25%) of his base salary, based on the attainment of certain clinical development, and/or business milestones to be established annually by the Board or the Compensation Committee.

The employment agreement includes a non-competition covenant that, during the term of his employment by us, Dr. Harris cannot be involved, directly or indirectly, in any competitive activity or any other activity that may pose competition to or harm us, and for a period of six months after the termination of employment with us, to be involved in or provide any consultation services to any business that competes, or that is likely to compete with our business. Also, Dr. Harris may not engage in any activity outside the scope of his employment without our prior approval. Dr. Harris is also obligated to keep confidential the confidential information of our Company. Moreover, the intellectual property and the technology that are developed during the provision of these services will be owned by us.

C. Board Practices

Our Articles of Association, as amended, provide that our business is to be managed by or under the direction of the board of directors. Our board of directors is divided into three classes for purposes of election. One class is elected at each annual meeting of stockholders to serve for a three-year term. Our board of directors currently consists of seven members, classified into three classes as follows: (1) Saul Yedgar and Gilead Raday constitute Class A, with a term ending at the 2013 annual general meeting; (2) Yuval Cohen, Amos Eiran and Dr. Johnson Lau constitute Class B, with a term ending at the 2014 annual general meeting; and (3) Mark Cohen and David Sidransky constitute Class C, with a term ending at the 2015 annual general meeting. Mark Cohen serves as Chairman of our board of directors. The following table presents the names of the current members of our board of directors.

The following table sets forth the terms of our directors and when they are up for re-election:

Name	Commencement of Term	Expiration of Office
Mark S. Cohen	December 21, 2004	2015 annual general meeting
Dr. Yuval Cohen Ph.D.	January 12, 2005	2014 annual general meeting
Dr. David Sidransky, M.D.	June 13, 2007	2015 annual general meeting
Dr. Johnson Yiu Nam Lau, M.B.,B.S., M.D., F.R.C.P.	May 2, 2007	2014 annual general meeting
Prof. Saul Yedgar Ph.D.	January 28, 2005	2013 annual general meeting
Amos Eiran	June 28, 2012	2014 annual general meeting
Gilead Raday	June 16, 2005	2013 annual general meeting

Audit Committee

Our Audit Committee currently consists of three members, appointed by the board of directors: Dr. Johnson Yiu Nam Lau, Dr. David Sidransky and Gilead Raday, all of whom are independent within the meaning of SEC corporate governance rules of independence for purposes of the Audit Committee. Dr. Lau is the chairman of our Audit Committee.

Compensation Committee

Our Compensation Committee currently consists of three members, appointed by the board of directors: Dr. David Sidransky, Dr. Johnson Yiu Nam Lau and Amos Eiran, all of whom are independent within the meaning of SEC corporate governance rules of independence for purposes of the Compensation Committee Dr. Sidransky is the chairman of our Compensation Committee.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee currently consists of three members, appointed by our board of directors: Mark Cohen, Dr. David Sidransky and Amos Eiran, all of whom are independent within the meaning of SEC corporate governance rules of independence for purposes of the Nominating and Corporate Governance Committee. Mr. Cohen is the chairman of our Nominating and Corporate Governance Committee.

None of our directors have any service contracts with Morria or any of our subsidiaries that provide for benefits upon termination of employment.

D. Employees

As of December 31, 2011, we had two full-time employees. As of December 31, 2010 and 2009, we had two full-time employees and three part-time employees, respectively. Of the two employees as of December 31, 2011, one was engaged in research and development and one was engaged in management, administration and finance, one employee was located in England and one was located in the United States.

None of our employees are members of labor unions.

E. Share Ownership

Prof. Yedgar, our Chief Scientific Officer, beneficially owns approximately 25.1% of our share capital as determined under SEC rules. See "Item 7. Major shareholders and related party transactions."

The following table sets forth information regarding the beneficial ownership of our outstanding ordinary shares as of June 28, 2012 of each of our directors and executive officers individually and as a group.

Directors and Executive Officers	Number of Ordinary Shares Beneficially Owned[1]	Percentage of Ordinary Shares Beneficially
Mark S. Cohen	869,665[2]	5.8%
Yuval Cohen, Ph.D.	357,300[3]	2.4%
Dr. Johnson Yiu Nam Lau, M.B.,B.S., M.D., F.R.C.P.	98,250[4]	*
Gilead Raday[1]	93,902[5]	*
David Sidransky, M.D. [1]	225,709[6]	1.5%
Prof. Saul Yedgar , Ph.D.	3,729,516[7]	25.1%
Amos Eiran	0	*
Dov Elefant	0	*
All directors and officers as a group (8 persons)		**34.8%**

* Represents beneficial ownership of less than 1% of our outstanding ordinary shares.

[1] Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Beneficial ownership also includes ordinary shares subject to options and other convertible securities that are exercisable or convertible within 60 days of June 28, 2012. Except as indicated by footnote, to our knowledge, all persons named in the table above have sole voting and investment power with respect to all ordinary shares shown as beneficially owned.

[2] Includes options to purchase, 136,500 ordinary shares at an exercise price of £0.80 per share (or $1.61) which expire on August 28, 2017 and 60,000 ordinary shares at an exercise price of $1.56 per share, which expire on June 20, 2022, warrants to purchase 59,000 ordinary shares at an exercise price of $2.00 per share and two call options to purchase from Prof. Yedgar (i) up to 50,700 ordinary shares at a purchase price of $0.016 per share, and (ii) up to 152,000 ordinary shares at £0.01 per share, as amended on March 1, 2011, which expire on January 18, 2015 and March 12, 2017, respectively. This figure does not take into account a warrant issued to Pearl Cohen Zedek Lazer Law Office, or PCZL, on February 12, 2012, to purchase 309,492 ordinary Shares at an exercise price of $2.00 per share; Mark Cohen is a senior partner in PCZL, as described in Item 7.B below.

[3] Includes options to purchase 27,300 ordinary shares at an exercise price of £0.80 per share (or $1.61), which expire on August 28, 2017 and 30,000 ordinary shares at an exercise price of $1.56 per share, which expire on June 20, 2022.

[4] Consists of options to purchase 68,250 ordinary shares at an exercise price of £0.80 per share (or $1.61), which expire on August 28, 2017 and 30,000 ordinary shares at an exercise price of $1.56 per share, which expire on June 20, 2022.

(5) Consists of options to purchase30,000 ordinary shares at an exercise price of $1.56 per share, which will expire on June 20, 2022.Includes 63,902 ordinary shares.

(6) Includes options to purchase 158,477 ordinary shares as follows: 128,477 ordinary shares at an exercise price of £0.80per share (or between $1.56 and $1.61), 68,250 ordinary shares which expire on August 28, 2017, and 60,227 ordinary shares which expire on February 5, 2018. In addition, includes options to purchase 30,000 ordinary shares at an exercise price of $1.56 per share which expire on June 20, 2022.

(7) Includes the purchase of shares as described in footnote (2) above and the deduction of 101,400 ordinary shares purchased by the Yedgar Family Trust on January 24, 2012 by exercising a warrant granted by Prof. Yedgar.

Item 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

As of June 28, 2012, Prof. Yedgar, our Chief Scientific Officer, beneficially owns approximately 25.1% of our ordinary shares as determined under SEC rules. Prof. Yedgar, as our principal shareholder, does not have any different or special voting rights in comparison to any other holders of our ordinary shares.

Mark Cohen, after exercising his options and the warrants granted to him by Prof. Yedgar, beneficially owns approximately 5.8% of our ordinary shares. This figure does not take into account a warrant issued to Pearl Cohen Zedek Lazer Law Office, or PCZL, on February 12, 2012, to purchase 309,492 ordinary Shares at an exercise price of $2.00 per share; Mark Cohen is a senior partner in PCZL, as described in Item 7.B.

Beneficial ownership generally includes voting or investment power over securities. Percentage of beneficial ownership is based on 12,343,597 of our ordinary shares outstanding as of June 28, 2012. Of this amount, approximately 6,433,705, or approximately 52.04%, of our outstanding ordinary shares are held by approximately 373 record holders in the United Kingdom.

B. Related Party Transactions

The following discloses, since January 1, 2009, certain related party transactions involving us.

The law firm of Pearl Cohen Zedek Lazer LLP, or PCZL, represents us in intellectual property and commercial matters. Mark Cohen, the Chairman of our board of directors, is a senior partner in PCZL. PCZL charges us for services it renders on an hourly basis and expenses incurred. For each of the years ending December 31, 2011, 2010 and 2009, we received invoices from PCZL for services rendered and expenses incurred for approximately $413,000, $262,000 and $176,000, respectively. As of December 31, 2011, the total amount of fees due to PCZL for services rendered and expenses incurred to us since 2008, after discount, was approximately $817,000, consisting of $198,000 of expenses and $619,000 of fees. We have agreed with PCZL to satisfy the outstanding balance owed to PCZL in the following manner: all expenses, totaling approximately $198,000, will be paid upon closing of an anticipated financing; 50% of outstanding fees, or approximately $309,000, will be paid in cash upon the closing of the financing and the balance of the fees, or $309,000, has been settled by our issuance on February 12, 2012, of a warrant to purchase up to 309,492 our ordinary shares at an exercise price of $2.00 per share, such warrant to expire on February 12, 2017, or the PCZL Warrant. We intend to continue using the legal services of PCZL in the future.

On January 18, 2005, Prof. Yedgar granted Mark Cohen a call option] to purchase up to 50,700 ordinary shares at a purchase price of $0.016 per share and (ii) on March 12, 2007, Prof. Yedgar granted Mark Cohen a call option to purchase up to 152,000 ordinary shares at £0.01per share, as amended on March 1, 2011.

Gilead Raday, a member of our board of directors, is a principal of CSS Capital Managers LLP, or CSS, an affiliate of Charles Street Securities Europe LLP, or CSS Europe CSSCM, is a partnership which provides investment monitoring services to companies which CSS Europe has financed. There are seven partners actively involved in this partnership. CSS is owned by Gerard I. Mizrahi, Charles Street Securities Inc., Jonathan S. McCarthy, Andrew J. Dyer, Dr. J.M. Saffar, RH & Associates, and Gilead Raday, collectively referred to in this report as the CSS Partners. As of April 6, 2011, 339,015, or approximately 4.3% of our current beneficially owned ordinary shares, that were at the time owned by CSS, were distributed among Gerard I. Mizrahi, Jonathan S. McCarthy, Andrew J. Dyer, Dr. J.M. Saffar, and Gilead Raday. In December 2004, we agreed to pay Mr. Raday a retainer fee of £1,500 per quarter for financial advisory services. As of December 31, 2011, we had an outstanding liability of approximately $49,000 for such fees.

See also "Material Contracts."

C. Interests of Experts and Counsel.

Not applicable.

Item 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See "Item 18. Financial Statements," which contains our financial statements prepared in accordance with United States GAAP.

B. Legal Proceedings

We are not involved in any material legal proceedings.

C. Dividend Policy

We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Therefore, the success of an investment in our ordinary shares will depend upon any future appreciation in their value. There is no guarantee that our ordinary shares will appreciate in value or even maintain the price at which our shareholders have purchased their shares.

D. Significant Changes

A discussion of the significant changes in our business can be found under "Item 4. Information on the Company—A. History and Development of the Company."

Item 9. THE OFFER AND LISTING

A. Offering and Listing Details

Not applicable.

B. Plan of Distribution

Not applicable.

C. Markets

Not applicable.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. ADDITIONAL INFORMATION

A. Share Capital

Issued capital

As of December 31, 2011 we had 12,098,097 ordinary shares outstanding, and no Deferred A shares (on June 14, 2007, we bought back the 400,000 Deferred A Shares held by CSS, for £400 (or $789); we had 633,333 issued Deferred B shares that expired in 2011, yet held by CSS and 400,000 Deferred C shares that expired in June 2012, and as of June 28, 2012, still held by CSS.

As of December 31, 2011 and June 28, 2012, there were options issued for the purchase of up to 411,002 and 823,990 of our ordinary shares, respectively, pursuant to the terms of our ESOP.

As of June 28, 2012, there are 320,775 options to purchase ordinary shares, at an exercise price of £0.80 per share (or $1.61); 60,227 options to purchase ordinary shares, at an exercise price of £0.79 per share (or $1.56); 425,000 options to purchase ordinary shares, at an exercise price of $1.56 per share; 2,988 options to purchase ordinary shares, at an exercise price of $1.75 per share; and 15,000 options to purchase ordinary shares, at an exercise price of $2.00 per share.

For more information on the grantees and vesting dates, see “Item 6. Directors, Senior Management and Employees, Part B. Compensation —Employee Stock Option Plan.”

As of June 28, 2012, there were issued and outstanding: warrants to purchase up to 98,231 ordinary shares at an exercise price of $2.00 per share, which warrants expire on January 16, 2017; warrants to purchase up to 86,000 ordinary shares at an exercise price of $2.00 per share, which warrants expire on February 12, 2017; a warrant to purchase up to 309,492 ordinary shares at an exercise price of $2.00 per share, which warrants expire on February 12, 2017; warrants to purchase up to 57,500 ordinary shares at an exercise price of $2.00 per share, which warrants expire on March 19,2017; and warrants to purchase up to 643,274 ordinary shares at an exercise price of $1.71 per share, which warrants expire on April 3, 2017; and warrants to purchase up to 92,500 ordinary shares at an exercise price of $2.00 per share, which warrants expire on April 26, 2017; and warrants to purchase up to 10,000 ordinary shares at an exercise price of $2.00 per share, which warrants expire on May 22, 2017; and warrants to purchase up to 5,000 ordinary shares at an exercise price of $2.25 per share, which warrants expire on June 20, 2017.

As of December 31, 2011 and June 20, 2012, there were convertible notes in the principal amount of $0 and $1.1 million, respectively, which debentures are convertible into 643,274 of our ordinary shares at a conversion price of $1.71 per share, which debentures mature on January 4, 2013.

On June 13, 2007, in the Annual General Meeting, it was resolved that the directors are authorized to issue equity securities after the shareholders waived their pre-emption rights on the issue of new shares. Such power shall expire on the fifth anniversary of the date of passing this resolution, namely June 13, 2012.

On June 28, 2012, in the Annual General Meeting, it was resolved that the directors are authorized to issue equity securities after the shareholders waived their pre-emption rights on the issue of new shares. Such power shall expire on the fifth anniversary of the date of passing this resolution, namely June 28, 2017.

On June 14, 2007, the Company bought back from Prof. Saul Yedgar 1,070,000 ordinary shares, for a consideration of approximately in total £1.00 (approximately $1.00).

Shares not representing capital

None.

Shares held by the Company

We are not permitted under English law to hold our own ordinary shares.

History of share capital

The following table sets forth the history of our share capital as of the end of each of our last three fiscal years:

	December 31, 2009	*December 31, 2010*	*December 31, 2011*
Ordinary shares	11,360,793(1)	11,561,571(2)	12,098,597(3)
Deferred A shares	0	0	0(4)
Deferred B shares	633,333	633,000	0(5)
Deferred C shares	400,000	400,000	400,000(6)
Options(7)	411,002	411,002	411,002

(1) During 2009, we issued 410,097 ordinary shares at a price of $1.16-$1.32 per share.

(2) During 2010, we issued 200,778 ordinary shares at a price of $1.43-$1.57 per share.

(3) During 2011, we issued 522,026 ordinary shares at a price of $1.63-$1.95 per share. Pursuant to the Option Agreement dated February 3, 2005, between Morria and Yissum, Yissum exercised its option to purchase 15,000 ordinary shares at an exercise price of £0.01 per share.

(4) The deferred A shares were bought back by Morria on June 14, 2007.

(5) The deferred B shares expired on May 13, 2011.

(6) The deferred C shares expired on June 13, 2012.

(7) All of the August 28, 2007 options have an exercise price of £0.80 per share (or $1.61per share), the options granted to Dr. Sidransky on February 5, 2008 have an exercise price of £0.79 per share (or $1.56 per share) and the options granted to Dr. Bondi on May 27, 2009 have an exercise price of $1.56 per share.

Since January 1, 2012, we have issued the following securities, none of which involved a change in voting rights attached to the securities at issue (for more information, see "—Rights Attached to our Shares" below):

- On January 16, 2012, we issued 79,000 ordinary shares at a price of $2.00 per share and warrants to purchase up to 79,000 ordinary shares at an exercise price of $2.00 per share, which warrants expire on January 16, 2017;

- On February 12, 2012, we issued 86,000 ordinary shares at a price of $2.00 per share and warrants to purchase up to 86,000 ordinary shares at an exercise price of $2.00 per share, which warrants expire on February 12, 2017.

- On February 12, 2012, we issued PCZL a warrant to purchase 309,492 ordinary shares at an exercise price of $2.00 per share, which warrant expires on February 12, 2017. This warrant was issued to PCZL in satisfaction of certain legal fees owed by the Company. See Item 7 (B).

- On March 19, 2012, we issued 12,500 ordinary shares at a share price of $2.00 per share and warrants to purchase up to 57,500 ordinary shares at an exercise price of $2.00 per share, which warrants expire on March 19, 2017.

- On April 4, 2012, we issued an aggregate of $1.1 million in original issue discount senior secured convertible notes and warrants to purchase up to an aggregate of 643,274 ordinary shares at an exercise price of $1.71, which warrants expire on April 4, 2017. On and after April 4, 2013, if a registration statement registering the ordinary shares underlying the warrants is not effective, the holders of the warrants may exercise their Warrants on a cashless basis.

- On April 26, 2012, we issued 47,500 ordinary shares at a price of $2.00 per share and granted warrants to purchase up to 92,500 ordinary shares at an exercise price of $2.00 per share, which warrants expire on April 26, 2017.

- On May 22, 2012, we issued 10,000 ordinary shares at a price of $2.00 per share and granted warrants to purchase up to 10,000 ordinary shares at an exercise price of $2.00 per share, which warrants expire on May 22, 2017.

- On June 20, 2012, we granted, pursuant to the ESOP, options to purchase up to 395,000 ordinary shares at an exercise price of $1.56 per share and options to purchase up to 15,000 ordinary shares at an exercise price of $2.00 per share.

- On June 27, 2012, we issued 10,000 ordinary shares at a price of $2.25 per share and issued warrants to purchase up to 5,000 ordinary shares at an exercise price of $2.25 per share, which warrants expire on June 27, 2017 and options to purchase up to 2,988 ordinary shares at an exercise price of $1.75 per share.

- As of June 14, 2012, all outstanding deferred shares have expired.

B. Memorandum and Articles of Association

Objects and Purposes

We were incorporated in England and Wales as a private limited company on October 7, 2004 under the name “Freshname No. 333 Limited,” registered number 5252842. On January 19, 2005, we changed our name to “Morria Biopharmaceuticals Ltd.” and subsequently re-registered as a public limited company, under the name "Morria Biopharmaceuticals PLC." on February 15, 2005. The objective stated in Section 3 of our Articles is to carry on business as a general commercial company.

Fiduciary Duties of Office Holders

An “office holder” is defined in the Companies Act of 2006, as amended, or the Companies Act, as a director, managing director, chief executive officer, executive vice president, vice president, or any other person fulfilling or assuming any of the foregoing positions, without regard to such person’s title and any other manager directly subordinate to the managing director.

The Companies Act imposes a duty of care and a duty of loyalty on all office holders of a company. The duty of care requires an office holder to act with the standard of skills with which a reasonable office holder in the same position would have acted under the same circumstances. The duty of care includes a duty to use reasonable means to obtain:

- information regarding the business advisability of a given action brought for his or her approval or performed by him or her by virtue of his or her position; and

- all other information of importance pertaining to the aforesaid actions.

The duty of loyalty requires an office holder to act in good faith and for the benefit of the company and includes a duty to:

- refrain from any act involving a conflict of interest between the fulfillment of his or her role in the company and the fulfillment of any other role or his or her personal affairs;
- refrain from any activity that is competitive with the business of the company;
- refrain from exploiting any business opportunity of the company with the aim of obtaining a personal gain for himself or herself or others; and
- disclose to the company all information and provide it with all documents relating to the company's affairs which the office holder has obtained due to his position in the company.

The office holders of the Company are listed in the table under "Item 6 - Directors, Senior Management and Employees - A. Directors and Senior Management."

Under equity, directors have owed fiduciary duties to their companies. Chapter 2 of Part 10 of the Companies Act 2006 (2006 Act) codifies certain of those duties. The relevant statutory duties under the 2006 Act are:

- to act within powers;
- to promote the success of the company;
- to exercise independent judgment;
- to avoid conflicts of interest;
- not to accept benefits from third parties; and
- to declare an interest in a proposed transaction or arrangement.

In addition, the general principles of Fiduciary Duties as set out in common law continue in place in respect of Directors. The general four principles of Fiduciary Duties are:

a) **No conflict**:A must not place himself in a position where his own interests conflict with those of B or where there is a real possibility that this will happen. This is also known as conflict of duty or conflict of interest.

b) **No-profit**: A must not profit from his position at the expense of B. This is also known as misuse of property held in a fiduciary capacity.

c) **Undivided loyalty**:A fiduciary owes undivided loyalty to his beneficiary. Rather confusingly, this is sometimes called conflict of duty. A must not place himself in a position where his duty to another customer conflicts with his duty to B.

A consequence of the duty of undivided loyalty is that a fiduciary must make available to a customer all the information that is relevant to the customer's affairs.

d) **Confidentiality**: A must use or disclose information obtained in confidence from B for the benefit only of B.

In the corporate realm, these have been refined as follows:

- **Duty to act in good faith in the best interests of the company**: A director had to act at all times in good faith in what he considered was the best interests of the company.

- **Duty to act within the powers conferred by the company's memorandum and articles of association and to exercise powers for proper purposes:** A director could not cause the company to undertake activities outside that permitted by the company's constitutional documents, or exercise his powers for any "improper purpose".

- **Duty not to fetter own discretion**: A director was not permitted to restrict himself from exercising independent judgment on the company's behalf. For example, a director could not agree with a third person (such as his appointing shareholder) to vote at board meetings in any particular way, even if voting in that way would not otherwise have breached his duties to the company, unless permitted to do so under the company's constitution.

- **Duty to avoid conflicting interests and duties:** A director was obliged to avoid placing himself in a position where there was a conflict, or possible conflict, between the duties which he owed to the company and either his personal interests or other duties which he owed to a third party.

- **Duty not to make unauthorised profits:** A director was under a duty to account for any personal profit made by virtue of his directorship unless the profit was authorised by shareholder resolution or was in accordance with the company's articles. The duty to account was strict, and did not depend on fraud or lack of good faith, or on the company suffering any loss.

Standard of Care

A director had to take such actions as would be taken by "a reasonably diligent person," having both:

- the general knowledge, skill and experience that may reasonably be expected of a person carrying out the same functions as are carried out by that director in relation to the company.

- the general knowledge, skill and experience that that director has.

Disclosure of Personal Interests of an Officer Holder

The Companies Act requires that an office holder disclose to the Company any personal interest that he or she may have, and all related material information and documents known to him or her, in connection with any existing or proposed transaction by the company. The disclosure is required to be made promptly and in any event, no later than the board of directors meeting in which the transaction is first discussed. “Personal interest” is defined by the Companies Act as a personal interest of a person in an act or transaction of the company, including a personal interest of his relative or of a corporate body in which that person or a relative of that person is a holder of 20% or more of that corporate outstanding shares or voting rights, is a director or general manager, or in which he or she has the right to appoint at least one director or the general manager. “Personal interest” does not apply to a personal interest stemming merely from the fact that the office holder is also a shareholder in the company. The term "personal interest" also includes the personal interest of a person voting under a proxy given by another person, even if such appointing person has no personal interest in the proposed act or transaction. The vote of a person voting under a proxy given by a person having a personal interest in the proposed act or transaction, even if the person voting under the proxy has no personal interest, shall be deemed as a vote made by a person having a personal interest in the proposed act or transaction. In relation to the relatives of a director under the Companies Act, this includes the spouse or civil partner, children living with the director who are under 18 and the director's parents.

Section 177 of the Companies Act requires any transaction in which a director has an interest to be declared, and not only those that are extraordinary transactions.

Except as provided in our New Articles of Association, as adopted by special resolution passed on June 28, 2012, or our Articles, a director may not vote at a meeting of the board or of a committee of the board on any resolution concerning a matter:

- in which he has (either alone or together with any person connected with him, as provided in the Companies Act) a material interest, other than an interest in shares or debentures or other securities of or in the company; and
- subject to the Companies Act, which conflicts or may conflict with the interests of Morria.

A director is not counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

Notwithstanding the foregoing, a director is entitled to vote and be counted in the quorum in respect of any resolution concerning any of the following matters:

- the giving of any security, guarantee or indemnity to him in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of Morria or any of our subsidiaries;
- the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of Morria or any of our subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- any proposal concerning an offer of shares or debentures or other securities of or by Morria or any of our subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant as the holder of such shares, debentures or other securities or in its underwriting or sub-underwriting;
- any contract, arrangement, transaction or other proposal concerning any other company in which he holds an interest not representing one per cent. or more of any class of the equity share capital (calculated exclusive of any shares of that class held as treasury shares) of such company, or of any third company through which his interest is derived, or of the voting rights available to members of the relevant company, any such interest being deemed for the purpose of this regulation to be a material interest in all circumstances;
- any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by Her Majesty's Revenue & Customs;
- any contract, arrangement, transaction or proposal concerning the adoption, modification or operation of any scheme for enabling employees, including full time executive directors of Morria or any of our subsidiaries to acquire shares of Morria or any arrangement for the benefit of employees of Morria or any of our subsidiaries, which does not award him any privilege or benefit not awarded to the employees to whom such scheme relates; or

- any contract, arrangement, transaction or proposal concerning insurance which Morria proposes to maintain or purchase for the benefit of directors or for the benefit of persons including directors.

Regulation 29 of the Articles states, that the board may authorise any matter which may otherwise involve a director breaching his duties under certain sections of the Companies Act 2006 to avoid conflicts of interest.

Any director (including the director which has the conflict) may propose that such conflicted director be authorised in relation to any matter which is the subject of such a conflict. The director with the conflict will not count towards the quorum at the meeting at which the conflict is considered and may not vote on any resolution authorising the conflict. Where the board gives authority in relation to such a conflicts, the board may impose such terms on the relevant director as it deems appropriate.

Directors' and Officers' Compensation

The Companies Act requires that a resolution approving provisions to appoint a director for a period of more than two years, must not be passed unless a memorandum setting out the proposed contract incorporating the provision is made available to members: in the case of a resolution at a meeting, by being made available for inspection by members of the company both (i) at the company's registered office for not less than 15 days ending with the date of the meeting, and (ii) at the meeting itself.

Since David Sidransky and Mark Cohen were appointed on the Annual General meeting that convened on June 28, 2012, for a period of 3 years; the memorandum setting out the proposed contract incorporating such provision, was made available to members within the required period. Termination payments for loss of office to directors cannot be made without shareholder approval.

Directors' Borrowing Powers

Our board of directors may, from time to time, in its discretion, cause us to borrow or secure the payment of any sum or sums of money for the purposes of our company.

Retirement of Directors

We do not have any age limitations for our directors, nor do we have mandatory retirement as a result of reaching a certain age.

Share Qualification of Directors

No shareholding qualification is required by a director.

Rights Attached to our Shares

Except as noted herein, the rights attaching to our ordinary shares and our deferred shares are the same. Until conversion of the deferred shares in accordance with the terms of our Articles, the deferred shares have no rights attaching to them whatsoever (other than the right of conversion). At any time before the fifth anniversary of the date of their issuance, at the option of the holders of the deferred shares, the deferred shares may be converted into ordinary shares. To effect the conversion, holders of the deferred shares must pay the difference between par value of each deferred share and either £0.25 in the case of a deferred A share, £0.60 in respect of a deferred B share, and £0.80 in respect of a deferred C share.

Dividend Rights. Our Articles provide that our board of directors may, subject to the applicable provisions of the Companies Act, from time to time, declare such dividend as may appear to the board of directors to be justified by the profits of the company. Subject to the rights of the holders of shares with preferential or other special rights that may be authorized in the future, holders of ordinary shares are entitled to receive dividends according to their rights and interest in our profits. Dividends, to the extent declared, are distributed according to the proportion of the nominal value paid up on account of the shares held at the date so appointed by the Company, without regard to the premium paid in excess of the nominal value, if any. Under the Companies Act, a company may distribute a dividend only if the distribution does not create a reasonable concern that the company will be unable to meet its existing and anticipated obligations as they become due. A company may only distribute a dividend out of the company's profits, as defined under the Companies Act. If the company does not meet the profit requirement, a court may allow it to distribute a dividend, as long as the court is convinced that there is no reasonable concern that such distribution might prevent the company from being able to meet its existing and anticipated obligations as they become due.

Voting Rights. Holders of ordinary shares have one vote for each ordinary share held on all matters submitted to a vote of shareholders. These voting rights may be affected by the grant of any special voting rights to the holders of a class of shares with preferential rights that may be authorized in the future.

The ordinary shares do not have cumulative voting rights in the election of directors. As a result, holders of ordinary shares that represent more than 50% of the voting power at the general meeting of shareholders, in person or by proxy, have the power to elect all the directors whose positions are being filled at that meeting to the exclusion of the remaining shareholders. At every annual general meeting, one third of the directors who are subject to retirement by rotation, or as near to it as may be, will retire from office. In any two year period, a majority of the directors must stand for re-election or replacement. In the event that this majority has not been met and the number of directors eligible for retirement by rotation under the provision of our Articles are not met, any further directors to retire are those who have been in office the longest since their last appointment or re-appointment, but as between persons who became or were last re-appointed directors on the same day, those to retire are determined by the Board of Directors at the recommendation of the Chairman. A retiring director is eligible for re-appointment, subject to the terms of our Articles.

The actions necessary to change the rights of holders of the ordinary shares are as follows: the rights of the shareholders would need to be altered by way of an extraordinary resolution requiring 75% vote of the shareholders who are present and voting in person or by proxy. In order to change the rights of a separate class of shares, it will require such a vote by shareholders of that class of shares.

Liquidation Rights. In the event of our liquidation, subject to applicable law, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of ordinary shares in proportion to their respective holdings. This liquidation right may be affected by the grant of preferential dividends or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future.

Redemption Provisions. We may, subject to applicable law and to our Articles, issue redeemable preference shares and redeem the same.

Capital Calls. Under our Articles and the Companies Act, the liability of our shareholders is limited to the nominal (par) value of the shares held by them.

Transfer of Shares. Fully paid ordinary shares are issued in registered form and may be transferred pursuant to our Articles, unless such transfer is restricted or prohibited by another instrument and subject to applicable securities laws.

Preemptive Rights. Our shareholders have preemptive rights with respect to new issuances of equity securities. We plan to convene a shareholders' meeting prior to the effectiveness of this Form 20-F to obtain a waiver of such rights for a period of five years.

The articles state that the directors of the Company may refuse to authorise a transfer of shares if the shares in question have not been paid in full and are therefore only partly paid.

Modification of Rights

Subject to the provisions of the Companies Act, if at any time our capital is divided into different classes of shares, the rights attached to any class may be varied or abrogated with the consent in writing of the holders of at least three-fourths in nominal value of that class or with the sanction of a special resolution passed at a separate meeting of the holders of that class, but not otherwise. The quorum at any such meeting is two or more persons holding, or representing by proxy, at least one-third in nominal value of the issued shares in question.

Transfer Restrictions

Upon the listing of our shares on a Regulated Market (as defined by the Financial Services and Markets Act 2000, the AIM market of the London Stock Exchange, the New York Stock Exchange, the NYSE Amex, NASDAQ and similar securities exchanges), the Board may decide that up to 100% of each shareholders' free shares (i.e. unrestricted shares under the applicable rules and regulations) shall be restricted to sale or transfer according to the following provisions, such shares as restricted by the Board being Restricted Shares: (i) during the first six months commencing on the date of the listing, no transfer of Restricted Shares is permitted; (ii)as of the seventh and eighth month following the date of the listing, such a shareholder may transfer shares that constitute up to 12.5% of his Restricted Shares per month; and (iii) as of the ninth month following the date of the listing, the remaining Restricted Shares are no longer considered restricted.

Shareholders' Meetings and Resolutions

Pursuant to our Articles, the quorum required for an ordinary meeting of shareholders consists of at least two shareholders present in person or by proxy, who hold shares conferring in the aggregate more than 15% of our voting power. If at any time the Company has only one shareholder, such shareholder, in person, by proxy or, if a corporation, by its representative, shall constitute a quorum. A meeting adjourned for lack of a quorum generally is adjourned to the same day in the following week at the same time and place or any time and place as the chairman of the board may designate. Furthermore, the board of the company may call a general meeting whenever they think fit. If the Board, in its absolute discretion, considers that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time or place specified in the notice calling the general meeting, it may postpone the general meeting to another date, time and/or place.

Under the Companies Act, each shareholder of record must be provided at least 14 calendar days prior to the notice of any general shareholders' meeting and 21 days prior to the notice of an annual general meeting. Subject to the provisions of the Companies Act, our annual general meeting will be held at such time and place or places as our board may determine. Our board may call a general meeting whenever it thinks fit, and must do so when required under the Companies Act. General meetings must also be convened on such requisition, or in default may be convened by such requisitionists or by court order, as provided by the Companies Act.

Limitation on Owning Securities

Our Articles do not restrict in any way the ownership or voting of ordinary shares by non-residents. Furthermore, there is no longer an obligation of a shareholder of a UK company which is a non-listed (in the UK or EU) company to voluntarily disclose his shareholding unless, required to do so by the company. If the company serves a demand on a person under section 793 to the Companies Act 2006, that person will be required to disclose any interest he has in the shares of the company.

Change in Control

We can issue additional shares with any rights or restrictions attached to them as long as not restricted by any rights attached to existing shares. These rights or restrictions can be decided by the directors so long as there is no conflict with any resolution passed by the shareholders. The ability of the directors to issue shares with rights or restrictions that are different than those attached to the currently outstanding ordinary shares could have the effect of delaying, deferring or preventing change of control of our company.

In addition, as discussed above under "- A. Directors and Senior Management", our board of directors is divided into three classes for purposes of election. One class is elected at each annual meeting of stockholders to serve for a three-year term. Because this would prevent shareholders from replacing the entire board at a single meeting, this provision could also have the effect of delaying, deferring or preventing a change in control of our company.

We may in the future be subject to the UK Takeover Code which is not binding on our company at the present time. Nevertheless, the UK Takeover Code could apply to our company under certain circumstances in the future and if that were to occur, each shareholder who is to acquire more than 29.9% of our issued and outstanding shares could, in most circumstances, be required to make an offer for all the shares in our company under the terms of the UK Takeover Code.

Our Articles do not have conditions governing changes in our capital which are more stringent than those required by law.

C. Material Contracts

Set forth below are summaries of material agreements to which we are a party, other than contracts entered into in the ordinary course of business, that have been in effect since January 1, 2010.. In addition to the agreements described below, we also enter into agreements with clinical research organizations, or CROs, for the conduct of our clinical trials. The descriptions provided below do not purport to be complete and are qualified in their entirety by the complete agreements, which are attached as exhibits to this Registration Statement.

License Agreement with Yissum

Our research and development programs are based on technology that was licensed from Yissum, Research & Development Company of the Hebrew University of Jerusalem, or Yissum, where our controlling shareholder, Prof. Yedgar, is conducting studies focused on inflammation. Our breach of this license or failure to obtain a license to technology required to develop, test and commercialize our products may seriously harm our business.

Prof. Yedgar performed these studies during his employment as a retired Prof. at the Department of Biochemistry of the Hebrew University of Jerusalem. Thus, except for Prof. Yedgar having the right to receive any distribution of dividends or other distributions under the terms of Prof. Yedgar's employment agreement, Prof. Yedgar and his heirs have the right to receive 60% of the net income that would be distributed by the Company to Yissum.

On November 27, 2002, Morria USA entered into an exclusive license agreement, which we refer to as the License Agreement, with Yissum Research and Development Company of the Hebrew University in Jerusalem, or Yissum. Pursuant to the License Agreement, Morria USA was granted an exclusive, worldwide license, including a right to sublicense (subject to the prior written consent of Yissum), to make, have made, use, market, sell, have sold, offer to sell, import, license and distribute the technology owned by Yissum for the use of lipid conjugates for the treatment of disease. Unless earlier terminated, the term of the License Agreement is the later of 20 years from the date of the License Agreement and the term of the patents or patent applications. On February 1, 2005, the License Agreement was sublicensed from Morria USA to us pursuant to an exclusive sublicense agreement which will terminate upon the termination of the License Agreement.

Under the terms of the License Agreement, we will pay to Yissum royalties on a quarterly basis, as follows: a percentage (4%) of the net sales, or if we receive sublicensing revenue from third parties, we will pay a royalty of 18% of the sublicensing revenue received. "Net sales" is defined under the License Agreement as the amount billed by us, our affiliates or distributors to third parties (other than sublicensees) for sales of licensed products, less (i) customary discounts, (ii) sales, tariff duties , use taxes including VAT and (iii) outbound transportation costs, credits, returns, export licenses, import duties, value added tax and prepaid freight. "Sublicensing revenue" is defined as all cash, fees and royalties paid to us by the sublicensee in consideration for the granting of rights to the patents and/or use the licensed technology, excluding any reimbursements for expenses directly attributable to the conduct of clinical development and/or trials by us.

We have undertaken, at our own expense, to use our commercially reasonable best efforts to develop the licensed products under the License Agreement and to be responsible for the preparation, filing prosecution and maintenance of all the patents. The intellectual property rights of the licensed technology are, and will remain, owned by Yissum. We assume full responsibility and conduct of patent prosecution and maintenance of the intellectual property. Any application for registration of a patent will be registered exclusively to the title of Yissum, is subject to the approval of Yissum and will be made at our full expense. We have undertaken, at our own expense, to provide full protection against third party's infringement of the intellectual property.

We have undertaken to indemnify Yissum or any person acting on our behalf, against any liability, including product liability, damage, loss or expense derived from the use, development, manufacture, marketing, sale or sublicensing of the license product and technology.

On April 4, 2012, we amended the termination of the sub-license agreement, pursuant to a lien granted to the Original Issue Discount Senior Secured Convertible note holders. The amendment added another option of termination of the sub-license, such termination shall commence upon a written notice from an Original Issue Discount Senior Secured Convertible note holder that an event of default as defined in the note has occurred.

If we default or fail to perform any of the terms, covenants, provisions or our obligations under the License Agreement, Yissum has the option to terminate the License Agreement, subject to advance notice to cure such default.

Pursuant to the April 2012 Financing transaction, on March 29, 2012, Yissum acknowledged that we are not in breach of the License Agreement and have not been in breach of the License Agreement at any time from the effective date of the License Agreement. Yissum acknowledged and gave consent to the loan and the lien relating to the transaction. In connection with the loan, the lien and any action by the note holders to enforce the lien, Yissum agreed to not take any actions to cause the cessation of our license in the licensed technology. If the Sublicense Agreement ceases to be effective, Yissum acknowledged and agreed that Morria USA may sublicense the licensed technology to any third party selected by Morria USA. Following an event of default and any action by any of the note holders to enforce the lien, Yissum acknowledged and agreed that Morria USA may assign the License Agreement to the note holder or its affiliate and such assignee may sublicense the licensed technology to any third party selected by the assignee. In such events of (i) sublicense of the licensed technology to any third party or (ii) assignment of the License Agreement to a note holder or its affiliate or (iii) the assignee's sublicense of the licensed technology to any third party, Yissum agreed to not take any actions to cause the cessation of Morria USA's (or, as the case may be, its assignee's) license in the licensed technology.

On November 27, 2002, Prof. Yedgar and Yissum, engaged a founders' agreement under which Prof. Yedgar was to hold 84.5% of the ordinary shares of Morria USA, Yissum 7.5%, Yuval Cohen 5% and Mark Cohen was to hold 3% of the ordinary shares of Morria USA. Under the terms of the Merger Agreement between Morria Acquisition Corp., Morria USA and Morria, dated January 28, 2005, the shareholders of Morria USA received ordinary shares in Morria as a substitute to their ordinary shares in Morria USA. Upon completion of the merger, the original Morria USA shareholders, (i.e. Prof. Yedgar, Yissum, Dr. Yuval Cohen and Mark Cohen), together with CSS Capital managers LLP and CSS Bridge Partners LP, were the shareholders of Morria.

Research Agreement with Yissum

On June 20, 2005, the Company and Yissum entered into an agreement pursuant to which Yissum will provide the Company research services under the supervision of Prof. Yedgar our Chief Scientific Officer, or the Research Agreement. The Research Agreement provides that the research services will be provided in accordance with a schedule as agreed by the parties. The intellectual property and the technology that are developed during the provision of these services will be owned by Yissum, and we have been granted an exclusive, worldwide license and right to the results developed under the Research Agreement, as well as the permission to sublicense such results, in accordance with the conditions of the License Agreement. In consideration for the research services, the Company paid Yissum a total fee of $90,000, which included research expenses and costs incurred by Yissum.

The service agreement was renewed several times prior to 2011. On February 28, 2011, the service agreement was renewed again. In consideration for the performance of services, we agreed to pay Yissum $70,000 plus overhead per year, depending on the work requested by us to be done at our sole and exclusive option during each year of the following five years. The additional services fees shall be payable in semi-annual payments.

Employment and Consulting Agreements

Dr. Yuval Cohen. On February 16, 2005, we entered into an employment agreement with Dr. Yuval Cohen, our President, which agreement has been superseded by an employment agreement dated June 1, 2007. The agreement provided that Dr. Cohen will serve as our President until he reaches the age of 65, and is terminable by either party and at any time upon three months' prior notice. In addition, we may terminate Dr. Cohen's employment immediately, under certain circumstances, including, among other things, material, recurring, continuing or fundamental breach of his obligations under the agreement, bankruptcy, non-compliance with the threshold qualification conditions for directors under English law and criminal conviction under certain circumstances.

The agreement requires Dr. Cohen to obtain the prior approval of our board of directors in connection with the following matters: (a) employment of a person at a cost of more than £30,000 per year; (b) employment of a person who is entitled to more than three months' prior notice for termination; (c) entry into a transaction outside the normal course of our business; and (d) assumption by the Company of an obligation in excess of a threshold amount as may be established by the board of directors. There are currently no limits established by the board of directors.

Our shareholders approved, at the General Meeting that was held on March 29, 2011, Dr. Cohen's current annual salary of£103,730, plus reimbursement of out-of-pocket expenses incurred by him in the course of his duties. Although our board of directors is authorized to review Dr. Cohen's salary on an annual basis, it is not obligated to increase it. Dr. Cohen is entitled to 21 days of vacation in addition to public holidays and customary bank holidays in England.

Dr. Cohen's employment agreement, which is governed by English law, also includes a non-competition covenant that prohibits Dr. Cohen, for a period of six months after the termination of his employment with us, to be involved in or provide technical, commercial or professional services to any business that competes, or that is likely to compete, with our business. Dr. Cohen is also obligated to maintain the confidentiality of the Company's confidential information. Dr. Cohen may make inventions or create other intellectual property in the course of his employment; however, all rights to such inventions will be assigned to the Company pursuant to the terms of his employment agreement.

On February 22, 2005, Morria USA entered into an employment agreement with Dr. Cohen, pursuant to which Dr. Cohen was appointed as President of Morria USA, and affirmed his position as managing director Morria. Under the terms of that agreement, Dr. Cohen's salary was $4,000 per month.

On June 1, 2007, Morria USA terminated the employment agreement dated February 16, 2005 and entered into a new employment agreement with Dr. Cohen, pursuant to which Dr. Cohen's monthly salary was increased to $6,000, provided that the combined annual salary of Dr. Cohen with Morria and Morria USA does not exceed £103,730 in the aggregate.

On May 10, 2012, Morria USA terminated the employment agreement dated June 1, 2007 with Dr. Cohen and, on May 10, 2012, Morria amended the employment agreement dated February 16, 2005, with Dr. Cohen, among other things, to appoint him as President of Morria USA and to confirm his employment by Morria for the same annual salary of £103,730.

Prof. Saul Yedgar. On February 21, 2005, we entered into a consulting agreement with Prof. Yedgar, pursuant to which Prof. Yedgar agreed to render services to us in the field of compound research and development, clinical trials design and other projects as specified by us from time to time in accordance with the board of directors' requirements. This consulting agreement was terminable by either party upon 90 days' prior notice. The agreement included a non-competition provision that prohibited Prof. Yedgar, for a period of six months after the termination of such agreement with us, to be involved in or provide any consultation services to any business that competes, or that is likely to compete, with our business.

The agreement states that no employer-employee relationship shall exist between the parties, and if a competent court rules that such employer-employee relationship exists, Prof. Yedgar agrees to indemnify the Company for up to 45% of the consideration paid to him under the consulting agreement. In consideration for his services, Prof. Yedgar is entitled to a fee of £750 for each working day, up to a maximum of five working days per month (any additional days is subject to our prior approval) and no more than an aggregate of £12,000in fees per annum.

On March 14, 2007, we entered into an agreement with Prof. Yedgar for his reappointment as a member of our board of directors. Under that agreement, Prof. Yedgar is entitled to £500 for every meeting he attends. The agreement includes a customary non-compete provision for a period of six months after his resignation or departure from the Company. To date, no amounts have been paid to Prof. Yedgar under this agreement and, on February 22, 2011, Prof. Yedgar agreed to waive all accrued fees owed to him as of such date.

In addition, effective as of May 25, 2011, we entered into an employment agreement with Prof. Yedgar, which is governed by English law, pursuant to which he agreed to serve as our Chief Scientific Officer for a period of 60 months. This agreement may be terminated by: (a) either party, upon 30 days' prior notice, or (b) immediately by the Company, under certain circumstances, including material, recurring, continuing or a fundamental breach of his obligations under the agreement and his criminal conviction under certain circumstances. Prof. Yedgar is entitled to a monthly salary of NIS 8,312, or approximately an annual salary of $26,000, plus reimbursement of reasonable out-of-pocket expenses incurred by him in performing his duties. Our board of directors is authorized to review Prof. Yedgar's salary on annual basis, although it is not obligated to increase it.Prof. Yedgar is also entitled to 20 vacation days per year.

The employment agreement also includes a non-competition covenant that prohibits Prof. Yedgar, for a period of six months after the termination of his employment with us, to be involved in or provide technical, commercial or professional services to any business that competes, or is likely to compete, with our business in the United Kingdom, Israel or the United States. Prof. Yedgar is also obligated to keep confidential the confidential information of our Company.

The employment agreement also requires the approval of our board of directors in connection with the following actions: (a) incurring any capital expenditure in excess of any sum authorized by the board; and(b) obligate the Company, without prior written authorization from the Chief Executive Officer.

Dov Elefant. Effective January 11, 2012, we entered into an employment agreement with Mr. Elefant, our Chief Financial Officer. The employment agreement, which is governed by English law, is terminable by either party, upon three months' prior notice. In addition, we are entitled to terminate Mr. Elefant's employment immediately, under certain circumstances, including, among other things, upon the occurrence of a material, recurring, continuing or fundamental breach of his obligations under the employment agreement, bankruptcy, inability to perform his duties under the employment agreement or criminal conviction under certain circumstances. The board of directors will review Mr. Elefant's salary annually, although it is not obligated to increase it.

The monthly salary of Mr. Elefant is currently $12,500 as a full-time employee of the Company, plus reimbursement of out-of-pocket expenses incurred by him in the course of his duties. Under the terms of his employment agreement, he is entitled to receive options to purchase up to 40,000 ordinary shares under the ESOP, with an exercise price of $1.56 per share, which options shall fully vest on January 11, 2013 and expire on January 11, 2022.

The employment agreement includes a non-competition covenant that, during the term of his employment by us, Mr. Elefant cannot be involved, directly or indirectly, in any competing activity or any activity that may pose competition to or harm us, and for a period of six months after the termination of the agreement with us, to be involved in or provide any consultation services to any business that competes, or that is likely to compete with our business. Mr. Elefant also cannot engage in any activity outside the scope of his employment without our prior approval. Mr. Elefant is also obligated to keep confidential the confidential information of our Company. In addition, the intellectual property and the technology that are developed during the provision of these services will be owned by us.

Dr. Alan Harris. On December 15, 2010, we entered into a consulting agreement with AGH Associates, pursuant to which Dr. Harris exclusively provided us with consulting services in the field of clinical trials, by reviewing, revising and drafting the reports and documents relating to our allergic rhinitis/respiratory program and had the title of Medical Consultant. Dr. Harris was paid a fee of $350.00 per hour, provided that each such hour of services was authorized by us in advance.

The consulting agreement includes a non-competition covenant that, during the term of his consulting agreement, Dr. Harris cannot be involved, directly or indirectly, in any competing activity or any activity that may pose competition to or harm us. In addition, the intellectual property and the technology that are developed during the provision of these services will be owned by us. The agreement also includes a confidentiality provision that defines the use of the information only in connection with consulting activities as defined in the agreement.

The consulting agreement was renewed for a one year term, commencing on December 15, 2011, subject to the terms and conditions of the consulting agreement, except that from the period commencing May 1, 2012 until August 31, 2012, Dr. Harris shall receive a cash payment of $10,000 per month and for the period commencing September 1, 2012 until the termination of the agreement, Dr. Harris shall receive a fee of $350.00 per hour, provided that each such hour shall be authorized by us in advance. The consulting agreement, as amended, shall terminate upon the effective date of Dr. Harris's employment agreement.

We entered into an employment agreement with Dr. Harris, effective July 1, 2012, to be our Chief Medical Officer. The employment agreement, which is governed by English law, is terminable by either party upon six months' prior notice. In addition, we are entitled to terminate Dr. Harris's employment immediately, under certain circumstances, including, among other things, upon the occurrence of a material, recurring, continuing or fundamental breach of his obligations under the employment agreement, bankruptcy, inability to perform his duties under the employment agreement and criminal conviction under certain circumstances. The board of directors is authorized to review Dr. Harris's salary annually, although it is not obligated to increase it.

The annualized salary of Dr. Harris shall be $240,000 (or $20,000 per month), plus reimbursement of out-of-pocket expenses incurred by him in the course of his duties. Until we have closed a financing of privately issued securities to be no less than $15,000,000, Mr. Harris will be at 50% full time employment and receive 50% of his base salary ($10,000 per month). In addition, he is entitled to receive options to purchase 60,000 ordinary shares under our ESOP plan. At the sole discretion of the Board of Directors or the Compensation Committee of the Board, following each calendar year of employment, Mr. Harris shall be eligible to receive an additional cash bonus of up to twenty-five percent (25%) of his base salary, based on the attainment of certain clinical development, and/or business milestones to be established annually by the Board or the Compensation Committee.

The employment agreement includes a non-competition covenant that, during the term of his employment by us, Dr. Harris cannot be involved, directly or indirectly, in any competitive activity or any other activity that may pose competition to or harm us, and for a period of six months after the termination of employment with us, to be involved in or provide any consultation services to any business that competes, or that is likely to compete with our business. Also, Dr. Harris may not engage in any activity outside the scope of his employment without our prior approval. Dr. Harris is also obligated to keep confidential the confidential information of our Company. Moreover, the intellectual property and the technology that are developed during the provision of these services will be owned by us.

Agreements for April 2012 Private Placement of Senior Secured Convertible Notes and Warrants

The descriptions of the Securities Purchase Agreement, Form of Senior Secured Convertible Note, Registration Rights Agreement, Security Agreement and Subsidiary Guaranty are described in "Item 4. Information on the Company, A. History and Development of the Company – Prior Financings."

D. Exchange Controls

There are currently no U.K. laws, decrees or regulations that restrict the export or import of capital, including, but not limited to, foreign exchange controls, or that affect the remittance of dividends or other payments to non-U.K. residents or to U.S. holders of our securities except as otherwise set forth in "Taxation" below. There are no limitations under our Memorandum and Articles of Association restricting voting or shareholding.

E. Taxation

The following summary contains a description of certain United Kingdom and United States federal income tax consequences of the acquisition, ownership and disposition of our ordinary shares or ADSs to a U.S. holder of our ordinary shares or ADSs. The summary is based upon the tax laws of the United Kingdom and the United States and the respective regulations thereunder as of the date hereof, which are subject to change.

For purposes of this description, a "U.S. Holder" includes any beneficial owner of the Morria ordinary shares or ADSs that is, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or organized under the laws of any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (1) a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of the substantial decisions of such trust; or (2) such trust has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

A "Non-U.S. Holder" is any beneficial owner of our ordinary shares or ADSs that is not a U.S. Holder.

This section does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular investor. This discussion assumes that you are familiar with the tax rules applicable to investments in securities generally, and with any special rules to which you may be subject. In particular, the discussion deals only with investors that will hold Morria ordinary shares or ADSs as capital assets, and does not address the tax treatment of investors that are subject to special rules, such as banks, financial institutions, insurance companies, dealers or traders in securities or currencies, persons that elect mark-to-market treatment, tax-exempt entities (including 401 pensions plans), real estate investment trusts, regulated investment companies or grantor trusts, individual retirement and other tax-deferred accounts, persons that received Morria ordinary or ADS shares as compensation for the performance of services, persons who own, directly, indirectly through non-U.S. entities or by attribution by application of the constructive ownership rules of section 958(b) of the 1986 United States Internal Revenue Code, or Code, 10% or more of Morria voting shares or ADS, persons that are residents of the U.K. for U.K. tax purposes or that conduct a business or have a permanent establishment in the U.K., persons that hold Morria ordinary shares or ADSs as a position in a straddle, hedging, conversion, integration, constructive sale or other risk reduction transaction, certain former citizens or long-term residents of the U.S., partnerships and their partners and persons whose functional currency is not the U.S. dollar. This discussion is based on laws, treaties, judicial decisions, and regulatory interpretations in effect on the date hereof, all of which are subject to change, as well as, in the United States, the Internal Revenue Code of 1986, as amended, or the Code, administrative pronouncements, judicial decisions, and final, temporary and proposed Treasury regulations, all as of the date hereof, any of which is subject to change, possibly with retroactive effect.

You are urged to consult with your own advisers regarding the tax consequences of the acquisition, ownership, and disposition of our ordinary shares or ADSs in the light of your particular circumstances, including the effect of any state, local, or other national laws.

United Kingdom tax considerations

Taxation of dividends

Under current U.K. tax law, no tax is required to be withheld in the United Kingdom at source from cash dividends paid to U.S. resident holders.

Taxation of Capital Gains

Subject to the comments in the following paragraph, a holder of Morria ordinary shares or ADSs who, for U.K. tax purposes, is neither resident nor, in the case of an individual, ordinarily resident, in the U.K. will not be liable for U.K. taxation on capital gains realized on the disposal of Morria ordinary shares or ADS unless at the time of the disposal:

- the holder carries on a trade, or in the case of an individual, a profession or vocation in the United Kingdom through, in the case of an individual, a branch or agency, or, in the case of a company, a permanent establishment, and
- the Morria ordinary shares or ADSs are or have been used, held, or acquired for the purpose of such trade, profession, vocation, branch, agency or permanent establishment.

A holder of Morria ordinary shares or ADSs who (1) is an individual who has ceased to be resident or ordinarily resident for U.K. tax purposes in the United Kingdom, (2) was resident or ordinarily resident for U.K. tax purposes in the United Kingdom for at least four out of the seven U.K. tax years immediately preceding the year in which he or she ceased to be both resident and ordinarily resident in the United Kingdom, (3) only remains non-resident and non-ordinarily resident in the United Kingdom for a period of less than five tax years and (4) disposes of his or her Morria ordinary shares or ADSs during that period may also be liable, upon returning to the United Kingdom, for U.K. tax on capital gains, subject to any available exemption or relief, even though he or she was not resident or ordinarily resident in the United Kingdom at the time of the disposal.

Inheritance Tax

Morria ordinary shares or ADSs are assets situated in the United Kingdom for the purposes of U.K. inheritance tax (the equivalent of U.S. estate and gift tax). Subject to the discussion of the U.K.-U.S. estate tax treaty in the next paragraph, U.K. inheritance tax may apply (subject to any available reliefs) if an individual who holds Morria ordinary shares or ADSs gifts them or dies even if he or she is neither domiciled in the United Kingdom nor deemed to be domiciled there under U.K. law. For inheritance tax purposes, a transfer of Morria ordinary shares or ADSs at less than full market value may be treated as a gift for these purposes. Special inheritance tax rules apply (1) to gifts if the donor retains some benefit, (2) to close companies and (3) to trustees of settlements.

However, as a result of the U.K.-U.S. estate tax treaty, Morria ordinary shares or ADSs held by an individual who is domiciled in the United States for the purposes of the U.K.-U.S. estate tax treaty and who is not a U.K. national will not be subject to U.K. inheritance tax on that individual's death or on a gift of the Morria ordinary shares or ADSs unless the ordinary shares or ADSs:

- are part of the business property of a permanent establishment in the United Kingdom, or
- pertain to a fixed base in the United Kingdom used for the performance of independent personal services.

The U.K.-U.S. estate tax treaty provides a credit mechanism if the Morria ordinary shares or ADSs are subject to both U.K. inheritance tax and to U.S. estate and gift tax.

U.K. Stamp Duty and Stamp Duty Reserve Tax (SDRT)

In general no stamp duty should be payable on any transfer of ADSs provided that the ADSs and any separate instrument of transfer are executed and retained at all times outside the United Kingdom. A transfer of shares in registered form would attract ad valorem stamp duty generally at the rate of 0.5% of the purchase price of the shares. There is no charge to ad valorem stamp duty on gifts.

An agreement to transfer ADSs should not give rise to SDRT. SDRT would generally be payable on an unconditional agreement to transfer shares in registered form at 0.5% of the amount or value of the consideration for the transfer, but is repayable if, within six years of the date of the agreement, an instrument transferring the shares is executed or, if the SDRT has not been paid, the liability to pay the tax (but not necessarily interest and penalties) would be cancelled.

UK legislation provides that stamp duty/SDRT should apply at the rate of 1.5% for transfers or issues of securities to a depositary receipt issuer or a clearance service. However recent case law has found that such charges are contrary to EU law. The UK tax authorities have recently accepted that SDRT should not generally be payable in respect of transfers or issues to depositaries/clearance services, even if they are located outside the EU, unless such transfers (on sale or otherwise) are not an integral part of an issue of share capital.

United States federal income taxation considerations

U.S. Taxation of Distributions

The gross amount of any distributions made by us to a U.S. Holder will generally be subject to U.S. federal income tax as dividend income to the extent paid or deemed paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Such dividends will not be eligible for the dividends received deduction generally allowed to U.S. corporations with respect to dividends received from other U.S. corporations. To the extent that an amount received by a U.S. Holder exceeds its allocable share of our current and accumulated earnings and profits, such excess would, subject to the discussion below, be treated first as a tax-free return of capital which will reduce such U.S. Holder's tax basis in his Morria ordinary shares or ADSs and then, to the extent such distribution exceeds such U.S. Holder's tax basis, it will be treated as capital gain.

Subject to applicable holding period and other limitations, the U.S. Dollar amount of dividends received on the Morria ordinary shares or ADSs in taxable years beginning prior to January 1, 2011 by certain non-corporate U.S. Holders will be subject to taxation at a maximum rate of 15% if the dividends are "qualified dividends" and certain other requirements are met. Dividends paid on the Morria ordinary shares or ADSs will be treated as qualified dividends if: (i) we are eligible for the benefits of the Treaty or the ordinary shares or ADSs are readily tradable on an established U.S. securities market and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company, or PFIC. Although we currently believe that distributions on the Morria ordinary shares or ADSs that are treated as dividends for U.S. federal income tax purposes should constitute qualified dividends, no assurance can be given that this will be the case. U.S. Holders should consult their tax advisors regarding the tax rate applicable to dividends received by them with respect to the Morria ordinary shares or ADSs, as well as the potential treatment of any loss on a disposition of Morria ordinary shares or ADSs as long-term capital loss regardless of the U.S. Holders' actual holding period for the Morria ordinary shares or ADSs.

We have not maintained and do not plan to maintain calculations of earnings and profits under U.S. federal income tax principles. Accordingly, it is unlikely that U.S. Holders will be able to establish whether a distribution by us is in excess of our and accumulated earnings and profits (as computed under U.S. federal income tax principles). If U.S. Holders are unable to establish that distributions are in excess of our accumulated earnings and profits as determined under U.S. federal income tax principles, any distribution by us may be treated as taxable in its entirety as a dividend to U.S. Holders for U.S. federal income tax purposes.

For foreign tax credit computation purposes, dividends will generally constitute foreign source income, and with certain exceptions, will constitute "passive category income."

U.S. Taxation of Capital Gains

Gain or loss realized by a U.S. Holder on the sale or other disposition of Morria ordinary shares or ADSs will be subject to U.S. federal income taxation as capital gain or loss in an amount equal to the difference between the U.S. Holder's adjusted tax basis in the Morria ordinary shares or ADSs and the amount realized on the disposition. Such gain or loss generally will be treated as long-term capital gain or loss if the Morria ordinary shares or ADSs have been held for more than one year. Any such gain or loss realized will generally be treated as U.S. source gain or loss. In the case of a U.S. Holder who is an individual, capital gains are currently subject to federal income tax at preferential rates if specified minimum holding requirements are met. The deductibility of capital losses is subject to significant limitations.

Passive foreign investment company rules

We believe that we should not be treated as a PFIC for U.S. federal income tax purposes for the current taxable year and do not expect to become a PFIC in future years. However, because PFIC status is determined on an annual basis and because our income and assets and the nature of our activities may vary from time to time, we cannot assure U.S. Holders that we will not be considered a PFIC for any taxable year.

We would be a PFIC for U.S. federal income tax purposes in any taxable year if 75% or more of our gross income would be passive income, or on average at least 50% of the gross value of our assets is held for the production of, or produces, passive income. In making the above determination, we are treated as earning our proportionate share of any income and owning our proportionate share of any asset of any company in which we are considered to own, directly or indirectly, 25% or more of the shares by value. If we were considered a PFIC at any time when a U.S. Holder held Morria ordinary shares or ADSs, we generally should continue to be treated as a PFIC with respect to that U.S. Holder, and the U.S. Holder generally will be subject to special rules with respect to (a) any gain realized on the disposition of the Morria ordinary shares or ADSs and (b) any "excess distribution" by us to the U.S. Holder in respect of the Morria ordinary shares or ADSs. Under the PFIC rules: (i) the gain or excess distribution would be allocated ratably over the U.S. Holder's holding period for the Morria ordinary shares or ADSs, (ii) the amount allocated to the taxable year in which the gain or excess distribution was realized or to any year before we became a PFIC would be taxable as ordinary income and (iii) the amount allocated to each other taxable year would be subject to tax at the highest tax rate in effect in that year and an interest charge generally applicable to underpayments of tax would be imposed in respect of the tax attributable to each such year. Because a U.S. Holder that is a direct (and in certain cases indirect) shareholder of a PFIC is deemed to own its proportionate share of interests in any lower-tier PFICs, U.S. Holders should be subject to the foregoing rules with respect to any of our subsidiaries characterized as PFICs, if we are deemed a PFIC. A U.S. Holder may be able to avoid many of these adverse tax consequences if it elects to mark the Morria ordinary shares or ADSs to market on an annual basis. However, any such mark to market election would not be available for a lower-tier PFIC. U.S. Holders are urged to consult their tax advisors about the PFIC rules, including the advisability, procedure and timing of making a mark-to-market election and the U.S. Holder's eligibility to file such an election (including whether the Morria ordinary shares or ADSs are treated as ''publicly traded'' for such purpose).

A U.S. Holder will be required to file Internal Revenue Service Form 8621 if such U.S. Holder owns Morria ordinary shares or ADSs in any year in which we are classified as a PFIC.

Information reporting and backup withholding

A U.S. Holder may be subject to information reporting to the IRS and possible backup withholding with respect to dividends paid on, or proceeds of the sale or other disposition of the Morria ordinary shares or ADSs unless such U.S. Holder is a corporation or qualifies within certain other categories of exempt recipients or provides a taxpayer identification number and certifies as to no loss of exemption from backup withholding and otherwise complies with applicable requirements of the backup withholding rules. Amounts withheld under these rules may be credited against the U.S. Holder's U.S. federal income tax liability and a U.S. Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate IRS forms and furnishing any required information. A U.S. Holder who does not provide a correct taxpayer identification number may be subject to penalties imposed by the IRS.

A non-U.S. Holder generally will not be subject to information reporting or backup withholding with respect to dividends on Morria ordinary shares or ADSs, unless payment is made through a paying agent (or office) in the United States or through certain U.S.-related financial intermediaries. However, a Non-U.S. Holder generally may be subject to information reporting and backup withholding with respect to the payment within the United States of dividends on the Morria ordinary shares or ADSs, unless such non-U.S. Holder provides a taxpayer identification number, certifies under penalties of perjury as to its foreign status, or otherwise establishes an exemption.

F. Dividends and Paying Agents

We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Therefore, the success of an investment in our ordinary shares or ADSs will depend upon any future appreciation in their value. There is no guarantee that our ordinary shares or ADSs will appreciate in value or even maintain the price at which our shareholders have purchased their shares. There are no special rules regarding dividend restrictions and any procedures for nonresident holders to claim dividends, as there are no foreign currency restrictions currently in the United Kingdom. We currently do not have a paying agent.

G. Statement by Experts

The consolidated financial statements of Morria Biopharmaceuticals PLC and its subsidiaries as of December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011appearing in this registration statement on Form 20-F have been audited by Kost, Forer, Gabbay & Kasserier, a member of Ernst &Young Global, an independent registered public accounting firm, as set forth in their report thereon (which contains an explanatory paragraph describing conditions that raise substantial doubt about the Company's ability to continue as a going concern as described in Note 1c to the consolidated financial statements)appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

H. Documents on Display

Upon the effectiveness of this registration statement, we will become subject to the information requirements of the Exchange Act, except that as a foreign issuer, we will not be subject to the proxy rules or the short-swing profit disclosure rules of the Exchange Act. In accordance with these statutory requirements, we will file or furnish reports and other information with the SEC. which you may inspect and copy at the Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet website that contains reports and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

I. Subsidiary Information

Not applicable.

Item 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT RISK

You should read the following information in conjunction with Item 5, "Operating and Financial Review and Prospects;" Item 3, "Risk Factors;" and our consolidated financial statements, including the related notes thereto, including Note 2, both of which are included elsewhere in this document. The following discussion about our financial risk management activities includes "forward-looking statements" that involve risks and uncertainties. Actual results could differ materially from those projected in these forward-looking statements.

Risk Management Framework

We are exposed to a variety of risks, including changes in foreign currency exchange risk and interest rates.

Currency Exchange Rate Sensitivity

The results of our operations are subject to currency transactional risk. Operating results and financial position are reported in local currencies and then translated into United States dollars at the applicable exchange rate for preparation of our consolidated financial statements. The fluctuation of the U.S. dollar and Israeli Shekel in relation to British Pound will therefore have an impact upon profitability of our operations and may also affect the value of our assets and the amount of shareholders' equity.

Our functional currency is the United States dollar and our activities are predominantly executed using both the U.S. dollar and British Pound. We have done a limited number of financings, and we are not subject to significant operational exposures due to fluctuations in these currencies. We have not entered into any agreements, or purchased any instruments, to hedge any possible currency risks at this time.

Interest Rate Sensitivity

We currently have no short-term or long-term debt requiring interest payments. This does not require us to consider entering into any agreements or purchasing any instruments to hedge against possible interest rate risks at this time. Our interest-earning investments are short-term. Thus, any reductions in future income or carrying values due to future interest rate declines are believed to be immaterial.

Item 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

American Depositary Shares

Deutsche Bank Trust Company Americas, as depositary, will register and deliver the ADSs. Each ADS will represent ownership of one ordinary share deposited with State Street Bank & Trust Company, having its principal office at 525 Ferry Road, Crewe Toll, Edinburgh, EH5 2AW Scotland, as custodian for the depositary. Each ADS will also represent ownership of any other securities, cash or other property which may be held by the depositary. The depositary's corporate trust office at which the ADSs will be administered is located at 60 Wall Street, New York, NY 10005, USA. The principal executive office of the depositary is located at 60 Wall Street, New York, NY 10005, USA.

The Direct Registration System, or DRS, is a system administered by The Depository Trust Company, or DTC, pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depositary to the ADS holders entitled thereto.

We will not treat ADS holders as our shareholders and accordingly, you, as an ADS holder, will not have shareholder rights. English law governs shareholder rights. The depositary will be the holder of the ordinary shares underlying your ADSs. As a holder of ADSs, you will have ADS holder rights. A deposit agreement among us, the depositary and you, as an ADS holder, and the beneficial owners of ADSs sets out ADS holder rights as well as the rights and obligations of the depositary. The laws of the State of New York govern the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of American Depositary Receipt.

Holding the ADSs

How will you hold your ADSs?

You may hold ADSs either (1) directly (a) by having an American Depositary Receipt, or ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (b) by holding ADSs in the DRS, or (2) indirectly through your broker or other financial institution. If you hold ADSs directly, you are an ADS holder. This description assumes you hold your ADSs directly. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

Dividends and Other Distributions

How will you receive dividends and other distributions on the shares?

The depositary has agreed to pay to you the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities, after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent as of the record date (which will be as close as practicable to the record date for our ordinary shares) set by the depositary with respect to the ADSs.

- ***Cash.*** The depositary will convert any cash dividend or other cash distribution we pay on the ordinary shares or any net proceeds from the sale of any ordinary shares, rights, securities or other entitlements into U.S. dollars if it can do so on a reasonable basis, and can transfer the U.S. dollars to the United States. If that is not possible or lawful or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest.

- Before making a distribution, any taxes or other governmental charges, together with fees and expenses of the depositary, that must be paid, will be deducted. See "Taxation." It will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. *If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some or all of the value of the distribution.*

- ***Shares.*** The depositary may distribute additional ADSs representing any ordinary shares we distribute as a dividend or free distribution to the extent reasonably practicable and permissible under law. The depositary will only distribute whole ADSs. It will try to sell ordinary shares which would require it to deliver a fractional ADS and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new ordinary shares. The depositary may sell a portion of the distributed ordinary shares sufficient to pay its fees and expenses in connection with that distribution.

- ***Elective Distributions in Cash or Shares.*** If we offer holders of our ordinary shares the option to receive dividends in either cash or shares, the depositary, after consultation with us and having received timely notice as described in the deposit agreement of such elective distribution by us, has discretion to determine to what extent such elective distribution will be made available to you as a holder of the ADSs. We must first instruct the depositary to make such elective distribution available to you and furnish it with satisfactory evidence that it is legal to do so. The depositary could decide it is not legal or reasonably practical to make such elective distribution available to you, or it could decide that it is only legal or reasonably practical to make such elective distribution available to some but not all holders of the ADSs. In such case, the depositary shall, on the basis of the same determination as is made in respect of the ordinary shares for which no election is made, distribute either cash in the same way as it does in a cash distribution, or additional ADSs representing ordinary shares in the same way as it does in a share distribution. The depositary is not obligated to make available to you a method to receive the elective dividend in shares rather than in ADSs. There can be no assurance that you will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of ordinary shares.

- ***Rights to Purchase Additional Shares.*** If we offer holders of our ordinary shares any rights to subscribe for additional shares or any other rights, the depositary may after consultation with us and having received timely notice as described in the deposit agreement of such distribution by us, make these rights available to you. We must first instruct the depositary to make such rights available to you and furnish the depositary with satisfactory evidence that it is legal to do so. If the depositary decides it is not legal and practical to make the rights available but that it is practical to sell the rights, the depositary will use reasonable efforts to sell the rights and distribute the net proceeds in the same way as it does with cash. The depositary will allow rights that are not distributed or sold to lapse. In that case, you will receive no value for them. If the depositary makes rights available to you, it will exercise the rights and purchase the shares on your behalf. The depositary will then deposit the shares and deliver ADSs to you. It will only exercise rights if you pay it the exercise price and any other charges the rights require you to pay. U.S. securities laws may restrict transfers and cancellation of the ADSs represented by shares purchased upon exercise of rights. For example, you may not be able to trade these ADSs freely in the United States. In this case, the depositary may deliver restricted depositary shares that have the same terms as the ADSs described in this section except for changes needed to put the necessary restrictions in place.

- ***Other Distributions.*** Subject to receipt of timely notice from us with the request to make any such distribution available to you, and provided the depositary has determined such distribution is lawful and reasonably practicable and feasible and in accordance with the terms of the deposit agreement, the depositary will send to you anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the depositary has a choice: it may decide to sell what we distributed and distribute the net proceeds in the same way as it does with cash; or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than ADSs) to you unless it receives satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution.

  The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.

Deposit, Withdrawal and Cancellation

How are ADSs issued?

The depositary will deliver ADSs if you or your broker deposit ordinary shares or evidence of rights to receive ordinary shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons entitled thereto.

How do ADS holders cancel an American Depositary Share?

You may turn in your ADSs at the depositary's corporate trust office or by providing appropriate instructions to your broker. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the ordinary shares and any other deposited securities underlying the ADSs to you or a person you designate at the office of the custodian. Or, at your request, risk and expense, the depositary will deliver the deposited securities at its corporate trust office, if feasible.

The depositary may refuse to accept for surrender ADSs only in the case of (i) temporary delays caused by closing our transfer books or those of the depositary or the deposit of our ordinary shares in connection with voting at a shareholders' meeting or the payment of dividends, (ii) the payment of fees, taxes and similar charges and (iii) compliance with any laws or governmental regulations relating to depositary receipts or to the withdrawal of deposited securities. Subject thereto, in the case of surrender of a number of ADSs representing other than a whole number of our ordinary shares, the depositary will cause ownership of the appropriate whole number of our ordinary shares to be delivered in accordance with the terms of the deposit agreement and will, at the discretion of the depositary, either (i) issue and deliver to the person surrendering such ADSs a new ADS representing any remaining fractional ordinary share or (ii) sell or cause to be sold the fractional ordinary shares represented by the ADSs surrendered and remit the proceeds of such sale (net of applicable fees and charges of, and expenses incurred by, the depositary and taxes and/or governmental charges) to the person surrendering the ADS.

How do ADS holders interchange between Certificated ADSs and Uncertificated ADSs?

You may surrender your ADR to the depositary for the purpose of exchanging your ADR for uncertificated ADSs. The depositary will cancel that ADR and will send you a statement confirming that you are the owner of uncertificated ADSs. Alternatively, upon receipt by the depositary of a proper instruction from a holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to you an ADR evidencing those ADSs.

Voting Rights

How do you vote?

You may instruct the depositary to vote the deposited securities. *Otherwise, you could exercise your right to vote directly if you withdraw the ordinary shares your ADSs represent. However, you may not know about the meeting enough in advance to withdraw the ordinary shares.*

If we ask for your instructions and upon timely notice from us as described in the deposit agreement, the depositary will notify you of the upcoming vote and arrange to deliver our voting materials to you. The materials will (1) describe the matters to be voted on and (2) explain how you may instruct the depositary to vote the ordinary shares or other deposited securities underlying your ADSs as you direct, including an express indication that such instruction may be given or deemed given in accordance with the second to last sentence of this paragraph if no instruction is received, to the depositary to give a discretionary proxy to a person designated by us. Voting instructions may be given only in respect of a number of ADSs representing an integral number of our ordinary shares or other deposited securities. For instructions to be valid, the depositary must receive them on or before the date specified. The depositary will try, as far as practical, subject to the laws of the United Kingdom and the provisions of our constitutive documents, to vote or to have its agents vote the ordinary shares or other deposited securities as you instruct. The depositary will only vote or attempt to vote as you instruct. If we timely requested the depositary to solicit your instructions but no instructions are received by the depositary from an owner with respect to any of the deposited securities represented by the ADSs of that owner on or before the date established by the depositary for such purpose, the depositary shall deem that owner to have instructed the depositary to give a discretionary proxy to a person designated by us with respect to such deposited securities, and the depositary shall give a discretionary proxy to a person designated by us to vote such deposited securities. However, no such instruction shall be deemed given and no such discretionary proxy shall be given with respect to any matter if we inform the depositary we do not wish such proxy given, substantial opposition exists or the matter materially and adversely affects the rights of holders of the ordinary shares.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the ordinary shares underlying your ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. *This means that you may not be able to exercise your right to vote and you may have no recourse if the ordinary shares underlying your ADSs are not voted as you requested.*

In order to give you a reasonable opportunity to instruct the depositary as to the exercise of voting rights relating to deposited securities, if we request the depositary to act, we will try to give the depositary notice of any such meeting and details concerning the matters to be voted upon sufficiently in advance of the meeting date.

Fees and Charges

As a holder of American Depository Shares, or ADSs, you will be required to pay the following service fees to the depositary bank:

Service:	Fee:
Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property	Up to $0.05 per ADS issued
Cancellation of ADSs, including in the case of termination of the deposit agreement	Up to $0.05 per ADS cancelled
Distribution of cash dividends or other cash distributions	Up to $0.05 per ADS held
Distribution of ADSs pursuant to share dividends, free share distributions or exercise of rights	Up to $0.05 per ADS held
Distribution of securities other than ADSs or rights to purchase ADSs additional ADSs	A fee equivalent to the fee that would be payable if securities distributed to you had been ordinary shares and the ordinary shares had been deposited for issuance of ADSs
Depositary services	Up to $0.05 per ADS held on the applicable record date(s) established by the depositary bank
Transfer of ADRs	$1.50 per certificate presented for transfer

As an ADS holder, you will also be responsible to pay certain fees and expenses incurred by the depositary bank and certain taxes and governmental charges such as:

- Fees for the transfer and registration of ordinary shares charged by the registrar and transfer agent for the ordinary shares in the United Kingdom (i.e., upon deposit and withdrawal of ordinary shares).
- Expenses incurred for converting foreign currency into U.S. dollars.
- Expenses for cable, telex and fax transmissions and for delivery of securities.
- Taxes and duties upon the transfer of securities, including any applicable stamp duties, any stock transfer charges or withholding taxes (i.e., when ordinary shares are deposited or withdrawn from deposit).
- Fees and expenses incurred in connection with the delivery or servicing of ordinary shares on deposit.
- Fees and expenses incurred in connection with complying with exchange control regulations and other regulatory requirements applicable to ordinary shares, deposited securities, ADSs and ADRs.
- Any applicable fees and penalties thereon.

The depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary bank by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depositary bank and by the brokers (on behalf of their clients) delivering the ADSs to the depositary bank for cancellation. The brokers in turn charge these fees to their clients. Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary services fee are charged by the depositary bank to the holders of record of ADSs as of the applicable ADS record date.

The depositary fees payable for cash distributions are generally deducted from the cash being distributed or by selling a portion of distributable property to pay the fees. In the case of distributions other than cash (i.e., share dividends, rights, etc.), the depositary bank charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary bank sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary bank generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depositary banks.

In the event of refusal to pay the depositary fees, the depositary bank may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder.

The depositary has agreed to reimburse us for a portion of certain expenses we incur that are related to establishment and maintenance of the American Depository Receipt, or ADR, program, including investor relations expenses. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not related to the amounts of fees the depositary collects from investors. Further, the depositary has agreed to reimburse us certain fees payable to the depositary by holders of ADSs. Neither the depositary nor we can determine the exact amount to be made available to us because (i) the number of ADSs that will be issued and outstanding, (ii) the level of service fees to be charged to holders of ADSs and (iii) our reimbursable expenses related to the program are not known at this time.

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until such taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your ADSs to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to you any net proceeds, or send to you any property, remaining after it has paid the taxes. You agree to indemnify us, the depositary, the custodian and each of our and their respective agents, directors, employees and affiliates for, and hold each of them harmless from, any claims with respect to taxes (including applicable interest and penalties thereon) arising from any tax benefit obtained for you.

Reclassifications, Recapitalizations and Mergers

If we:	**Then:**
Change the nominal or par value of our ordinary shares	The cash, shares or other securities received by the depositary will become deposited securities.
Reclassify, split up or consolidate any of the deposited securities	Each ADS will automatically represent its equal share of the new deposited securities.
Distribute securities on the ordinary shares that are not distributed to you or Recapitalize, reorganize, merge, liquidate, sell all or substantially all of our assets, or take any similar action	The depositary may distribute some or all of the cash, shares or other securities it received. It may also deliver new ADSs or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the form of ADR without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, including expenses incurred in connection with foreign exchange control regulations and other charges specifically payable by ADS holders under the deposit agreement, or materially prejudices a substantial existing right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. *At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended*.

How may the deposit agreement be terminated?

The depositary will terminate the deposit agreement if we ask it to do so, in which case the depositary will give notice to you at least 90 days prior to termination. The depositary may also terminate the deposit agreement if the depositary has told us that it would like to resign and we have not appointed a new depositary within 90 days. In such case, the depositary must notify you at least 30 days before termination.

After termination, the depositary and its agents will do the following under the deposit agreement but nothing else: collect distributions on the deposited securities, sell rights and other property and deliver ordinary shares and other deposited securities upon cancellation of ADSs after payment of any fees, charges, taxes or other governmental charges. Six months or more after termination, the depositary may sell any remaining deposited securities by public or private sale. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement, for the *pro rata* benefit of the ADS holders that have not surrendered their ADSs. It will not invest the money and has no liability for interest. The depositary's only obligations will be to account for the money and other cash. After termination, our only obligations will be to indemnify the depositary and to pay fees and expenses of the depositary that we agreed to pay.

Books of Depositary

The depositary will maintain ADS holder records at its depositary office. You may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the ADSs and the deposit agreement.

The depositary will maintain facilities in New York to record and process the issuance, cancellation, combination, split-up and transfer of ADRs.

These facilities may be closed from time to time, to the extent not prohibited by law or if any such action is deemed necessary or advisable by the depositary or us, in good faith, at any time or from time to time because of any requirement of law, any government or governmental body or commission or any securities exchange on which the ADRs or ADSs are listed, or under any provision of the deposit agreement or provisions of, or governing, the deposited securities, or any meeting of our shareholders or for any other reason.

Limitations on Obligations and Liability

Limits on our Obligations and the Obligations of the Depositary; Limits on Liability to Holders of ADSs

The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without gross negligence or willful misconduct;
- are not liable if either of us is prevented or delayed by law or circumstances beyond our control from performing our obligations under the deposit agreement, including, without limitation, requirements of any present or future law, regulation, governmental or regulatory authority or share exchange of any applicable jurisdiction, any present or future provisions of our memorandum and articles of association, on account of possible civil or criminal penalties or restraint, any provisions of or governing the deposited securities or any act of God, war or other circumstances beyond our control as set forth in the deposit agreement;
- are not liable if either of us exercises, or fails to exercise, discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other party;
- may rely upon any documents we believe in good faith to be genuine and to have been signed or presented by the proper party;
- disclaim any liability for any action/inaction in reliance on the advice or information of legal counsel, accountants, any person presenting ordinary shares for deposit, holders and beneficial owners (or authorized representatives) of ADSs, or any person believed in good faith to be competent to give such advice or information;
- disclaim any liability for inability of any holder to benefit from any distribution, offering, right or other benefit made available to holders of deposited securities but not made available to holders of ADSs; and
- disclaim any liability for any indirect, special, punitive or consequential damages.

The depositary and any of its agents also disclaim any liability for any failure to carry out any instructions to vote, the manner in which any vote is cast or the effect of any vote or failure to determine that any distribution or action may be lawful or reasonably practicable or for allowing any rights to lapse in accordance with the provisions of the deposit agreement, the failure or timeliness of any notice from us, the content of any information submitted to it by us for distribution to you or for any inaccuracy of any translation thereof, any investment risk associated with the acquisition of an interest in the deposited securities, the validity or worth of the deposited securities, the credit-worthiness of any third party, or for any tax consequences that may result from ownership of ADSs, ordinary shares or deposited securities.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances.

Requirements for Depositary Actions

Before the depositary will issue, deliver or register a transfer of an ADS, make a distribution on an ADS, or permit withdrawal of ordinary shares, the depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any ordinary shares or other deposited securities and payment of the applicable fees, expenses and charges of the depositary;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depositary may refuse to issue and deliver ADSs or register transfers of ADSs generally when the register of the depositary or our transfer books are closed or at any time if the depositary or we think it is necessary or advisable to do so.

Your Right to Receive the Shares Underlying Your ADSs

You have the right to cancel your ADSs and withdraw the underlying ordinary shares at any time except:

- when temporary delays arise because: (1) the depositary has closed its transfer books or we have closed our transfer books; (2) the transfer of ordinary shares is blocked to permit voting at a shareholders' meeting; or (3) we are paying a dividend on our ordinary shares;
- when you owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of ordinary shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Pre-release of ADSs

The deposit agreement permits the depositary to deliver ADSs before deposit of the underlying ordinary shares. This is called a pre-release of the ADSs. The depositary may also deliver ordinary shares upon cancellation of pre-released ADSs (even if the ADSs are cancelled before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying ordinary shares are delivered to the depositary. The depositary may receive ADSs instead of ordinary shares to close out a pre-release. The depositary may pre-release ADSs only under the following conditions: (1) before or at the time of the pre-release, the person to whom the pre-release is being made represents to the depositary in writing that it or its customer (a) owns the ordinary shares or ADSs to be deposited, (b) assigns all beneficial rights, title and interest in such ordinary shares or ADSs to the depositary for the benefit of the owners, (c) will not take any action with respect to such ordinary shares or ADSs that is inconsistent with the transfer of beneficial ownership, (d) indicates the depositary as owner of such ordinary shares or ADSs in its records, and (e) unconditionally guarantees to deliver such ordinary shares or ADSs to the depositary or the custodian, as the case may be; (2) the pre-release is fully collateralized with cash or other collateral that the depositary considers appropriate; and (3) the depositary must be able to close out the pre-release on not more than five business days' notice. Each pre-release is subject to further indemnities and credit regulations as the depositary considers appropriate. In addition, the depositary will limit the number of ADSs that may be outstanding at any time as a result of pre-release to 30% of the aggregate number of ADSs then outstanding, although the depositary may disregard the limit from time to time, if it thinks it is appropriate to do so, including (1) due to a decrease in the aggregate number of ADSs outstanding that causes existing pre-release transactions to temporarily exceed the limit stated above or (2) where otherwise required by market conditions.

Direct Registration System

In the deposit agreement, all parties to the deposit agreement acknowledge that the DRS and Profile Modification System, or Profile, will apply to uncertificated ADSs upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depositary to the ADS holders entitled thereto. Profile is a required feature of DRS which allows a DTC participant, claiming to act on behalf of an ADS holder, to direct the depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depositary of prior authorization from the ADS holder to register such transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the depositary will not verify, determine or otherwise ascertain that the DTC participant which is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depositary's reliance on, and compliance with, instructions received by the depositary through the DRS/Profile System and in accordance with the deposit agreement, shall not constitute negligence or bad faith on the part of the depositary.

PART II

Item 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

A. Defaults

None.

B. Arrears and Delinquencies

None.

Item 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

Item 15. CONTROLS AND PROCEDURES

Not applicable.

Item 16. [RESERVED]

Item 16A. Audit Committee Financial Expert

Not applicable.

Item 16B. Code of Ethics

Not applicable.

Item 16C. Principal Accountant Fees and Services

Not applicable.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Not applicable.

Item 16H. Mine Safety Disclosures

Not applicable.

PART III

Item 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of this item.

Item 18. FINANCIAL STATEMENTS

Financial Statements are filed as part of this registration statement. See page F-1.

Item 19. EXHIBITS

Exhibit No.	Exhibit Description
2.1	Morria Biopharmaceuticals PLC, Memorandum of Association
2.2	Morria Biopharmaceuticals PLC, New Articles of Association
2.3	Form of Deposit Agreement among Morria Biopharmaceuticals PLC, Deutsche Bank Trust Company Americas, as Depositary, and all Owners and Holders from time to time of American Depositary Shares issued thereunder.
2.4	Form of American Depositary Receipt; the Form is Exhibit A of the Form of Depositary Agreement.
4.1	Exclusive License Agreement, dated as of November 27, 2002, by and between Morria Biopharmaceuticals, Inc. and Yissum Research Development Company of the Hebrew University of Jerusalem
4.2	Agreement for the Rendering of Services, dated as of June 20, 2005, by and between Morria Biopharmaceuticals Plc and Yissum Research Development Company of the Hebrew University of Jerusalem
4.3	Extension of Agreement for Rendering of Services, dated as of June 20, 2006, by and between Morria Biopharmaceuticals Plc and Yissum Research Development Company of the Hebrew University of Jerusalem
4.4	Second Extension of Agreement for Rendering of Services, dated as of December 19, 2006, by and between Morria Biopharmaceuticals Plc and Yissum Research Development Company of the Hebrew University of Jerusalem
4.5	Third Extension of Agreement for Rendering of Services, dated as of June 17, 2007, by and between Morria Biopharmaceuticals Plc and Yissum Research Development Company of the Hebrew University of Jerusalem
4.6	Fourth Extension of Agreement for Rendering of Services, dated as of May 6, 2008, by and between Morria Biopharmaceuticals Plc and Yissum Research Development Company of the Hebrew University of Jerusalem
4.7	Fifth Extension of Agreement for Rendering of Services, dated as of February 22, 2011, by and between Morria Biopharmaceuticals Plc and Yissum Research Development Company of the Hebrew University of Jerusalem
4.8	Employment Agreement, dated as of June 1, 2007, between Dr. Yuval Cohen and Morria Biopharmaceuticals PLC

4.9	Amendment to Employment Agreement, dated as of May 10, 2012, between Dr. Yuval Cohen and Morria Biopharmaceuticals PLC
4.10	Agreement, dated March 14, 2007, between Prof. Saul Yedgar and Morria Biopharmaceuticals PLC
4.11	Employment Agreement, dated as of January 11, 2012, between Dov Elefant and Morria Biopharmaceuticals PLC
4.12	Consulting Agreement, dated as of December 15, 2010, among AGH Associates and Morria Biopharmaceuticals PLC
4.13	Employment Agreement, dated as of July 1, 2012, between Dr. Alan Harris and Morria Biopharmaceuticals PLC*
4.14	Amended and Restated 2007 Stock Option Plan, dated April 26, 2012
4.15	Second Amendment to Amended and Restated 2007 Stock Option Plan, dated June 20, 2012
4.16	Securities Purchase Agreement dated April 3, 2012 by and between Morria Biopharmaceuticals PLC and the buyers listed on the Schedule of Buyers
4.17	Form of Senior Secured Convertible Note
4.18	Registration Rights Agreement dated April 4, 2012 by and between Morria Biopharmaceuticals PLC and the Buyers
4.19	Security Agreement dated April 4, 2012 by and between Morria Biopharmaceuticals PLC and Morria Biopharmaceuticals, Inc. and the Buyers
4.20	Form of Subsidiary Guarantee
8.1	List of subsidiaries
15.1	Consent of registered public accounting firm

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this registration statement on its behalf.

Morria Biopharmaceuticals PLC

By: /s/ Dr. Yuval Cohen
Name: Dr. Yuval Cohen
Title: President

Date: June 28, 2012

MORRIA BIOPHARMACEUTICALS PLC.
(A Development Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2011

IN U.S. DOLLARS IN THOUSANDS

INDEX

- - - - - - - - - - -

Kost Forer Gabbay & Kasierer
3 Aminadav St.
Tel-Aviv 67067, Israel

Tel: 972 (3)6232525
Fax: 972 (3)5622555
www.ey.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of

MORRIA BIOPHARMACEUTICALS PLC.
(A Development Stage Company)

We have audited the accompanying consolidated balance sheets of Morria Biopharmaceuticals Plc. (a development stage company) ("the Company") and its subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in shareholders' deficiency and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, based on our audits, the consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2011 and 2010, and the consolidated results of their operations and cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 1c, the Company has incurred recurring operating losses and generated negative cash flows from operating activities in each of the three years in the period ended December 31, 2011. Its ability to continue to operate is dependent upon obtaining additional financial support. These conditions, among other matters described in Note 1c, raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

/s/ Kost Forer Gabbay & Kasierer
KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Tel-Aviv, Israel
June 28, 2012

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	December 31,	
	2011	**2010**
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 6	$ 9
Accounts receivable and prepaid expenses	21	25
Total current assets	27	34
Total assets	$ 27	$ 34

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share and per share data)

	December 31,	
	2011	**2010**
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
CURRENT LIABILITIES:		
Trade payables	$ 1,379	$ 767
Other accounts payable	857	455
Total current liabilities	2,236	1,222
LONG-TERM LIABILITIES:		
Deferred shares	216	730
Liability related to stock options	60	86
Total long-term liabilities	276	816
SHAREHOLDERS' DEFICIENCY:		
Ordinary shares of £0.01 par value - Authorized: 49,800,000 shares at December 31, 2011 and 2010; Issued and outstanding: 12,098,597 and 11,561,571, shares at December 31, 2011 and 2010, respectively	225	216
Additional paid-in capital	9,836	8,222
Receipts on account of shares	75	60
Deficit accumulated during the development stage	(12,621)	(10,502)
Total shareholders' deficiency	(2,485)	(2,004)
Total liabilities and shareholders' deficiency	$ 27	$ 34

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars in thousands

	Year ended December 31,			Period from October 7, 2004 (date of inception) to December 31,
	2011	2010	2009	2011
				(Unaudited)
Research and development expenses, net	$ 841	$ 247	$ 159	$ 4,357
General and administrative expenses	1,406	545	449	5,655
Operating loss	2,247	792	608	10,012
Financial expense (income), net	(128)	(117)	404	2,609
Net loss	2,119	675	1,012	12,621
Net basic and diluted loss per share	$ (0.18)	$ (0.06)	$ (0.09)	
Weighted average number of ordinary shares used in computing basic and diluted net loss per share	11,920,562	11,420,369	11,244,002	

The accompanying notes are an integral part of the consolidated financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

U.S. dollars in thousands (except share and per share data)

	Ordinary shares		Additional paid in	Receipts on account	Deficit accumulated during the development	
	Number	Amount	capital	Shares	stage	Total
Balance as of October 7, 2004 (date of inception)	-	$ -	$ -	$ -	$ -	$ -
Issuance of shares ($0.02-$1.13 per share)	9,977,700	187	3,406	-	-	3,593
Share based compensation	-	-	119	-	-	119
Net loss	-	-	-	-	(2,479)	(2,479)
Balance as of December 31, 2005 (unaudited)	9,977,700	187	3,525	-	(2,479)	1,233
Share based compensation	-	-	69	-	-	69
Net loss	-	-	-	-	(1,769)	(1,769)
Balance as of December 31, 2006 (unaudited)	9,977,700	187	3,594	-	(4,248)	(467)
Waiver of related party shares	(1,070,000)	(22)	22	-	-	-*)
Issuance of share capital, net ($1.58 per share)	2,000,000	40	3,051	-	-	3,091
Share based compensation	-	-	448	-	-	448
Net loss	-	-	-	-	(3,132)	(3,132)
Balance as of December 31, 2007 (unaudited)	10,907,700	205	7,115	-	(7,380)	(60)
Issuance of share capital, net ($1.58-$1.59 per share)	42,996	1	68	-	-	69
Share based compensation	-	-	168	-	-	168
Net loss	-	-	-	-	(1,435)	(1,435)
Balance as of December 31, 2008 (unaudited)	10,950,696	206	7,351	-	(8,815)	(1,258)
Issuance of share capital, net ($1.16-$1.32 per share)	410,097	7	492	-	-	499
Share based compensation	-	-	70	-	-	70
Net loss	-	-	-	-	(1,012)	(1,012)
Balance as of December 31, 2009	11,360,793	$ 213	$ 7,913	$ -	$ (9,827)	$ (1,701)

*) Represents an amount lower than $1.

The accompanying notes are an integral part of the consolidated financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

U.S. dollars in thousands (except share and per share data)

	Ordinary shares		Additional paid in	Receipts on account	Deficit accumulated during the development	
	Number	Amount	capital	of shares	stage	Total
Issuance of share capital, net ($1.43-$1.57 per share)	200,778	3	309	-	-	312
Receipt on account of shares	-	-	-	60	-	60
Net loss	-	-	-	-	(675)	(675)
Balance as of December 31, 2010	11,561,571	216	8,222	60	(10,502)	(2,004)
					-	-
Issuance of share capital, net ($1.63-$1.95 per share)	522,026	9	981	(60)	-	930
Exercise of stock options	15,000	-*)	-	-	-	-*)
Share based compensation	-	-	140	-	-	140
Receipt on account of shares	-	-		75	-	75
Expiration of deferred shares and liability related to stock options	-	-	420	-	-	420
Directors fee waiver	-	-	73	-	-	73
Net loss	-	-	-	-	(2,119)	(2,119)
Balance as of December 31, 2011	12,098,597	225	9,836	75	(12,621)	(2,485)

*) Represents an amount lower than $1.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,			Period from October 7, 2004 (date of inception) to December 31,
	2011	2010	2009	2011
				(Unaudited)
Cash flows from operating activities:				
Net loss	$ (2,119)	$ (675)	$ (1,012)	$ (12,621)
Adjustments to reconcile net loss to net cash used in operating activities:				
Share based compensation	140	-	70	1,014
Depreciation	-	-	1	9
Changes in values of deferred shares and liability related to stock options	(120)	(95)	233	696
Decrease (increase) in accounts receivable and prepaid expenses	4	(14)	52	(21)
Increase in trade payables	612	237	179	1,379
Increase (decrease) in other accounts payable	475	181	(103)	930
Net cash used in operating activities	(1,008)	(366)	(580)	(8,614)
Cash flows from investing activities:				
Purchase of property and equipment	-	-	-	(9)
Net cash used in investing activities	-	-	-	(9)
Cash flows from financing activities:				
Proceeds from issuance of shares, net	930	312	499	8,494
Receipts on account of shares	75	60	-	135
Net cash provided by financing activities	1,005	372	499	8,629
Increase (decrease) in cash and cash equivalents	(3)	6	(81)	6
Cash and cash equivalents at the beginning of the period	9	3	84	-
Cash and cash equivalents at the end of the period	$ 6	$ 9	$ 3	$ 6
Supplemental disclosure of non-cash investing and financing activities:				
Expiration of deferred shares and liability related to stock options	420	-	-	420
Director fee waiver	73	-	-	73

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1:- GENERAL

a. Morria Biopharmaceuticals Plc. (the "Company") (a development stage company) was incorporated in Great Britain as a private limited company and commenced business operations on October 7, 2004. On February 15, 2005 the Company was registered as a non-traded public company under the laws of England and Wales.

The Company is engaged in the development of ethical synthetic drugs for the treatment of severe chronic inflammatory conditions such as contact dermatitis, allergic rhinitis, etc.

b. On March 22, 2011 the Company established an Israeli subsidiary, Morria Biopharma Ltd., which is wholly-owned by the Company. As of the date of signing the financial statements, this Israeli subsidiary is inactive.

c. As of December 31, 2011, the Company has accumulated losses in the total amount of $12,621 and has negative cash flow from operating activity in the total amount of $8,614. According to the management estimates, based on the Company's budget, if the Company is not successful in obtaining additional capital resources to maintain its operational activities, there is substantial doubt that the Company will be able to continue its activity until December 31, 2012, based on management commitment to defer their salaries in the last three months of 2012. The Company is addressing its liquidity issues by seeking additional fund raisings and implementing initiatives to allow covering of its anticipated budget deficit for 2012. The Company plans to have its securities quoted on the Over-the-Counter Bulletin Board (the "OTCBB") in the late third quarter or fourth quarter of 2012 and also apply for listing on the NYSE Amex (the "Amex") as soon as practicable thereafter, for the purpose of raising capital to finance its operations. Additionally, the Company is trying to raise capital from other sources.

Subsequent to the balance sheet date, the Company obtained additional financing in the amount of $1,000 for Senior Secured Convertible Notes and Warrants and approximately $493 in ordinary shares and warrants, as described in more detail in Note 13.

There are no assurances, however, that the Company will be successful in obtaining an adequate level of financing needed for the long-term development and commercialization of its products and have its securities quoted on OTCBB or listed in Amex. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments to reflect the possible future effects on recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

d. On January 28, 2005 the Company acquired Morria Biopharmaceuticals Inc. (the "Subsidiary"). The Subsidiary was the owner of the intellectual property rights in drugs which it develops under a license that was granted by Yissum, the research development company of the Hebrew University of Jerusalem Israel ("Yissum") on November 27, 2002 and in connection with which a sublicense agreement was signed between the Subsidiary and the Company on February 1, 2005 (for details about the license agreement and the sublicense agreement see Note 7).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements were prepared in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP").

a. Use of estimates:

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions. The Company's management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

b. Financial statements in United States dollars:

Most of the Company's costs and financing are in U.S. dollars. The Company's management believes that the dollar is the currency of the primary economic environment in which the Company and its subsidiaries have operated and expect to continue to operate in the foreseeable future. Therefore, the functional currency of the Company and its subsidiaries is the Dollar.

The Company and its subsidiaries' transactions and balances denominated in Dollars are presented at their original amounts. Non-Dollar transactions and balances have been remeasured to Dollars in accordance with ASC 830, "Foreign Currency Matters". All transaction gains and losses from remeasurement of monetary balance sheet items denominated in non-dollar currencies are reflected in the statements of income as financial income or expenses, as appropriate.

c. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany transactions and balances have been eliminated upon consolidation.

d. Cash equivalents:

Cash equivalents are short-term unrestricted highly liquid investments that are readily convertible into cash, with original maturities of three months or less at acquisition.

e. Property and equipment, net:

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets at the following annual rates:

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

	%
Computers, peripheral and scientific equipment	33
Office furniture and equipment	25

f. Impairment of long-lived assets:

The Company's long-lived assets are reviewed for impairment in accordance with ASC 360, "Property, Plant, and Equipment," whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. In 2011, 2010 and 2009, no impairment losses have been identified.

g. Research and development costs:

Research and development expenses, net of grants received, consist of independent research and development costs of third parties services and license fees to third parties. All such costs are expensed as incurred. There were no grants received during 2011, 2010 and 2009.

h. Income taxes:

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes". This topic prescribes the use of the liability method whereby deferred tax assets and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to the amount that is more likely than not to be realized.

The Company implements a two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% (cumulative basis) likely to be realized upon ultimate settlement. As of December 31, 2011 and 2010, the Company does not hold provision for uncertain tax positions.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

i. Concentrations of credit risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents.

The Company's cash and cash equivalents are invested in deposits mainly in U.S. dollars and British Pound with major international banks. Generally, these deposits may be redeemed upon demand and therefore bear minimal risk.

j. Basic and diluted net loss per share:

Basic net loss per share is computed based on the weighted average number of Ordinary shares outstanding during each year. Diluted net loss per share is computed based on the weighted average number of Ordinary shares outstanding during each year plus dilutive potential equivalent Ordinary shares considered outstanding during the year, in accordance with ASC 260, "Earnings per Share."

All outstanding stock options, deferred shares and warrants have been excluded from the calculation of the diluted net loss per share because all such securities are anti-dilutive for all periods presented. The total number of shares related to outstanding stock options excluded from the calculations of diluted net loss per share was 411,002, 426,002 and 426,002 for the years ended December 31, 2011, 2010 and 2009, respectively. The total number of shares related to conversion rights of the deferred shares excluded from the calculations of diluted net loss per share was 400,000, 1,033,333 and 1,033,333 for the years ended December 31, 2011, 2010 and 2009, respectively. The total number of shares related to warrants excluded from the calculations of diluted net loss per share was 35,000 for the year ended December 31, 2011.

k. Accounting for stock-based compensation:

The Company accounts for stock-based compensation in accordance with ASC 718, "Compensation - Stock Compensation," which requires the measurement and recognition of compensation expense based on estimated fair values for all share-based payment awards made to employees, directors and non-employees. ASC 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's consolidated statement of operations.

The Company recognizes compensation expenses for the value of its awards granted based on the straight-line method over the requisite service period of each of the awards, net of estimated forfeitures. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Estimated forfeitures are based on actual historical pre-vesting forfeitures.

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company selected the Black-Scholes-Merton ("Black-Scholes") option-pricing model as the most appropriate fair value method for the majority of its stock-options awards and values stock based on the market value of the underlying shares at the date of grant. For employees awards, the option-pricing model requires a number of assumptions as noted below:

	December 31,		
	2011	2010	2009
Risk-free interest rate	1.85%	-	-
Expected volatility	85.75%	-	-
Expected life (in years)	2.97	-	-
Expected dividend yield	0%	-	-

For non - employees awards, the option-pricing model requires a number of assumptions as noted below:

	December 31,		
	2011	2010	2009
Risk-free interest rate	0.34% - 3.52%	0.46% - 3.23%	0.71%-4.03%
Expected volatility	51.1% - 87.7%	44.6% - 105.2%	84.2%-119.8%
Expected life (in years)	0.5-8.1	0.3 - 8.4	1.3 - 10
Expected dividend yield	0%	0%	0%

The computation of expected volatility is based on realized historical stock price volatility of peer companies. The expected term of options granted is based on the "Simplified" method acceptable by ASC 718. For non-employees the expected term assumption is based on the contractual term. The risk free interest rate assumption is the implied yield currently available on British government bond and the U.S Treasury yield zero-coupon issues with a remaining term equal to the expected life of the Company's options. The dividend yield assumption is based on the Company's historical experience and expectation of no future dividend payouts. The Company has historically not paid cash dividends and has no foreseeable plans to pay cash dividends in the future.

The fair value of the ordinary shares underlying the options, warrants and deferred shares through December 31, 2011, had been determined by the Company's management, based on the share price used in the equity financing rounds. In order to determine the fair value of the ordinary shares as of December 31, 2011, since subsequent to balance sheet date the Company, for the first time, issued units of shares and warrants to new investors (see also Note 13), management used the assistance of an independent valuation firm by applying of market approach using recent third-party transactions in the equity of the Company. Because there has been no public market for the Company's ordinary shares, management has determined fair value of the ordinary shares at the time of grant of options by considering a number of objective and subjective factors, including valuation of warrants issued by the Company. The fair value of the underlying ordinary shares shall be determined by management until such time as the Company's ordinary share is listed on an established stock exchange or national market system.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company applies ASC 718 and ASC 505-50, "Equity-Based Payments to Non-Employees" with respect to options, warrants and deferred shares issued to non-employees. ASC 718 requires the use of option valuation models to measure the fair value of the options, warrants and deferred shares at the measurement date. Therefore, since the exercise price of some of the options,warrants and deferred shares is denominated in a currency that is different from the Company's functional currency, the Company accounts for such options and warrants as a liability.

l. Fair value of financial instruments:

The estimated fair value of financial instruments has been determined by the Company using available market information and valuation methodologies. Considerable judgment is required in estimating fair values. Accordingly, the estimates may not be indicative of the amounts the Company could realize in a current market exchange.

The carrying amounts of cash and cash equivalents, accounts receivable and prepaid expenses, trade payables and other accounts payable approximate their fair value due to the short-term maturity of such instruments.

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, ASC 820, "Fair Value Measurements and Disclosures" establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - quoted prices in active markets for identical assets or liabilities;

Level 2 - inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

m. Derivative instruments:

As of balance sheet date, none of the Company's derivatives qualify for hedge accounting under ASC 815, "Derivatives and Hedging" ("ASC 815"). As a result all derivatives are recognized on the balance sheet at their fair value, with changes in the fair value carried to the statement of operations and included in financial income or expenses.

In the year ended December 31, 2011 and 2010, the Company recorded a net gain from derivatives transactions in the amount of $120 and $95, respectively, compared with net losses in the year ended December 31, 2009 in the amount of $233.

n. Recently issued accounting standards:

In May 2011, the FASB issued ASU 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP. This pronouncement is an authoritative guidance to amend certain measurement and disclosure requirements related to fair value measurements to improve consistency with international reporting standards. This guidance is effective prospectively for public entities for interim and annual reporting periods beginning after December 15, 2011, with early adoption prohibited. The Company is currently evaluating the effect of ASU 2011-04, but does not expect its adoption will have a material effect on its consolidated financial statements.

NOTE 3:- PROPERTY AND EQUIPMENT

	December 31,	
	2011	**2010**
Cost:		
Computers, peripheral and scientific equipment	$ 8	$ 8
Office furniture and equipment	1	1
	9	9
Accumulated depreciation:		
Computers, peripheral and scientific equipment	(8)	(8)
Office furniture and equipment	(1)	(1)
Depreciated cost	$ -	$ -

There were no depreciation expenses for the years ended December 31, 2011 and 2010.
Depreciation expense for the year ended December 31, 2009 was $1.

U.S. dollars in thousands (except share and per share data)

NOTE 4:- ACCOUNTS RECEIVABLE

	December 31,	
	2011	2010
Institutions	$ 19	$ 12
Prepaid expenses	2	13
	$ 21	$ 25

NOTE 5:- OTHER ACCOUNTS PAYABLE

	December 31,	
	2011	2010
Accrued expenses	$ 598	$ 293
Employees and institutions	259	162
	$ 857	$ 455

NOTE 6:- DEFERRED SHARES

The holders of deferred shares shall not have any right other than the right to convert such shares into ordinary shares of £0.01 par value each upon the aforementioned events.

In February 2005 the Company received a bridge loan from Capital Managers LLP ("CSS") (that was repaid in the course of 2005) in an amount of £200 thousand. In exchange for the loan, the Company issued to CSS 800,000 Ordinary shares of £0.01 par value each at a price of £1 per share and 400,000 Deferred A shares. The Deferred A shares entitle CSS the right to purchase 400,000 Ordinary shares, of £0.01 par value each, of the Company in one of the following: (i) during a period of 5 years, (ii) as part of a sale event involving the sale of all the Company's shares or (iii) upon the listing of the Company's shares for trade. The exercise price for a Deferred A share is £0.249.

In February 2006, the Company issued 633,333 Deferred B shares of £0.001 par value each to CSS, for serving as broker for funds raisings. The Deferred B shares give CSS the right to purchase 633,333 Ordinary shares, of £0.01 par value each, of the Company in one of the following: (i) during a period of 5.25 years, (ii) as part of a sale event involving the sale of all the Company's shares or (iii) upon the listing of the Company's shares for trade. The exercise price for a Deferred B share is £0.59. As of December 31, 2011, the Deferred B shares have expired.

NOTE 6:- DEFERRED SHARES (Cont.)

In June 2007 the Company issued 400,000 Deferred C shares of £0.001 par value each to CSS, for serving as broker for fund raisings. The Deferred C shares entitle CSS the right to purchase 400,000 Ordinary shares, of £0.01 par value each, of the company in one of the following: (i) during a period of 5 years, (ii) as part of a sale event involving the sale of all the Company's shares or (iii) upon the listing of the Company's shares for trade. The exercise price for a Deferred C share is £0.79.

As part of the issuance of Deferred C Shares, the Company repurchased 400,000 Deferred A shares of £0.001 par value each that were issued in 2005. The Deferred A shares were acquired at par value.

As of June 13, 2012, the Deferred C shares have expired.

The Company accounts for the deferred shares in accordance with ASC 718 and ASC 505-50. Since the exercise price of such deferred shares is denominated in a currency that is different from the Company's functional currency, the Company accounts for such deferred shares as a liability. The fair value of the deferred shares was estimated each cut-off date using the Black-Scholes options valuation model. The fair value was recorded as financial expense (income).

NOTE 7:- COMMITMENTS AND CONTINGENT LIABILITIES

a. Agreement with Yissum

On November 27, 2002, the Subsidiary executed a license agreement with Yissum, pursuant to which the Subsidiary was granted a global, exclusive license, including the right to grant sublicenses, subject to receipt of the prior written approval of Yissum. The full intellectual property rights concerning the technology subject to the license are and will remain fully owned by Yissum for the licensed technology developed by Yissum.

This technology underlies part of the Company's research and development projects. The license includes the exclusive rights to produce, sell, market, import, distribute, and make any use of the technology, by both the Subsidiary and the holders of rights by virtue of the sublicenses. The agreement is valid for 20 years. In exchange for granting the said license to the Subsidiary, Yissum will be entitled to royalties as elaborated below:

1. 4% of the total sales that the Subsidiary or a related company thereof (as this term is defined in the agreement) will make;

2. 18% of the total payments or royalties that the Subsidiary will be entitled to receive from third parties to whom sublicenses have been granted.

U.S. dollars in thousands (except share and per share data)

NOTE 7:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

On June 20, 2005, the Company executed with Yissum an agreement for providing research and development services, whereby Yissum grants the Company compound development services. It has been agreed that the intellectual property and the knowledge that will accumulate during the provision of the services will be owned by Yissum. Yissum has granted the Company a license to use the results of the service provision agreement, and the permission to grant a sublicense. The service agreement was renewed several times prior to 2011. On February 28, 2011, the service provision agreement was renewed again. In consideration for the performance of services the Company agreed to pay Yissum $70 plus overhead per year, depending on the work requested by the Company to be done at the sole and exclusive option of the Company during each year of the following five years. The additional services fees shall be payable in semi-annual payments.

b. Office lease commitment

The Company's registered address is located in Great Britain with minimum rental commitments of $0.5 plus VAT for each month. The Agreement commenced on February 1, 2010, and shall continue until it is terminated by either party giving the other three months' prior written notice. The Company's liability as of December 31, 2011 is approximately $1.5, to be paid during 2012.

NOTE 8:- SHAREHOLDERS' EQUITY

a. Composition of share capital:

	December 31, 2011		December 31, 2010	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
Ordinary shares of £0.01 par value each	49,800,000	12,098,597	49,800,000	11,561,571
Deferred A shares of £0.001 par value	800,000	-	800,000	-
Deferred B shares of £0.001 par value	1,200,000	-	1,200,000	633,333
Deferred C shares of £0.001 par value	400,000	400,000	400,000	400,000

The ordinary shares confer upon their holders the right to participate and vote in general shareholders meetings of the Company and to share in the distribution of dividends, if any, declared by the Company.

As for the deferred shares see note 6.

U.S. dollars in thousands (except share and per share data)

NOTE 8:- SHAREHOLDERS' EQUITY (Cont.)

b. Share issuances:

Since inception through December 31, 2008, the Company issued 10,950,696 ordinary shares of £0.01 par value each. The total proceeds amounted to $6,753 (unaudited).

During January to October 2009, the Company issued 410,097 ordinary shares of £0.01 par value each at £0.8 per share. The proceeds amounted to $522. The related issuance costs amounted to $23).

During May to August 2010, the Company issued 200,778 ordinary shares of £0.01 par value each at £1 per share. The proceeds amounted to $312.

During March to August 2011, the Company issued 522,026 ordinary shares of £0.01 par value each, in consideration for $951, at prices of $1.63-$1.95 per share, net of $60 included in receipt on account of shares as of January 1, 2011. The related issuance costs amounted to $21.

c. Share option plan

In August 2007, the Company adopted the share option plan (the "Plan"). The number of shares that may be issued upon exercise of options under the plan shall not exceed 1,365,000 shares. As of December 31, 2011, 938,998 ordinary shares are available for future issuance under the Plan.

d. Share-based payment

The share based expense recognized in the financial statements for services received from employees and non-employees is shown in the following table:

	Year ended December 31,		
	2011	2010	2009
Research and development, net	$ -	$ 7	$ 42
General and administrative expenses	140	-	70
Financial expenses (income), net	(120)	(102)	191
	$ 20	$ (95)	$ 303

e. An amount of 360,527 options resulted from grants to employees and directors under the Plan were outstanding as of December 31, 2011, 2010 and 2009 and their weighted average exercise price was $1.60.

NOTE 8:- SHAREHOLDERS' EQUITY (Cont.)

As of December 31, 2011, the aggregate intrinsic value of the outstanding and exercisable options is $22. The weighted-average remaining contractual term of the outstanding and exercisable options is 5.74 years. The weighted average fair value of options granted during the year 2009 was $1.11. As of December 31, 2011, there was no unrecognized compensation cost.

f. On January 18, 2005 and March 12, 2007, the chairman of the Company's board received warrants from the principle shareholder to purchase from it 50,700 and 152,000 Ordinary shares in consideration for par value of £0.01 and $1.55, respectively. The options were fully vested and valid for 10 years from grant date. The benefit in respect of the options totaling $246 (unaudited) was included in the financial statements at grant date.

On March 1, 2011 the exercise price of 152,000 options granted on March 12, 2007 was adjusted to £0.01. The value of the benefit from the change in option terms (the difference between the options' value before the reduction in exercise price and the options' value after the reduction in exercise price) totaling $95, was recorded as an expense in 2011. The options' fair value as of March 1, 2011 was determined based on $1.63 share price, expected volatility of 86%, risk-free interest rate of 1.85%, expected dividend rate of 0%, and an expected life of 3 years.

g. Options to service providers

In February 2005, Yissum was granted 300,000 options. Each option is exercisable into one ordinary share of £0.01 par value. The options are exercisable over 5 years, according to their compliance with the agreed milestones, as defined in the option grant agreement, over a period of three years until February 3, 2008.

The Company recorded compensation cost as a liability related to stock based compensation in a total amount of $17 (unaudited) during the four years ended December 31, 2008 and $3, $2 and $3 in 2009, 2010 and 2011, respectively. 285,000 options expired in 2008 and 15,000 options were exercised in 2011.

In August 2007 and May 2009 the Company granted 20,475 and 30,000 fully vested options, respectively, to chief of pre-clinical studies and clinical development. The exercise price was $1.61 and $1.27, the fair value of the options was $29 (unaudited) and $33, respectively. The life is 10 years from grant date.

In 2011, the Company granted 35,000 fully vested warrants to consultant. The exercise price was $1 and the contractual life is five years. The fair value of the warrants in the amount of $45 was recorded to Additional paid-in capital.

NOTE 9:- TAXES ON INCOME

a. Tax rates:

The Company is incorporated in Great Britain. The corporate tax rate applying to a company that is incorporated in Great Britain is 28%. For companies with taxable income of less than £300,000 and having no related companies the corporate tax rate is 21%.

The Subsidiary is incorporated in the United States. The corporate tax applying to a company that is incorporated in the United States consists of a progressive corporate tax at a rate of up to 35% plus state tax and local tax at rates depending on the state and the city in which the company manages its business. In the Company's estimation, it is subject to approximately a 40% tax rate.

b. Tax assessment:

The Company has final tax assessment in Great Britain through 2009. The Subsidiary has not been issued final tax assessments since its establishment.

c. Net operating losses carryforward:

As of December 31, 2011, the Company's net operating losses carryforward for tax purposes in Great Britain amounted to approximately $8,180. These net operating losses may be carried forward indefinitely and may be offset against future taxable income. The Company expects that during the period in which these tax losses are utilized its income will be substantially tax-exempt.

The Subsidiary is subject to U.S. income taxes. As of December 31, 2011, the Subsidiary has net operating loss carry-forward for federal income tax purposes of approximately $67 which expires in the years 2018-2028. The Subsidiary also has net operating loss carry-forward for state income tax purposes of approximately $67 which expires in the years 2018-2028. Utilization of the U.S. net operating losses may be subject to substantial annual limitation due to the "change in ownership" provisions of the Internal Revenue Code of 1986 and similar state provisions. The annual limitation may result in the expiration of net operating losses before utilization.

d. Deferred taxes:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Management currently believes that since the Company has a history of losses, it is more likely than not that the deferred tax assets relating to the loss carryforwards and other temporary differences will not be realized in the foreseeable future. Therefore, the Company provided a full valuation allowance to reduce the deferred tax assets.

U.S. dollars in thousands (except share and per share data)

NOTE 9:- TAXES ON INCOME (Cont.)

e. The main reconciling item between the statutory tax rate of the Company and the effective tax rate is the recognition of valuation allowances in respect of deferred taxes relating to accumulated net operating losses carried forward due to the uncertainty of the realization of such deferred taxes.

NOTE 10:- FAIR VALUE MEASUREMENTS

In accordance with ASC No. 820, "Fair Value Measurements and Disclosures", the Company measures its liability related to stock based compensation at fair value. Investments in foreign currency derivative instruments are classified within Level 3 value hierarchy. This is because these assets are valued using alternative pricing sources and models utilizing market observable inputs. The liability related to stock based compensation is classified within Level 3 value hierarchy because the liability is based on present value calculations and external valuation models whose inputs include market interest rates, estimated operational capitalization rates, volatilities and illiquidity. Unobservable inputs used in these models are significant.

The Company's financial assets and liabilities measured at fair value on a recurring basis, consisted of the following types of instruments as of the following dates:

	December 31, 2010		
	Fair value measurements using input type		
	Level 2	Level 3	Total
Stock options	$ -	$ (86)	$ (86)
Deferred shares	-	(730)	(730)
Total financial liabilities	$ -	$ (816)	$ (816)

	December 31, 2011		
	Fair value measurements using input type		
	Level 2	Level 3	Total
Stock options	$ -	$ (60)	$ (60)
Deferred shares	-	(216)	(216)
Total financial liabilities	$ -	$ (276)	$ (276)

Fair value measurements using significant unobservable inputs (Level 3):

Balance at January 1, 2011	$ (816)
Expiration of stock options	26
Expiration of deferred shares	394
Changes in values of deferred shares	120
Balance at December 31, 2011	$ (276)

U.S. dollars in thousands (except share and per share data)

NOTE 11: - RELATED PARTIES

a. The Chairman of the Company's board of directors is a senior partner in the law firm which represents the Company in intellectual property and commercial matters (the "Service Provider"). The service provider charges the Company for services it renders on an hourly basis. The balances and transactions with service provider were as follows:

Balances:

	December 31,	
	2011	2010
Trade payables	$ 817	$ 611

Transactions:

	Year ended December 31,		
	2011	2010	2009
Amounts charged to general and administrative expense	$ 413	$ 262	$ 176

b. On February 13, 2011, the members of the board of directors unconditionally waived any accrued and unpaid director's compensation (other than for rights granted in respect of options) as of that date. A related amount of $73 was recorded as additional paid in capital.

c. According to an agreement signed in 2004, a retainer fee of £1.5 per quarter should be paid to one of the Company's directors for financial advisory services. As of December 31, 2011 and 2010, the Company has outstanding liability in the amount of $49 and $42, respectively, for such services.

NOTE 12:- FINANCIAL EXPENSES (INCOME), NET

	Year ended December 31,		
	2011	2010	2009
Financial expenses:			
Changes in values of deferred shares	$ -	$ -	$ 191
Exchange rate		-	206
Other	9	5	7
	9	5	404
Financial income:			
Changes in values of deferred shares	(120)	(102)	-
Exchange rate	(17)	(20)	-
	(137)	(122)	-
	$ (128)	$ (117)	$ 404

NOTE 13: - SUBSEQUENT EVENTS

a. On February 12, 2012, $309 out of the total outstanding balance owed to the Service Provider, who is also a related party, for services rendered until December 2011, was settled by the grant of fully vested warrants to purchase 309,492 ordinary shares, £0.01 par value each, of the Company at an exercise price of $2 per share and a life of five years.

b. In the months January through May, 2012, the Company issued 235,000 of ordinary shares , £0.01 par value each, at a price of $2.00 per share, for total gross proceeds of approximately $470, net of $75 included in receipt on the account of shares as of January 1, 2012. This financing round was furnished with 100% warrant coverage, to purchase 254,231 ordinary shares of the Company, at an exercise price of $2.00. In June 2012, the Company issued 10,000 of ordinary shares, £0.01 par value each, at a price of $2.25 per share, for total gross proceeds of approximately $23. This financing round was furnished with 50% warrant coverage, to purchase 5,000 ordinary shares of the Company, at an exercise price of $2.25.

c. During the months January through June 2012, the Company granted its employees, board members and service providers options and warrants to purchase 502,998 ordinary shares of the Company. 270,000 of the aforementioned options and warrants are fully vested and the rest of the options will vest between January and March 2013.

d. On April 4, 2012, the Company completed a private placement under a Securities Purchase Agreement, dated April 3, 2012 (the "Purchase Agreement"), by and among the Company and certain institutional accredited investors (the "Financing"). As part of the Financing, the Company sold an aggregate of $1,100 principal amount of convertible notes (the "Notes") and warrants to purchase an aggregate of 643,274 ordinary shares (the "Warrants"), for net proceeds of $1,000.

The Purchase Agreement contains customary covenants. Furthermore, under the Purchase Agreement, the Company will be required to file a registration statement pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, on Form 20-F no later than July 4, 2012 and have such Form 20-F declared effective no later than January 4, 2013 (the earlier of such date and the actual date on which the Form 20-F is declared effective, the "Self Filing Effective Date").

In the Financing, the Company also entered into a registration rights agreement ("Registration Rights Agreement") with the investors pursuant to which the Company agrees to register the resale of up to 133% of the number of ordinary shares that may be acquired by the investors by converting the Notes and exercising their Warrants. The Company agreed to file a registration statement no later than 30 days after the Self Filing Effective Date and to have the registration statement declared effective no later than the earlier of (a) the 90th day after the Self Filing Effective Date or 120 days if the registration statement is reviewed by the SEC) or (b) the second day after the Company is notified that the registration statement will not be reviewed or is no longer subject to review. To the extent the Company fails to file the registration statement on a timely basis or if the registration statement is not declared effective by the agreed upon effectiveness deadline, the Company agrees to make certain payments to each of the investors.

NOTE 13: - SUBSEQUENT EVENTS (Cont.)

Each Note is convertible into shares at an initial conversion price of $1.71 per ordinary share, subject to adjustment. The conversion price of each Note is subject to standard anti-dilution adjustments. The conversion price is also subject to "full ratchet" anti-dilution adjustment, which would decrease the conversion price to equal the price at which the Company issues ordinary shares, to the extent that the issuance price or the deemed issuance price is less than the then-effective conversion price. The convertibility of each Note may be limited if, upon conversion, the holder thereof would beneficially own more than 4.9% of the Company's ordinary shares. The Notes have a maturity date of January 4, 2013 and do not bear interest and can be converted at anytime through the maturity date. The Notes are guaranteed by the subsidiaries and are secured on a first-priority basis by substantially all of the Company's assets, including the license agreement with Yissum and the co-owned patents.

The Notes contain various covenants, including covenants restricting the Company's ability to incur additional indebtedness, incur additional liens, make certain restricted payments or dividend payments, or transfer assets.

If an event of default, as defined in the Purchase Agreement, occurs under a Note, the holder of such Note will have the option to require the Company to redeem such Note in cash at the greater of (i) 110% of the unconverted principal amount or (ii) 110% of the greatest closing sale price of the ordinary shares from the date immediately prior to the date on which the event of default occurs until the redemption is completed.The holders of the Notes may also require the Company to redeem their Notes upon the occurrence of a fundamental transaction as defined in the Notes.

As part of the Financing, the Company issued to the investors warrants (the "Warrants") to purchase an aggregate of 643,274 ordinary shares. The Warrants have an initial exercise price of $1.71 per share, exercisable for a term of 5 years, subject to adjustment. On and after the April 4, 2013, if a registration statement registering the ordinary shares underlying the Warrants is not effective, the holders of the Warrants may exercise their Warrants on a cashless basis. The exercise price of the Warrants is subject to standard anti-dilution adjustments. In addition, the exercise price is also subject to "full ratchet" anti-dilution adjustment, similar to the Notes. To the extent the Company enters into a fundamental transaction (as defined in the Warrants and which includes, without limitation, entering into a merger or consolidation with another entity, selling all or substantially all of the assets, or a person acquiring 50% of the Company's voting shares), the holders will have the option to require the Company to repurchase the Warrants from the investor at its Black-Scholes fair value.

The Company accounted for the Warrants according to the provisions of ASC 815, "Derivatives and Hedging - Contracts in Entity's Own Equity", and based on certain terms of the warrants, classified them as liabilities, measured at fair value in each reporting period until they are exercised or expired with changes in the fair values being recognized in the Company's statement of operations as financial income or expense.

6 October 2004

MORRIA BIOPHARMACEUTICALS PLC
MEMORANDUM OF ASSOCIATION

The Companies Acts 1985 and 1989 public limited company
altered by special resolution on

7 February 2005

FLADGATE FIELDER
25 North Row
London W1K6DJ
Tel: 020 7323 4747
Fax: 020 7629 4414
Ref: ELS/21742/0001

/COMPANIES HOUSE/

Company no. 5252842

The Companies Acts 1985-89

Public limited company Memorandum of Association

Of

Morria Biopharmaceuticals plc

A. The Company's name is **MORRIA BIOPHARMACEUTICALS PLC**.

B. The Company is a public limited company.

C. The Company's registered office is to be situated in England and Wales.

D. The object of the Company is to carry on business as a general commercial company and without derogating from the aforesaid, the Company's objects are:

(a) to carry on all or any of the following businesses: representatives, agents, factors, distributors, importers, exporters, manufacturers and wholesale and retail dealers for or on behalf of any company or as principals in and about every marketable product process, materials and services of any description, and for these purposes to negotiate and handle contracts and agreements of all kinds, to act as representatives and agents of and for any individual, company, firm, association, authority, organisation or other body in any part of the world and for any purpose, to tender for and to place contracts, investments and other rights, to act for and to provide all kinds of services, agencies, consultancies, brokerage or advisory business to all or any parties or prospective parties to any contract or other agreement, and to carry on businesses as advertising, publicity agents, sales promoters, marketing and market research specialists, direct selling and mail order specialists, exhibition and display contractors and promoters, merchandising agents, warehousers, storers, packers, customs house brokers, shipping and forwarding agents, clearing agents, wharfingers, insurance brokers, carriers, hauliers and providers of all kinds of facilities in connection with or ancillary to any of the above businesses;

(b) to carry on the business of a holding company and to acquire, by purchase, exchange, subscription or otherwise and to hold the whole or any part of the securities and interests of and in any companies for the time being engaged, concerned or interested in any industry, *trade or business* and to promote the beneficial co-operation of any such companies with one another as well as with the Company and to exercise in respect of such investments and holdings all the rights, powers and privileges of ownership including the right to vote;

(c) to employ the funds of the Company in the development and expansion of the business of the Company and all or any of its subsidiary or associated companies and in any other company whether now or in the future to be formed and engaged in any similar business of the Company or any of its subsidiary or associated companies or in any other industry ancillary to it or *in* any business which can be conveniently carried on in connection with it;

(d) to co-ordinate the administration, policies, management, supervising, control research, development, planning, manufacture, trading and any and all other *activities* of, and *to act* as financial advisers and consultants to, any company or companies or group of companies now or in the future formed, incorporated or acquired which may be or become related or associated in any way with the Company or with any company related or associated with it or them and either without remuneration or on such terms as to remuneration as may be agreed;

(e) to guarantee the payment of dividends on any shares in the capital of any of the companies in which the Company has or may at any time have an interest, and to become surety in respect of, endorse, or otherwise guarantee the payment of the principal of or interest on any shares, scrip, bonds, coupons, mortgages, debentures, debenture stock, securities, notes, acceptances, drafts, bills of exchange or evidence of indebtedness issued or created by any such companies;

(f) to become surety for or guarantee the carrying out and performance of, any and all contracts, leases and obligations of every kind, of any corporation, *company or association any of* whose shares, scrip, bonds, coupons, mortgages, debentures, debenture stock, securities, notes, acceptances, drafts, bills of exchange or evidence of indebtedness are at any time held by or for the Company, or in which the Company is interested or with which it is associated, and to do any acts or things designed to protect, preserve, improve or enhance the value of any such shares, scrip, bonds, coupons, mortgages, debentures, debenture stock, securities, notes, acceptances, drafts, bills of exchange or evidence of indebtedness;

(g) to organise, incorporate, reorganise, finance, aid and assist, financially or otherwise, companies and to underwrite or guarantee the subscription of shares, stocks, debentures, debenture stock, bonds, loans, obligations, securities or notes of any kind, and to make and carry into effect arrangements for the issue, underwriting, resale, exchange or distribution of them;

(h) to carry on the business of land and property developers of every and any description and to acquire by purchase, lease, concession, grant, licence or otherwise such lands, buildings, leases, underleases, rights, privileges, stocks, shares and debentures in public and private companies, policies of insurance and other such property as the Company may deem fit and acquires for the purposes of investment and development and with a view to receiving the income from them; and to enter into any contracts and other arrangements of all kinds with persons having dealings with the Company on such terms and for such periods of time as the Company may from time to time determine, on a commission or fee basis or otherwise, and to carry on any other trade or business, whatever of a similar nature;

(i) to carry on all kinds of promotion business and, in particular, to form, constitute, float, lend money to, assist, manage and control any companies and to market, advertise or promote goods, services, material (tangible or intangible) or any kind;

(j) to vary the investments and holdings of the Company as may from time to time be deemed desirable;

(k) to act as trustee of any kind including trustee of any deeds constituting or securing any debentures, debenture stock or other securities or obligations and to undertake and execute any trust or trust business, including the business of acting as trustee under wills and settlements, and to do anything that may be necessary or assist in the obtaining of any benefit under the estate of an individual, and also to undertake the office of executor, administrator, secretary, treasurer, or registrar or to become manager of any business, and to keep any register or undertake any registration duties, whether in relation to securities or otherwise;

(l) to provide technical, cultural, artistic, educational, entertainment or business material, facilities, information or services and to carry on any business involving any such provision;

(m) to acquire and carry on any business carried on by a subsidiary or a holding company of the Company or another subsidiary of a holding company of the Company;

(n) to enter into any arrangements with any government or authority or person and to obtain from any such government or authority or person any legislation, orders, rights, privileges, franchises and concessions and to carry out, exercise and comply with the same;

(o) to purchase, take on lease or in exchange, hire, renew, or otherwise acquire and hold for any estate or interest, and to sell, let, grant licences, easements, options and other rights over or otherwise deal with or dispose of, in whole or in part, any (and, buildings, machinery, rights, stock-in-trade, business concerns, choses in action, and any other real and personal property of any kind including all of the assets of the Company and to perform any services or render any consideration and to construct, equip, alter and maintain any buildings, works and machinery necessary or convenient for the Company's business and in each case for any consideration, including in particular but without detracting from the generality of the foregoing for any securities or for a share of profit or a royalty or other periodical or deferred payment;

(p) to enter into partnerships or any other arrangements for sharing profits or joint ventures or co-operation with any company carrying on, engaged in or about to carry on or engage in any business or transaction capable of being conducted so as directly or indirectly to benefit the Company, and to subsidise or otherwise assist any such company;

(q) to invest and deal with the money of the Company, or any of its subsidiaries, in any investment and to hold, sell or otherwise deal with investments or currencies or other financial assets in such manner as the directors from time to time decide and to carry on the business of an investment company;

(r) to lend or advance money or otherwise give credit or provide financial accommodation to any company with or without security on such terms as the directors from time to time decide and to deposit money with any company and to carry on the business of a banking, finance or insurance company;

(s) for any reason whatsoever to mortgage, charge, pledge or otherwise secure, either with or without the Company receiving any consideration or advantage, all or any part of the undertaking, property, assets, rights and revenues, present and future, and uncalled capital of the Company and to guarantee, indemnify or otherwise support or secure, either with or without the Company receiving any consideration or advantage and whether by persona! covenant or by mortgaging, charging, pledging or otherwise securing all or any part of the undertaking, property, assets, rights and revenues, present and future, and uncalled capital of the Company or by any or all such methods or by any other means whatsoever, the liabilities and obligations of any person, firm or company including, but not limited to, any company which is for the time being the holding company or a subsidiary undertaking of the Company or of the Company's holding company;

(t) to borrow and raise money in any manner and accept money on deposit and to secure it or discharge any debt or obligation of or binding on the Company or any other company in such manner as the directors from time to time decide and in particular by mortgaging or charging all or any part of the undertaking, property and assets, present or future, and the uncalled capital of the Company, or by the creation and issue, on such terms as the directors from time to time decide, of securities of any description;

(u) to draw, make, accept, endorse, discount, execute, issue, negotiate and deal in promissory notes, bills of exchange, shipping documents and other instruments and securities, whether negotiable, transferable or otherwise, and to buy, sell and deal in foreign currencies;

(v) to apply for and take out, purchase or otherwise acquire, sell, license, transfer, deal or trade in any way in trade marks and names, service marks and names, designs, patents, patent rights, inventions, concessions, secret processes, know-how and information and any form of intellectual property and to carry on the business of an inventor, designer or research organisation;

(w) to sell, improve, manage, develop, lease, mortgage, let, charge, dispose of, turn to account, or otherwise deal with al! or any part of the undertaking or property or rights of the Company, and to sell the undertaking of the Company, or any part of it for such consideration as the Company may think fit, and in particular for cash, shares, debentures or debenture stock or other obligations whether fully paid or otherwise, of any other company;

(x) to issue and allot securities of the Company for cash or in payment or part payment for any real or personal property purchased or otherwise acquired by the Company or any services rendered to the Company or as security for any obligation or amount, even if less than the nominal amount of such securities, or for any other purpose;

(y) to give any remuneration or other compensation or reward for services rendered or to be rendered in placing or procuring subscriptions of, or otherwise assisting in the issue of, any securities of the Company or in or about the formation of the Company or the conduct or course of its business, and to establish or promote, or concur or participate in establishing or promoting, any company, fund or trust and to subscribe for, underwrite, purchase or otherwise acquire securities of any company, fund or trust and to carry on the business of company, fund, trust or business promoters or managers and of underwriters or dealers in securities, and to act as director of, and as secretary, manager, registrar or transfer agent for, any other company;

(z) to grant or procure the grant of donations, gratuities, pensions, annuities, allowances or other benefits, including benefits on death, to any director, officer, employee or former director, officer or employee of the Company or any company which at any time is or was a subsidiary or a holding company of the Company or another subsidiary of a holding company of the company or otherwise associated with the Company or of any predecessor in business of any of them (together the **Group Company),** and to the blood relations or dependents of any such persons, and to persons whose service or services have directly or indirectly been of benefit to the Company or whom the board of directors of the Company considers have any moral claim on the Company or to their relations or dependents (together the **Beneficiaries)** and to establish, maintain, manage, support and contribute to any scheme or trust relating to the grant of any option over, or other interest in, any share in the capital of or any debenture or security of the Company or any Group company or the sharing of profits of the Company or any Group Company with the Beneficiaries;

(aa) to establish or support any funds, trusts, insurances, schemes or any associations, institutions, clubs or schools, or to do any other thing likely to benefit or otherwise to advance the interests of the Beneficiaries, the Company or its members, and to subscribe, guarantee or pay money for any purpose likely, directly or indirectly, to further the interests of the Beneficiaries, the Company or its members or for any national, charitable, benevolent, educational, social public, general or useful object;

(bb) to promote or assist in promoting any company or companies in any part of the world and to subscribe for shares or other securities in them for the purpose of carrying on any business which the Company is authorised to carry on, or for any other purpose which may seem directly or indirectly calculated to benefit the Company;

(cc) to amalgamate with any other company in any manner whatsoever, whether with or without liquidation of the Company or any of its subsidiaries or company associated with it;

(dd) to procure that the Company be registered or recognised in any country or place in any part of the world;

(ee) to cease carrying on or wind-up any business or activity of the Company, and to cancel any registration of and to wind-up or procure the dissolution of the Company in any state or territory;

(ff) to compensate for loss of office any directors or other officers of the Company and to make payments to any persons whose office, employment or duties may be terminated by virtue of any transaction in which the Company is engaged;

(gg) to pay out of funds of the Company, the costs, charges and expenses of and incidental to the formation and registration of the Company, and any other company promoted by the Company, and the issue of the capital of the Company and any such other company of and incidental to the negotiations between the promoters preliminary to the formation of the Company, and also all costs and expenses of and incidental to the acquisition by the Company of any property or assets of and incidental to the accomplishment of all or any formalities which the Company may think necessary or proper in connection with any of the above matters;

(hh) to effect insurances against losses, damages, risks and liabilities of all kinds which may affect the Company or any subsidiary of it or company associated with *it or in* which it *is or may* be interested;

(ii) to purchase and maintain insurance for or for the benefit of any persons who are or were at any time directors, officers, employees or auditors of the Company, or of any other company which is its holding company or in which the Company or such holding company has any interest whether directly or indirectly or which is in any way allied to or associated with the Company or of any subsidiary undertaking of the Company or any such other company, or who are or were at any time trustees of any pension fund in which any employees or directors of the Company or of any such other company or subsidiary undertaking are interested, including, without prejudice to the generality of the foregoing, insurance against any liability incurred by such persons in respect of any act or omission in the actual or purported execution or discharge of their powers or otherwise in relation to their duties, powers or offices in relation to the Company or any such other company, subsidiary undertaking or pension fund and to such extent as may be permitted by law otherwise to indemnify or to exempt any such person against or from any such liability;

(jj) to act as directors or managers of or to appoint directors or managers of any subsidiary company in which the Company is or may be interested;

(kk) to contribute by donation, subscription, guarantee or otherwise to any public, general, charitable, political or useful object whatsoever;

(ll) to distribute among the members in cash, specie or kind any property of the Company, or any proceeds of sale or disposal of any property of the Company, but so that no distribution amounting to a reduction of capital be made except with the sanction, if any, for the time being required by law;

(mm) to do all or any of the above things in any part of the world, either as principals, agents, trustees, contractors or otherwise and either alone or in conjunction with others, and either by or through agents, sub-contractors, trustees, subsidiaries or otherwise;

(nn) to carry on any other activity and do anything of any nature which in the opinion of the directors of the Company is or may be capable of being conveniently carried on or done by the Company in connection with the above, or may seem to the Company, calculated directly or indirectly, to enhance the value of or render more profitable all or any part of the Company's undertaking, property or assets or otherwise to advance the interests of the Company or any of its members; and

(oo) to do all such things as in the opinion of the board of directors of the Company are or may be incidental or conducive to the above objects or any of them.

(pp) For the purposes of this memorandum:

(i) **and** and **or** means **and/or;**

(ii) **associated companies** means any two or more companies if one has control of the other or others, or any person has control of both or all of them;

(iii) **company** (except where referring to this Company) is deemed to include any person or partnership or other body of persons, whether incorporated or not incorporated, and whether formed, incorporated, resident or domiciled in the United Kingdom or elsewhere;

(iv) **other** and **otherwise** are not to be construed ejusdem generis where a wider construction is possible;

(v) **subsidiary** and **holding company** have the same meaning as defined in the Companies Act 1985;

(vi) **securities** includes any fully, partly or nil paid or no par value share, stock, unit, debenture or loan stock, deposit receipt, bill, note, warrant, coupon, right to subscribe or convert, or similar right or obligation; and

(vii) the objects specified in each sub-clause of this clause are, except where otherwise expressed, in no way limited or restricted by reference to or inference from the terms of any other sub-clause or the name of the Company or the nature of any business carried on by the Company or the order in which such objects are stated, but may be carried out in as full and ample a manner and are construed in as wide a sense as if each of the sub-clauses defined the objects of a separate, distinct and independent company.

E. The liability of the members is limited.

F. The share capital of the company is £500,000 (five hundred thousand pounds) divided into

(a) 49,800,00 ordinary shares of lp each;

(b) 800,000 Deferred A Shares of 0.1 p each; and

(c) 1,200,000 Deferred B Shares of 0.1 p each.

Names and Addresses of Subscribers Number of shares	Number of shares taken by each Subscriber
SLC Corporate Services Limited 42-46 High Street Esher Surrey K-n0 9QY	One
Total shares taken	One
Dated 6 October 2004.	

fladgate

MORRIA BIOPHARMACEUTICALS PLC
NEW ARTICLES OF ASSOCIATION
The Companies Act 2006
Public Company Limited by Shares
(As adopted by special resolution passed on
[•])

Fladgate LLP | 16 Great Queen Street | London WC2B 5DG
T +44 (0)20 3036 7000 | F +44 (0)20 3036 7600 | DX 37971 Kingsway | www.fladgate.com

Contents

Company no. 05252842

The Companies Act 2006

Public Company Limited by Shares

New Articles of Association

of

Morria Biopharmaceuticals PLC
(the company)

(adopted by special resolution
passed on [•])

1. Preliminary

1.1 In these articles of association, the following words and expressions have the following meanings if not inconsistent with the subject or context:

Aggregate Relevant Capital Difference	shall have the meaning ascribed to it in regulation 5.7.3.
Aggregate Value	shall have the meaning ascribed to it in regulation 5.7.3.
Auditors	the auditors of the company from time to time.
Board	the board of directors present at a duly convened and quorate meeting or Directors at a duly authorised committee of Directors as the context requires.
Business Days	a day between Monday and Friday (excluding public holidays), inclusive, on which clearing banks are open in the City of London.
CA 2006	Companies Act 2006 as amended or re-enacted from time to time.
Converting Shareholder	shall have the meaning ascribed to it in regulation 5.6.1.
Default Shares	has the meaning as ascribed to it regulation 10.1.
Deferred A Shares	the deferred shares of £0.001 each in the capital of the company having the rights and subject to the restrictions set out in these articles.

Deferred B Shares	the deferred shares of £0.001 each in the capital of the company having the rights and subject to the restrictions set out in these articles.
Deferred C Shares	the deferred shares of £0.001 each in the capital of the company having the rights and subject to the restrictions set out in these articles.
Deferred Shares	the Deferred A Shares, Deferred B Shares and Deferred C Shares.]
Director	a director from time to time of the company.
Disenfranchisement Notice	a notice served by the company on the holder of Default Shares in accordance with regulation 10.1.
dividend	a dividend or bonus.
executed	any mode of execution including signed, sealed or authenticated in some other way.
holder	in relation to shares in the company, a member whose name is entered in the register of members as the holder of those shares.
Listing/Listed	the shares becoming listed or traded on a Regulated Market.
Listing Price	shall have the meaning ascribed to it in regulation 5.7.1.
Listing Rules	the rules of the Regulated Market or another exchange on which the company has listed its shares for trading thereon as applicable.
member	any holder for the time being of shares in the capital of the company of whatever class.
month	calendar month.
NASDAQ	the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market of Nasdaq Stock Market, Inc.
Net Aggregate Value	shall have the meaning ascribed to it in regulation 5.7.3.
Notice of Conversion	shall have the meaning ascribed to it in regulation 5.6.1.

Offer	a written offer to purchase all the issued and outstanding share capital of the company.
Office	the registered office for the time being and from time to time of the company.
Operator	Euroclear UK and Ireland Limited or such other person as may for the time being be approved by HM Treasury as Operator under the Uncertificated Securities Regulations.
Ordinary Shares	the ordinary shares of £0.01 each of the capital of the company.
paid up	includes credited as paid up.
principal place	the place specified in the notice of any general meeting of the company at which the chairman of the meeting will preside.
Regulated Market	has the meaning ascribed to it by the Financial Services and Markets Act 2000, the AIM market of the London Stock Exchange, the New York Stock Exchange, the NYSE Amex, NASDAQ and similar securities exchanges.
Relevant Capital Difference	in the case of: A Deferred A Share, 24.9p, A Deferred B Share, 59.9p, A Deferred C Share, 79.9p.
Relevant Date	five years from the date of issue of the relevant Deferred Shares, and with respect to the Deferred B Share five years and three months from such date.
Relevant Director	has the meaning ascribed to it in regulation 29.1.
Sale	1. the unconditional sale, disposal or transfer of all the shares (including any Deferred Shares convertible into shares) (except, if relevant, those that the purchaser owns immediately prior to the sale); or 2. 90 per cent. acceptances from shareholders when an Offer has been made.

Sale Price	shall have the meaning ascribed to it in regulation 5.7.1.
seal	the common seal of the company.
Secretary	the secretary of the company and, subject to the provisions of the Statutes, includes an assistant or deputy secretary and any person appointed by the Directors to perform any of the duties of the secretary.
Section 793 Notice	a notice served by the company under section 793, CA 2006.
Statutes	CA 2006, and all other statutes and secondary legislation for the time being in force relating to companies to the extent that they apply to the company.
Uncertificated Securities Regulations	the Uncertificated Securities Regulations 2001 (SI 2001/3755).

1.2 Where the context so requires, words denoting the singular include the plural and vice versa, words denoting the masculine gender include the feminine, and persons include corporations, partnerships, other incorporated bodies and all other legal entities, with the necessary adaptation.

1.3 Words and expressions defined in CA 2006 have the same meanings in these articles, unless the context otherwise requires.

1.4 Where these articles refer to a relevant system in relation to any share, the reference is to the system in which that share is a participating security at the relevant time.

1.5 Any reference to a provision of any statute, statutory instrument, note, order or regulation is construed as a reference to such provision as amended, modified, consolidated or re-enacted from time to time. References to applicable law shall include references to Listing Rules and the securities laws of the United States and subdivisions thereof as far as they apply to the company under their provisions or these articles.

1.6 References in these articles to a share being in uncertificated form are references to that share being an uncertificated unit of a security.

1.7 The headings are inserted for convenience and do not affect the construction of these articles.

2. Share capital and variation of rights

2.1 The company's share capital as at the date of adoption of these articles is divided into Ordinary Shares and Deferred Shares. Subject to the provisions of the Statutes and to the authority of the company in general meeting, the Board has unconditional authority to allot, grant options over, issue warrants in respect of, offer or otherwise deal with or dispose of any shares of the company to such persons, at such times and generally on such terms and conditions as they may determine, including issuing shares with such preferred rights as resolved by the company in general meeting.

2.2 Subject to the provisions of the Statutes and to the authority of the company in general meeting, the company has power to purchase its own shares, including any redeemable shares.

2.3 When any shares are to be issued, the Board may vary the amount of calls to be paid and the time of payment of such calls as between the allottees of such shares.

2.4 If by the conditions of allotment of any share the whole or part of its issue price is payable by instalments, every such instalment will, when due, be paid to the company by the person who for the time being is the registered holder of the share.

2.5 The company may issue shares which are to be redeemed or are liable to be redeemed at the option of the company or the shareholders.

2.6 In addition to all other powers of paying commissions, the company may exercise the powers conferred by the Statutes of paying commissions to persons subscribing or procuring subscriptions for shares of the company, or agreeing so to do, whether absolutely or conditionally. Subject to the provisions of the Statutes and to any Listing Rules, any such commissions may be satisfied by the payment of cash or, by the allotment of fully or partly paid shares of the company or by any such combination. The company may also, on any issue of shares, pay such brokerage as may be lawful.

2.7 Except as required by law, no person will be recognised by the company as holding any share upon any trust, and except only as otherwise provided by these articles or as required by law or under an order of a court of competent jurisdiction, the company will not be bound by or recognise any equitable, contingent, future or partial interest in any share, or any interest in any fraction or part of a share, or any other right in respect of any share, except an absolute right to the entirety of it in the registered holder.

2.8 Subject to the Statutes and to regulation 2.1, if at any time the capital of the company is divided into different classes of shares, all or any of the rights or privileges attached to any class may be varied or abrogated either in such manner, if any, as may be provided by such rights, or in the absence of any such provision, with the consent in writing of the holders of at least three fourths of the nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares), or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class, but not otherwise.

2.9 All the provisions of these articles relating to general meetings of the company, or to the proceedings at them, and the provisions of sections 284, 307 and 310, CA 2006 apply to every such separate meeting referred to in regulation 2.8, with any necessary modifications, except that the necessary quorum at any such meeting other than an adjourned meeting will be one or more persons present holding or representing by proxy at least one third in nominal value of the issued shares of the class in question (excluding any shares of that class held as treasury shares). The quorum at an adjourned meeting will be one person holding shares of the class in question or his proxy. Any holder of shares of the class in question present in person or by proxy may demand a poll.

2.10 The creation or issue of shares ranking equally with or subsequent to the shares of any class will not, unless otherwise expressly provided by these articles or the rights attached to such shares as a class, be deemed to be a variation of the rights of such shares.

2.11 The Deferred Shares have no rights (including, without limitation, rights to receive a dividend and voting rights) attached to them whatsoever except as set out in these articles.

2.12 Upon all of the Deferred Shares having been converted, or expiring, to the extent that members hold any Deferred Shares, or that there is any authorized but uninsured Deferred Shares, the Deferred Shares will convert into Ordinary Shares on the basis that the conversion price will be on the basis that an Ordinary Share has a value of £100 (one hundred pounds) per Ordinary Share, on the basis that each Deferred Share will have a value of £0.01 (so that 100,000 Deferred Shares will convert into one Ordinary Share). If the total value of any members' Deferred Shares equals less than one Ordinary Share, then fractions of shares will not be recognized and they will be cancelled in full. Otherwise, the company will issue the holder, or will convert the authorized Deferred Shares into the correct number of Ordinary Shares.

3. Certificates and shares

3.1 Every person, other than a person in respect of whom the company is not required by law to complete and have ready for delivery a certificate by virtue of section 778, CA 2006 whose name is entered as a member in the Register is entitled, without payment, to one certificate for all the shares of each class for the time being held by him or, upon payment of such reasonable out-of-pocket expenses as the Board may from time to time determine for every certificate after the first, to several certificates, each for one or more of his shares.

3.2 Every certificate will:

3.2.1 be issued within two months after allotment or the lodgement with the company of the transfer of the shares, not being a transfer which the company is for any reason entitled to refuse to register and does not register, unless the conditions of issue of such shares otherwise provide or except as exempted by virtue of section 778, CA 2006;

3.2.2 be issued under the official seal kept by the company by virtue of section 50, CA 2006 or otherwise in accordance with the Statutes and as the Board may, by resolution decide, either generally or in relation to any specific case or cases; and

3.2.3 specify the number and class and distinguishing numbers, if any, of the shares to which it relates, and the amount paid up on them.

3.3 The company is not bound to register more than four persons as the joint holders of any share or shares, except in the case of executors or trustees of a deceased member. In the case of a share held jointly by several persons, the company is not bound to issue more than one certificate for it. Delivery of a certificate for a share to one of several joint holders will be sufficient delivery to all.

3.4 Where a member transfers part of his holding of shares, he will be entitled to a certificate for the balance of his holding without charge.

3.5 Share certificates and certificates for debentures and, subject to the provisions of any instrument constituting or securing them, certificates issued under the official seal kept by the company by virtue of section 50, CA 2006, need not be signed or countersigned, or the signatures may be affixed to them by such mechanical means as may be determined by the Board.

3.6 If a share certificate is lost, destroyed, defaced or worn out, it will be renewed and, in case of loss or destruction, on such terms, if any, as to evidence and indemnity as the Board thinks fit, and, in case of defacement or wearing out, on delivery to the company of the old certificate.

3.7 The company will not make any charge for any certificate issued under regulation 3.6 but will be entitled to charge for any exceptional out-of-pocket expenses it incurred relating to the issue of any new certificate.

4. Uncertificated Shares

4.1 Under and subject to the Uncertificated Securities Regulations, the Board may permit title to shares of any class to be evidenced otherwise than by certificate and title to shares of such a class to be transferred by means of a relevant system and may make arrangements for a class of shares (if all shares of that class are in all respects identical) to become a participating class. Title to shares of a particular class may only be evidenced otherwise than by a certificate where that class of shares is at the relevant time a participating class. The Board may also, subject to compliance with the Uncertificated Securities Regulations, determine at any time that title to any class of shares may from a date specified by the Board no longer be evidenced otherwise than by a certificate or that title to such a class shall cease to be transferred by means of any particular relevant system.

4.2 In relation to a class of shares which is a participating class and for so long as it remains a participating class, no provision of these Articles shall apply or have effect to the extent that it is inconsistent in any respect with:

4.2.1 the holding of shares of that class in uncertificated form;

4.2.2 the transfer of title to shares of that class by means of a relevant system; or

4.2.3 any provision of the Uncertificated Securities Regulations;

and, without prejudice to the generality of this Article, no provision of these Articles shall apply or have effect to the extent that it is in any respect inconsistent with the maintenance, keeping or entering up by the Operator so long as that is permitted or required by the Uncertificated Securities Regulations, of an Operator register of securities in respect of that class of shares in uncertificated form.

4.3 Shares of a class which is at the relevant time a participating class may be changed from uncertificated to certificated form, and from certificated to uncertificated form, in accordance with and subject as provided in the Uncertificated Securities Regulations.

4.4 If, under these Articles or the Statutes, the company is entitled to sell, transfer or otherwise dispose of, forfeit, re-allot, accept the surrender of or otherwise enforce a lien over an uncertificated share, then, subject to these Articles and the Statute, such entitlement shall include the right of the Board to:

4.4.1 require the holder of the uncertificated share by notice in writing to change that share from uncertificated to certificated form within such period as may be specified in the notice and keep it as a certificated share for as long as the Board requires;

4.4.2 appoint any person to take such other steps, by instruction given by means of a relevant system or otherwise, in the name of the holder of such share as may be required to effect the transfer of such share and such steps shall be as effective as if they had been taken by the registered holder of that share; and

4.4.3 take such other action that the Board considers appropriate to achieve the sale, transfer, disposal, forfeiture, re-allotment or surrender of that share or otherwise to enforce a lien in respect of that share.

4.5 Unless the Board determines otherwise, shares which a member holds in uncertificated form shall be treated as separate holdings from any shares which that member holds in certificated form but a class of shares shall not be treated as two classes simply because some shares of that class are held in certificated form and others in uncertificated form.

4.6 Unless the Board determines otherwise or the Uncertificated Securities Regulations require otherwise, any shares issued or created out of or in respect of any uncertificated shares shall be uncertificated shares and any shares issued or created out of or in respect of any certificated shares shall be certificated shares.

4.7 The company shall be entitled to assume that the entries on any record of securities maintained by it in accordance with the Uncertificated Securities Regulations and regularly reconciled with the relevant Operator register of securities are a complete and accurate reproduction of the particulars entered in the Operator register of securities and shall accordingly not be liable in respect of any act or thing done or omitted to be done by or on behalf of the company in reliance on such assumption. Any provision of these Articles which requires or envisages that action will be taken in reliance on information contained in the register of members shall be construed to permit that action to be taken in reliance on information contained in any relevant record of securities (as so maintained and reconciled).

5. Conversion

5.1 Holders of Deferred Shares have the option to convert their Deferred Shares into ordinary shares of £0.01 each in the company on the occurrence of any one of the following events (each one a **Conversion Event**):

5.1.1 on a Listing on or before the Relevant Date; or

5.1.2 on a Sale on or before the Relevant Date, conditional on completion of such Sale and such new Ordinary Shares shall be included in such Sale.

5.2 Holders of Deferred Shares also have the option to convert their Deferred Shares into Ordinary Shares of £0.01 each in the company by giving 10 days' written notice to the company at any time before the Relevant Date whether or not Listing or Sale has occurred, such right expiring on the Relevant Date.

5.3 A Sale may not take place unless and until the proposed purchaser makes an offer to the holders of Deferred Shares to purchase their Deferred Shares in accordance with their terms.

5.4 The company must give prior notice to all holders of Deferred Shares of a Conversion Event as soon as it is reasonably able to do so in the event of a Sale or Listing, and no less than 30 days before the Relevant Date, and within 10 days of receipt of such notice, the holders of Deferred Shares must notify the company in writing of whether they wish to elect, conditional upon completion of a proposed Sale or Listing if appropriate, to convert their Deferred Shares into Ordinary Shares. Any failure to notify the company in accordance with this regulation will, in the absence of manifest error, be deemed to be an election not to convert and the company will have the right to purchase all Deferred Shares that do not, or are deemed not to, convert for the nominal value of such shares after the Relevant Date.

5.5 The price payable by the holder of the Deferred Shares to the company on a conversion pursuant to either regulation 5.5.1 or 5.5.2 will be:

5.5.1 on a Sale the Relevant Capital Difference, of which £0.09 per share will reflect the difference in par value between a Deferred Share and an Ordinary Share; or

5.5.2 on a Listing, the Relevant Capital Difference of which £0.09 per share will reflect the difference in par value between a Deferred Share and an Ordinary Share;

5.5.3 in the case of a Listing, following a Listing or on a Sale the company may allow holders of Deferred Shares to convert their Deferred Shares on a 'cashless' basis into shares by following the procedure set out in regulation 5.6 below, provided always that to the extent that the company's shares are traded on a Regulated Market the financial adviser to the company at the relevant time approves such 'cashless conversion'.

5.6 The procedure for 'cashless conversion' referred to in regulation 5.5.3 above is as follows:

5.6.1 a holder of Deferred Shares who wishes to convert their Deferred Shares (for the purposes of this regulation, the **Converting Shareholder**) will lodge a completed notice of conversion in the form set out in regulation 5.8 below (**Notice of Conversion**) and such share certificates relating to such Deferred Shares to be converted at the office of the registrars of the company from time to time. The Notice of Conversion will be registered to stipulate if the holder of the Deferred Shares wishes to carry out a cashless conversion;

5.6.2 the company will then, as soon as reasonably practicable allot the relevant number of shares in place of the Deferred Shares being converted;

5.7

5.7.1 The company will calculate the value of every individual share based upon the value of the company, such calculation based upon the price being offered for a share under the terms of the Sale (**Sale Price**) or if the conversion of the Deferred Shares is being carried out upon a Listing the price at which shares will be offered upon the Listing (**Listing Price**). For the purposes of a cashless conversion after a Listing, the Listing Price will be calculated as the average of the mid-market closing price of the shares for the five Business Days immediately before the Notice of Conversion is served.

5.7.2 In the event of a Sale, if the final Sale Price is not fully ascertainable at completion of the Sale (e.g. deferred consideration based upon a future event) any cashless conversion will take effect at the highest Sale Price which is ascertainable and from which the Sale Price will not fluctuate downwards.

5.7.3 The company will calculate the overall value of the Deferred Shares following the conversion based upon the Listing Price **(Aggregate Value**) and will then deduct from the Aggregate Value an amount equal to the Relevant Capital Difference multiplied by the number of Deferred Shares being converted by any holder of Deferred Shares (**Aggregate Relevant Capital Difference**). The sum remaining after the deduction of the Aggregate Relevant Capital Difference from the Aggregate Value (**Net Aggregate Value)** will be divided into the Listing Price and the result will equal the number of Shares which the Member converting Deferred Shares will be entitled to receive following such conversion.

5.7.4 The cashless conversion will take place immediately prior to the Sale and/or the Listing and will be conditional to completion of the Sale and/or the Listing.

5.8 Any Notice of Conversion will be substantially in the following form

To Morria Biopharmaceuticals Plc (Company)

*We hereby give notice of our desire to convert [•] of our Deferred Shares into shares (**Ordinary Shares**) subject to the articles of association of the Company.*

*Please allot and issue to **[NAME]** **[the number of]** Ordinary Shares to which such number of Deferred Shares convert.*

Option 1

[We hereby enclose a cheque representing the Relevant Capital Difference per Deferred Share payable on conversion to an Ordinary Share]

Option 2

[Cashless Conversion] [We hereby request that this conversion be carried out as a Cashless Conversion]

Signature of Converting Shareholder
Date

5.9 Upon a conversion pursuant to this regulation 5 (**Conversion**) and subject to payment of the purchase price as calculated:

5.9.1 the holders of the relevant Deferred Shares will be requested to return or destroy their share certificates in respect of such Deferred Shares if they have not already done so;

5.9.2 the Board will direct that the necessary entries are made in the company's register of members.

6. Calls on shares

6.1 The Board may, subject to the provisions of these articles and to any conditions of allotment, from time to time make calls upon the members in respect of any money unpaid on their shares, whether on account of the nominal value of the shares or by way of premium. Each member will, subject to being given at least 14 days' notice specifying the time or times and place of payment, pay to the company at the time or times and place so specified the amount called on his shares.

6.2 A call may be payable by instalments and may be postponed or wholly revoked or in part revoked, as the Board may determine.

6.3 A call will be deemed to have been made at the time when the resolution of the Board authorising the call was passed.

6.4 The joint holders of a share are jointly and severally liable to pay all calls in respect of it and any one of such persons may give effective receipts for any return of capital payable in respect of such shares.

6.5 If by the terms of any admission document, prospectus, listing particulars or any other document relating to an issue of shares in the company or by the conditions of allotment, any amount is payable in respect of any shares by instalments, every such instalment will be payable as if it were a call duly made by the Board of which due notice had been given.

6.6 If a sum called in respect of a share is not paid before or on the day appointed for its payment, the person from whom the sum is due must pay interest on the sum at such rate as may be fixed by the terms of allotment of the share or, if no rate is fixed, at the appropriate rate, as defined by section 592, CA 2006, from the day appointed for its payment to the time of actual payment. The Board is at liberty to waive payment of such interest wholly or in part.

6.7 Any sum which by or pursuant to the terms of issue of a share becomes payable upon allotment or at any fixed date, whether on account of the amount of the share or by way of premium, will for all the purposes of these articles be deemed to be a call duly made and payable on the date on which, by or pursuant to the terms of issue, it becomes payable. In case of non payment, all the relevant provisions of these articles as to payment of interest, forfeiture or otherwise apply as if such sum had become payable by virtue of a call duly made and notified.

6.8 The Board may make arrangements on the issue of shares for a difference between the holders in the amount of calls to be paid and in the times of payment.

6.9 The Board may receive from any member willing to advance it all or any part of the money unpaid upon the shares held by him, beyond the sums actually called up on them, as a payment in advance of calls, and such payment in advance of calls will extinguish, so far as they extend, the liability upon the shares in respect of which it is advanced. The company may pay interest upon the money so received, or so much of it as from time to time exceeds the amount of the calls then made upon the shares in respect of which it has been received, at such rate as the member paying such sum and the Board agree. Any such payment in advance will not entitle the holder of the shares in question to participate in any dividend in respect of the amount advanced.

7. Transfer of shares

7.1 Any member may transfer any of his certificated shares by instrument of transfer in any usual form or in such other form as the Board approves. The instrument must be executed by or on behalf of the transferor and (except in the case of a share which is fully paid up) by or on behalf of the transferee but need not be under seal. The transferor is deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect of it. Transfers of shares in uncertificated form will be effected by means of the relevant system in accordance with the Statutes, these articles and any resolution of the Board taken in compliance with the relevant Listing Rules applicable to the company's shares.

7.2 Subject to regulation 3, the Board may refuse to register a transfer of a certificated share unless the instrument of transfer:

7.2.1 is in respect of only one class of shares;

7.2.2 is in favour of not more than four joint transferees;

7.2.3 is duly stamped (if required);

7.2.4 is in compliance with all applicable rules and regulations; and

7.2.5 is lodged at the Office or such other place as the Board may decide accompanied by the certificate for the shares to which it relates (except in the case of a transfer by a recognised person to whom no certificate was issued) and such other evidence (if any) as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so.

7.3 The Board may in its absolute discretion and without giving any reasons, refuse to register any transfer of a certificated share which is not fully paid, but this discretion may not be exercised in such a way as to prevent dealings in the shares from taking place on an open and proper basis.

7.4 The Board may, in circumstances permitted by the Listing Rules, disapprove the transfer of a certificated share if the exercise of such power does not disturb the market in the shares.

7.5 The Board may refuse to register the transfer of an uncertificated share in any circumstances permitted by the Listing Rules if the exercise of such power does not disturb the market in the shares. For the avoidance of doubt, where the Listing Rules do not authorise the Board to refuse to register a transfer, than the Board shall have no such authority.

7.6 If the Board refuses to register a transfer of any share it must send to the transferee a notice of such refusal within whichever of the following periods is the earlier:

7.6.1 the time required by the Listing Rules; and

7.6.2 two months after the date on which the transfer was lodged with the company.

7.7 No fee will be charged for the registration of a transfer or other document relating to or affecting the title to any share or for making any entry in the Register affecting the title to any share.

7.8 Subject to regulation 42, all instruments of transfer which are registered may be retained by the company but any instrument of transfer which the Board refuses to register will (except in the case of suspected fraud) be returned to the person depositing it when notice of the refusal is given.

8. Forfeiture of shares

8.1 If a member fails to pay any call or instalment of a call before or on the date appointed for its payment the Board may, at any time after that date, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued on it and all expenses incurred by the company by reason of such non payment.

8.2 The notice will name a further date, not earlier than 14 days from the date of its service, on or before which, and the place where, the payment required by the notice is to be made, and will state that, in the event of non payment on or before the date, and at the place appointed, the shares on which the call was made will be liable to be forfeited.

8.3 If the requirements of any such notice are not complied with, any share in respect of which it has been given may at any time before payment of all calls, interest and expenses due in respect of it has been made, be forfeited by a resolution of the Board. Such forfeiture will include all dividends which have been declared on the forfeited shares and not actually paid before the forfeiture.

8.4 When any share has been forfeited, notice of the forfeiture will be served upon the person who was before forfeiture the holder of it, but no forfeiture will be in any manner invalidated by any omission to give such notice. Subject to the provisions of the Statutes, any share so forfeited will become the property of the company, no voting rights may be exercised in respect of it and the Board may within three years of such forfeiture sell, re-allot, or otherwise dispose of it in such manner as they think fit, either to the person who was before the forfeiture its holder, or to any other person, and either with or without any past or accruing dividends, and in the case of re-allotment, with or without any money paid on it by the former holder being credited as paid up on it. Any share not so disposed of within a period of three years from the date of its forfeiture will be cancelled in accordance with the provisions of the Statutes.

8.5 The Board may at any time, before any share so forfeited has been cancelled or sold, re-allotted or otherwise disposed of, annul the forfeiture upon such conditions as they think fit.

8.6 A person whose shares have been forfeited ceases to be a member in respect of the forfeited shares and must, if the shares are certificated shares, surrender to the company the certificate for them. That person remains liable to pay to the company all money which at the date of forfeiture was payable by him to the company in respect of the shares and interest on them in accordance with article 6.6, and the Board may enforce payment without any allowance for the value of the shares at the time of forfeiture.

8.7 A statutory declaration by a Director or the Secretary that a share has been duly forfeited on a date stated in the declaration, is conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share. Such declaration and the receipt by the company of the consideration, if any, given for the share on its sale, re-allotment or disposal, together with the certificate, if any, for the share delivered to a purchaser or allottee of it, subject to the execution of a transfer if so required, constitutes a good title to the share. Where a forfeited share held in uncertificated form is to be transferred to any person, the Board may exercise any of the company's powers to effect the transfer of the share to that person. The company may receive any consideration for the share on its disposal. The person to whom the share is sold, re-allotted or disposed of will be registered as its holder and will not be bound to see to the application of any consideration, nor will his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, re-allotment or disposal of the share.

8.8 The Board may accept the surrender of any share liable to be forfeited under these articles and in any such case any reference in these articles to forfeiture includes surrender.

9. Transmission of shares

9.1 If a member dies, the survivors or survivor (where the deceased was a joint holder) and the executors or administrators of the deceased (where he was a sole or only surviving holder) are the only persons recognised by the company as having any title to his interest in the shares. Nothing in this regulation will release the estate of a deceased joint holder from any liability in respect of any share jointly held by him.

9.2 Except as provided in these regulations, any person becoming entitled to a share in consequence of the death or bankruptcy of a member may, upon producing such evidence as to his title as may be required by the Board and subject to any provisions contained within the Listing Rules, elect either to be registered himself as the holder of the share or to have some person nominated by him registered as its holder.

9.3 If the person becoming entitled by transmission to a certificated share elects to be registered himself, he must deliver or send to the company a notice in writing signed by him stating that he so elects. If he elects to have another person registered, and the share is a certificated share, he must signify his election by signing a transfer of the share in favour of that person. If the person elects to be registered or have another person registered, and the share is an uncertificated share, he must take any action as the Board may require including, without limitations, the execution of any document and the giving of any instruction by means of a relevant system to enable himself or that other person to be registered as the holder of the share. All the limitations, restrictions and provisions of these regulations relating to the right to transfer and the registration of transfers of shares apply to any such notice or transfer as if the death or bankruptcy of the member had not occurred and the notice or transfer were a transfer signed by such member.

9.4 A person becoming entitled to a share in consequence of the death or bankruptcy of a member will, upon supply to the company of such evidence as the Board may reasonably require as to his title to the share, be entitled to receive and may give a discharge for all benefits arising or accruing on or in respect of the share, but he will not be entitled in respect of that share to receive notices of or to attend or vote at meetings of the company, or, except as previously stated, to any of the rights or privileges of a member until he has become a member in respect of the share. The Board may at any time give notice requiring any such person who is the holder of a fully paid up share to elect either to be registered himself or to transfer the share and, if within 60 days the notice is not complied with, such person will be deemed to have elected to be registered as a member in respect of the share and may be registered accordingly.

10. Disclosure of interests in shares

10.1 Where the company serves a Section 793 Notice on a member, or another person whom the company knows or has reasonable cause to believe to be interested in shares held by that member, and the member or other person fails in relation to any such shares including any shares issued to such member after the date of the Section 793 Notice in respect of those shares (**Default Shares**) to give the company the information required within 14 days following the date of service of the Section 793 Notice, the Board may serve a Disenfranchisement Notice on the holder of such Default Shares.

10.2 Upon service of a Disenfranchisement Notice on a holder the sanctions set out in regulations 10.3 and 10.4 apply, unless the Board otherwise determines.

10.3 The Member is not entitled in respect of the Default Shares to be present or to vote (either in person or by proxy) at a general meeting or at a separate meeting of the holders of a class of shares or on a poll or to exercise other rights conferred by membership in relation to the meeting or poll.

10.4 Where the Default Shares represent at least 0.25 per cent. in nominal value of the issued shares of their class (calculated exclusive of any shares held as treasury shares):

10.4.1 a dividend (or any part of a dividend) or other amount payable in respect of the Default Shares will be withheld by the company and no interest will be payable on it, and the member is not entitled to elect, under regulation 34.12, to receive shares instead of a dividend; and

10.4.2 no transfer of any of the Default Shares will be registered unless:

10.4.2.1 the transfer is an excepted transfer; or

10.4.2.2 the member is not himself in default in supplying the information required and proves to the satisfaction of the Board that no person in default in supplying the information required is interested in any of the relevant shares;

10.4.3 the registration of the Transfer is regulated by any regulations binding on the company in respect of Uncertificated Shares.

10.5 The sanctions under regulations 10.1 to 10.4 cease to apply seven days after the earlier of receipt by the company of:

10.5.1 notice of registration of an excepted transfer, in relation to the Default Shares; and

10.5.2 all information required by the Section 793 Notice, in a form satisfactory to the Board, in relation to any Default Shares.

10.6 Where the company issued a Section 793 Notice to another person on the basis of information obtained from a member in respect of a share held by the member, it must at the same time send a copy of the Section 793 Notice to the member, but the accidental omission to do so, or the non receipt by the member of the copy, does not invalidate or otherwise affect the application of regulations 10.1 to 10.4.

10.7 For the purpose of regulations 10.1 to 10.6:

10.7.1 **interested** has the meaning given to it in sections 820 to 825, CA 2006;

10.7.2 reference to a person having failed or defaulted to give the company the information required by a Section 793 Notice, includes:

10.7.2.1 reference to his having failed or refused to give all or any part of it; and

10.7.2.2 reference to his having given information which he knows to be false in a material particular or having recklessly given information which is false in a material particular;

10.7.3 **excepted transfer** means, in relation to shares held by a member:

10.7.3.1 a transfer pursuant to acceptance of a takeover bid for the company as defined in regulation 2 of the Takeovers Directive (no. 2004/25/EC);

10.7.3.2 a transfer in consequence of a sale made through a recognised investment exchange (as defined in the Financial Services and Markets Act 2000) or another stock exchange outside the United Kingdom on which shares in the capital of the company are normally traded; or

10.7.3.3 a transfer which is shown to the satisfaction of the Board to be made in consequence of a bona fide sale of the whole of the beneficial interest in the shares to a person who is unconnected with the member and with any other person appearing to be interested in the shares.

10.8 Regulations 10.1 to 10.7 are in addition to and without prejudice to the Statutes.

11. Increase of capital

11.1 The company may from time to time by ordinary resolution increase its capital by such sum, to be divided into shares of such amounts and carrying such rights, as the resolution may prescribe.

11.2 All new shares are subject to the provisions of these articles with reference to payment of calls, transfer, transmission and otherwise. Unless otherwise provided by these articles, by the resolution creating the new shares or by the conditions of issue, the new shares will upon issue be Ordinary Shares.

12. Alteration of capital

12.1 The company may by ordinary resolution:

12.1.1 consolidate and divide all or any of its share capital into shares of larger nominal value than its existing shares;

12.1.2 subdivide its shares, or any of them, into shares of smaller nominal value subject nevertheless to the Statutes, and so that the resolution by which any share is subdivided may determine that, as between the holders of the shares resulting from such subdivision, one or more of the shares may have any such preferred or other special rights over or may have such deferred rights or be subject to any such restrictions as compared with the others as the company has power to attach to new shares; and

12.1.3 cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

12.2 The company may from time to time by special resolution reduce its share capital, capital redemption reserve fund, any share premium account or any other non distributable reserves in any manner authorised by the Statutes and diminish the amount of its share capital by the amount of the shares so cancelled.

12.3 If any shares are consolidated or consolidated and then divided, the Board has power to deal with any fractions of shares which result. If the Board decides to sell any shares representing fractions, it can do so for the best price reasonably obtainable and distribute the net proceeds of sale among members in proportion to their fractional entitlements. The Board can arrange for any shares representing fractions to be entered in the register of members as certificated shares if they consider that this makes it easier to sell them. The Board can sell those shares to anyone, including the company if the legislation allows, and may authorise any person to transfer or deliver the shares to the buyer or in accordance with the buyer's instructions. The buyer shall not be bound to see to the application of the purchase money, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the sale.

13. General meetings

13.1 Subject to the provisions of CA 2006, the annual general meeting will be held at such time and place or places as the Board may determine.

13.2 The Board may call a general meeting whenever they think fit, and must do so when required under Chapter 3, CA 2006 or under the Listing Rules and in accordance thereof. General meetings must also be convened on such requisition, or in default may be convened by such requisitionists or by court order, as provided by section 305, CA 2006 or under the Listing Rules, and in accordance thereof.

14. Notice of general meetings

14.1 Subject to the provisions of section 307, CA 2006, an annual general meeting must be called by at least 21 days' notice, and all other general meetings must be called by at least 14 days' notice. The notice is exclusive of the day on which it is served, or deemed to be served, and of the day for which it is given.

14.2 Every notice must specify the principal place, the day and the time of meeting, and, in the case of special business, the general nature of such business, and in the case of an annual general meeting, must specify the meeting as such.

14.3 In the case of any general meeting the Board may (notwithstanding the specification in the notice of the general meeting) make arrangements for simultaneous attendance and participation at other places by members and proxies entitled to attend the general meeting but excluded from the principal place due to lack of space. Such arrangements for simultaneous attendance at the meeting may include arrangements regarding the level of attendance at the other places but they must operate so that any members and proxies excluded from attendance at the principal place are able to attend at one of the other places. For the purpose of all other provisions of these articles any such meeting will be treated as being held and taking place at the principal place. So as to facilitate the organisation and administration of any general meeting to which such arrangements apply, the Board may arrange for the issue of tickets, on a basis intended to afford to all members and proxies entitled to attend the meeting an equal opportunity of being admitted to the principal place, or impose some other random means of selection or otherwise as it, in its absolute discretion, considers appropriate. The Board may from time to time vary any such arrangements or make new arrangements in their place and the entitlement of any member or proxy to attend a general meeting at the principal place will be subject to such arrangements as are, for the time being, in force whether stated in the notice of the meeting to apply to that meeting or notified to the members concerned subsequent to the despatch of the notice of the meeting.

14.4 Notices must be given in the manner stated in these articles to all the members holding legal title to shares held by the members, other than those who under the provisions of these articles or under the rights attached to the shares held by them are not entitled to receive the notice, to each of the Directors and to the auditors.

14.5 Notwithstanding that it is called by shorter notice than that specified in regulation 14.1, a meeting of the company is deemed to have been duly called if it is so agreed:

14.5.1 in the case of a meeting called as an annual general meeting, by all the members entitled to attend and vote at it; or

14.5.2 in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right (excluding any shares held as treasury shares).

14.6 If the Board, in its absolute discretion, considers that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time or place specified in the notice calling the general meeting, it may postpone the general meeting to another date, time and/or place.

14.7 The accidental omission to give notice of a meeting or resolution or to send any notification when required by the Statutes or these articles relating to the publication of a notice of meeting on a website or (in cases where proxies are sent out with the notice) the accidental omission to send a proxy to, or the non receipt of any such notice, resolution, notification or proxy by, any person entitled to receive it will not invalidate the proceedings at that meeting.

14.8 In every notice calling a meeting of the company or any class of the members of the company, there will appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to exercise all the member's rights and to attend, speak and vote instead of him, and that a proxy need not also be a member.

14.9 Where special notice of a resolution is required by any provision contained in CA 2006, the resolution is not effective unless notice of the intention to move it has been given to the company not fewer than 28 days, or such shorter period as CA 2006 permits, before the meeting at which it is moved, and the company must give to its members notice of any such resolution as required by and in accordance with the provisions of CA 2006.

14.10 It is the duty of the company, subject to the provisions of CA 2006, on the requisition in writing of such number of members as is specified in CA 2006 and, unless the company otherwise resolves, at the expense of the requisitionists:

14.10.1 to give to members entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and

14.10.2 to circulate to members entitled to have notice of any general meeting sent to them, a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

15. Proceedings at general meetings

15.1 The Board may direct that members or proxies wishing to attend any general meeting must submit to such searches or other security arrangements or restrictions as the Board considers appropriate in the circumstances and may, in its absolute discretion, refuse entry to, or eject from, such general meeting any member or proxy who fails to submit to such searches or otherwise to comply with such security arrangements or restrictions.

15.2 All business transacted at a general meeting other than an annual general meeting is deemed special.

15.3 All business transacted at an annual general meeting is also deemed special, with the exception of declaring dividends, the consideration of the accounts and balance sheet and the reports of the Directors and auditors and other documents required to be annexed to the balance sheet, the appointment of Directors in the place of those retiring by rotation or otherwise, the reappointment of the retiring auditors, other than retiring auditors who have been appointed by the Board to fill a casual vacancy, the fixing of the remuneration of the auditors, and the giving, varying, revoking or renewing of any authority or power for the purposes of section 551, CA 2006.

15.4 No business may be transacted at any general meeting unless a quorum is present. Except as otherwise provided in these articles, two persons entitled to vote at the meeting each being a member or a proxy for a member or a representative of a corporation which is a member, duly appointed as such in accordance with the Statutes, holding in the aggregate at least 15 per cent. of the company's outstanding share capital, shall constitute a quorum. If at any time the company only has one member, such member in person, by proxy or if a corporation by its representative, shall constitute a quorum.

15.5 If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened on the requisition of, or by, members, will be dissolved. In any other case, it will stand adjourned to the same day in the next week at the same time and place, or to such other day and at such other time and place as the Board may determine.

15.6 If, at such adjourned meeting, a quorum is not present within 15 minutes from the time appointed for holding the meeting, the member or members present in person or by proxy and entitled to vote will have power to decide upon all matters which could properly have been disposed of at the meeting as originally convened. When a meeting is adjourned for 30 days or more, the company must give at least seven clear days' notice, specifying the place, the day and the time of the adjourned meeting and that the member or members present will form a quorum, but it will not be necessary to specify in such notice the nature of the business to be transacted at the adjourned meeting. Except as stated, it will not be necessary to give any notice of an adjournment.

15.7 The chairman, if any, of the Board, or in his absence some other Director nominated by the chairman in writing, will preside as chairman at every general meeting of the company, but if at any meeting neither the chairman nor such other Director is present within 15 minutes after the time appointed for holding the meeting, or if neither of them is willing to act as chairman, the Directors present may choose some Director present to be chairman, or if no Director is present, or if all the Directors present decline to take the chair, the members present may choose some member present to be chairman.

15.8 The chairman may, with the consent of any meeting at which a quorum is present, and must if so directed by the meeting, adjourn the meeting from time to time and from place to place, but no business may be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting as originally convened.

15.9 At any general meeting, a resolution put to the vote of the meeting is decided on a show of hands, unless before or upon the declaration of the result of the show of hands a poll is demanded:

15.9.1 by the chairman; or

15.9.2 by not fewer than five members present in person or by proxy and entitled to vote at the meeting; or

15.9.3 by a member or members representing not less than one tenth of the total voting rights of all the members having the right to vote at the meeting; or

15.9.4 by a member or members holding shares of the company conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all the shares conferring that right.

15.10 Unless a poll is so demanded, a declaration by the chairman that a resolution has been carried, or carried unanimously or by a particular majority, or lost, or not carried by a particular majority, and an entry to that effect in the book containing the minutes of the proceedings of general meetings of the company is conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

15.11 The instrument appointing a proxy to vote at a meeting is deemed also to confer authority to demand or join in demanding a poll and to vote on a poll on the election of a chairman and on a motion to adjourn a meeting. For the purposes of regulation 15.9, a demand by a person as proxy for a member is the same as a demand by the member.

15.12 If any votes are counted which ought not to have been counted or might have been rejected, or if any votes are not counted which ought to have been counted, the error will not vitiate the result of the voting unless it is pointed out at the same meeting, or at any adjournment of it, and it is in the opinion of the chairman of the meeting of sufficient magnitude to vitiate the result of the voting.

15.13 In the case of a resolution duly proposed as a special resolution no amendment, other than an amendment to correct a patent error, may be considered or voted upon. In the case of a resolution duly proposed as an ordinary resolution, no amendment, other than an amendment to correct a patent error, may be considered or voted upon unless, either at least 48 hours prior to the time appointed for holding the meeting or adjourned meeting at which such ordinary resolution is to be proposed notice in writing of the terms of the amendment and intention to move it is lodged at the Office, or the chairman, in his absolute discretion, decides that it may be considered or voted upon. If an amendment is proposed to any resolution under consideration but is ruled out of order by the chairman of the meeting the proceedings on the substantive resolution will not be invalidated by any error in such ruling.

15.14 Subject to the provisions of regulation 15.15, if a poll is duly demanded, it will be taken in such manner as the chairman may direct, including the use of ballot or voting papers or tickets, and the result of a poll will be deemed to be the resolution of the meeting at which the poll was demanded. The chairman may, in the event of a poll, appoint scrutineers, who need not be members, and may fix some place and time for the purpose of declaring the result of the poll.

15.15 A poll demanded on the election of a chairman or on a question of adjournment must be taken immediately. A poll demanded on any other question must be taken immediately or at such time and place as the chairman directs, not being more than 30 days from the date of the meeting or the adjourned meeting at which the poll was demanded. No notice need be given of a poll not taken immediately if the time and place at which it is to be taken are announced at the meeting at which it is demanded. In any other case, at least seven days' notice must be given specifying the time and place at which the poll is to be taken.

15.16 In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded is entitled to a further or casting vote.

15.17 The demand for a poll will not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

15.18 A demand for a poll may, before the poll is taken, be withdrawn but only with the consent of the chairman, and a demand so withdrawn will not be taken to have invalidated the result of a show of hands declared before the demand was made. If a poll is demanded before the declaration of the result of a show of hands and the demand is duly withdrawn with the consent of the chairman, the meeting will continue as if the demand had not been made.

16. Votes of members

16.1 Subject to any special rights or restrictions as to voting attached to any share by or in accordance with these articles, every member entitled to vote, whether personally present at a meeting or represented by one or more duly appointed proxies or one or more duly authorised corporate representatives, has one vote on both a show of hands and on a vote by poll for each share of which he is the holder. Voting shall be on a count of votes.

16.2 In the case of joint holders of a share, the person whose name appears first in the Register is entitled, to the exclusion of the other joint holders, to vote, whether in person or by proxy, in respect of the share.

16.3 A member who is a patient within the meaning of the Mental Health Act 1983 may vote, whether on a show of hands or on a poll, by his receiver, curator bonis, or other person appointed by such court (who may on a poll vote by proxy) provided that such evidence as the Board may require of the authority of the person claiming to vote has been deposited at the Office not fewer than 48 hours before the time for holding the meeting or adjourned meeting at which such person claims to vote.

16.4 No member is entitled to be present or to be counted in the quorum or vote, either in person or by proxy, at any general meeting or at any separate meeting of the holders of a class of shares or on a poll or to exercise other rights conferred by membership in relation to the meeting or poll, unless all calls or other monies due and payable in respect of the member's share or shares have been paid. This restriction ceases on payment of the amount outstanding and all costs, charges and expenses incurred by the company by reason of non payment.

16.5 No objection may be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or cast, and every vote not disallowed at such meeting will be valid for all purposes. Any such objection made in due time will be referred to the chairman of the meeting, whose decision is final, binding and conclusive.

16.6 On a poll, votes may be given either in person or by proxy and a member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

16.7 Any person, whether a member or not, may be appointed to act as a proxy. A member may appoint more than one proxy to attend the same meeting so long as each proxy is appointed to exercise the rights attached to a different share or shares held by that member. Deposit of an instrument of proxy does not preclude a member from attending and voting in person at the meeting or any adjournment of it.

16.8 The appointment of a proxy must be in any usual form, or such other form as may be approved by the Board, and must be signed by the appointor or by his agent duly authorised in writing or if the appointor is a corporation, must be either under its common seal or signed by an officer or agent so authorised. If the appointment is in electronic form, it must be executed on behalf of the appointor. The Board may, but will not be bound to, require evidence of authority of such officer or agent. An instrument of proxy need not be witnessed.

16.9 The appointment of a proxy and (if required by the Board) any power of attorney or other authority under which it is executed, or a certified copy of such authority, must be delivered to the Office, or such other place specified for that purpose in the notice calling the meeting, or in any such proxy (or, where the appointment of the proxy was contained in an electronic communication, at the electronic address of the company), not fewer than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote. In default, the proxy will not be valid. The appointment of a proxy to vote at any meeting and deposited as set out in this regulation will authorise the proxy so appointed to vote on any poll taken or demanded at such meeting or at any adjournment of such meeting.

16.10 In relation to any shares which are held in uncertificated form, the Board may from time to time permit appointments of a proxy to be made by means of an electronic communication in the form of an uncertificated proxy instruction (that is, a properly authenticated dematerialised instruction, or other instruction or notification, which is sent by means of the relevant system concerned and received by such participant in that system acting on behalf of the company as the Board may prescribe, in such form and subject to such terms and conditions as may from time to time be prescribed by the Board and subject always to the facilities and requirements of the relevant system concerned). The Board may in a similar manner permit supplements to, or amendments or revocations of, any such uncertificated proxy instruction to be made by like means. The Board may in addition prescribe the method of determining the time at which any such properly authenticated dematerialised instruction or other instruction or notification is to be treated as received by the company or such participant. The Board may treat any such uncertificated proxy instruction which purports to be or is expressed to be sent on behalf of a holder of a share as sufficient evidence of the authority of the person sending that instruction to send it on behalf of that holder.

16.11 No appointment of a proxy will be valid after the expiry of 12 months from the date of its execution, or its receipt by the participant in the relevant system concerned acting on behalf of the company, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within 12 months from such date.

16.12 A vote given in accordance with the terms of a proxy or by the duly authorised representative of a corporate member or a poll demanded by proxy or by the duly authorised representative of a corporate member will be valid, notwithstanding, in the case of a proxy, the previous death or insanity of the principal, or the revocation of the instrument of proxy or of the authority under which the instrument of proxy was executed, provided that no notice in writing (including by electronic communication) of such death, insanity or revocation has been received by the company at the Office at least two hours before the commencement of the meeting or adjourned meeting at which the proxy is used.

16.13 For the purposes of regulations 16.9 to 16.12 electronic address includes in the case of any uncertificated proxy instructions an identification number of a participant in the relevant system concerned.

16.14 The Board may at the expense of the company send, by post or otherwise, to the members proxies, with or without provision for their return prepaid, for use at any general meeting or at any separate meeting of the holders of any class of shares of the company either in blank or nominating in the alternative any one or more of the Directors or any other persons. If, for the purpose of any meeting, invitations to appoint as proxy a person, or one of a number of persons, specified in the invitations are issued at the company's expense, they will be issued to all, and not to some only, of the members entitled to be sent a notice of the meeting and to vote at it by proxy.

16.15 In calculating any periods mentioned in this regulation 16 no account will be taken of any part of a day that is not a working day (within the meaning of section 1173, CA 2006).

17. Corporations acting by representatives

Any corporation which is a member of the company may by resolution of its directors or other governing body authorise any person or persons as it thinks fit to act as its representative or representatives at any meeting of the company or of any class of members of the company. The person or persons so authorised will be entitled to exercise the same powers on behalf of the corporation which he or they represent as the corporation could exercise if it were an individual member of the company and the corporation will, for the purposes of these articles, be deemed to be present in person at any such meeting if any person so authorised is present at it.

18. Directors

18.1 Unless otherwise determined by the company in general meeting, the number of Directors is not subject to a maximum but must not be fewer than three.

18.2 The Directors from time to time will be categorised into three classes, as follows:

18.2.1 Class A Directors, appointed as Director of the company for an initial one-year term (subject to reappointment in accordance with these articles);

18.2.2 Class B Directors, appointed as Director of the company for an initial two-year term (subject to reappointment in accordance with these articles); and

18.2.3 Class C Directors, appointed as Director of the company for an initial three-year term (subject to reappointment in accordance with these articles).

18.3 Upon appointment a Director will be categorised into a specific class of Directors.

18.4 A Director is not required to hold any share qualification but is nevertheless entitled to attend and speak at any general meeting or at any separate meeting of the holders of any class of shares of the company.

18.5 The chairman of the Board shall be elected by the shareholders in general meeting.

18.6 Without derogating from the rights of the other Directors, the chairman shall schedule the Board meetings and set their agenda.

18.7 Unless determined otherwise by the Board or by applicable law, the chairman shall appoint the chairpersons and members of committees of the Board.

18.8 Subject to the other provisions in these articles each Director shall be elected for a term of not more than three years. At the end of such term, each such Director may stand for re-election.

19. Alternate Directors

19.1 Any Director, other than an alternate Director, may at any time appoint any other Director, or any person approved by resolution of the Board, to be an alternate Director of the company, and may at any time remove any alternate Director so appointed by him from office and, subject to such approval by the Board, appoint another person in his place. An alternate Director so appointed is not required to hold any share qualification.

19.2 Subject to his giving to the company an address at which notices may be served upon him, an alternate Director is entitled to receive notices of all meetings of the Board and to attend and vote as a Director at any such meeting at which the Director appointing him is not personally present, and generally to perform all the functions of his appointor as a Director in the absence of such appointor.

19.3 An alternate Director will cease to be an alternate Director on the happening of any event which, if he were a Director, would cause him to vacate such office or if his appointor ceases for any reason to be a Director. If, however, any Director retires whether by rotation or otherwise but is reappointed by the meeting at which such retirement took effect, any appointment made by him pursuant to regulation 19.1 which was in force immediately prior to his retirement will continue to operate after his re-appointment as if he had not so retired.

19.4 All appointments and removals of alternate Directors must be effected by notice in writing signed by the Director making or revoking such appointment sent to or left at the Office.

19.5 Except as otherwise provided in these articles, an alternate Director is deemed for all purposes to be an officer of the company and is alone responsible to the company for his own acts and defaults, and he is not deemed to be the agent of or for the Director appointing him. An alternate Director is not entitled to receive any remuneration from the company for his services as such but his remuneration is payable out of the remuneration payable to the Director appointing him, and will consist of such part, if any, of the latter's remuneration as is agreed between them.

20. Powers and duties of Directors

20.1 The business of the company is managed by the Board who may exercise all such powers of the company as are not by the Statutes or by these articles required to be exercised by the company in general meeting, subject nevertheless to the provisions of these articles and of the Statutes, and to such directions, whether or not inconsistent with these articles, as may be prescribed by the company by special resolution. No such direction and no alteration of these articles will invalidate any prior act of the Board which would have been valid if such direction or alteration had not been given or made. The general powers given by this regulation are not limited or restricted by any special authority or power given to the Board by any other regulation.

20.2 The Board may from time to time provide for the management and transaction of the affairs of the company in any specified locality, including abroad, in such manner as they think fit, and the provisions contained in regulations 20.3 to 20.5 are without prejudice to the general powers conferred by this regulation.

20.3 The Board may establish, hire or contract any councils, committees, local boards or agencies for managing any of the affairs of the company, either in the United Kingdom or elsewhere, and may appoint any persons to be members of such local boards, or managers or agents, and may fix their remuneration, and may delegate to any council, committee, local board, manager or agent any of the powers, authorities and discretions vested in the Board, with power to sub-delegate, and may authorise the members of any local board, or any of them, to fill any vacancies in it, and to act notwithstanding vacancies. Any such appointment or delegation may be made upon such terms and subject to such conditions as the Board think fit, and the Board may remove any person so appointed, and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation will be affected by it.

20.4 The Board may from time to time, and at any time, appoint, whether by power of attorney or otherwise, any corporation, firm or person, or any fluctuating body of persons, whether nominated directly or indirectly by the Board, to be the agent of the company for such purposes and with such powers, authorities and discretions, not exceeding those vested in or exercisable by the Board under these articles, and for such period and subject to such conditions as they may think fit. Any such appointment may contain such provisions for the protection and convenience of persons dealing with any such agent as the Board may think fit, and may also authorise any such agent to sub-delegate all or any of the powers, authorities and discretions vested in him.

20.5 The Board may exercise the powers conferred upon the company by section 129, CA 2006 with regard to the keeping of an overseas branch register and the Board may, subject to the provisions of the Statutes, make and vary such regulations as they may think fit respecting the keeping of any such register.

20.6 The Board may establish and maintain, or procure the establishment and maintenance of, any pension, annuity or superannuation funds, whether contributory or otherwise, for the benefit of, and give or procure the giving of donations, gratuities, pensions, allowances and emoluments to, any persons who are or were at any time Directors of or in the employment or service of the company, or of any company which is a subsidiary of the company or is allied to or associated with the company or any such subsidiary or of any of the predecessors in business of the company or any such other company, or who may be or have been Directors or officers of the company, or of any such other company, and to the wives, widows, families and dependants of any such persons.

20.7 Subject to particulars with respect to the proposed payment being disclosed to the members of the company and to the proposal being approved by the company by ordinary resolution, if the Statutes so require, any Director who holds or has held any executive position or agreement for services is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

20.8 The Board may also establish, subsidise and subscribe to any institutions, associations, societies, clubs or funds calculated to be for the benefit of, or to advance the interests and well being of, the company or of any person or any other company mentioned in regulation 20.6, and make payments for or towards the insurance of any such person and subscribe or guarantee money for charitable or benevolent objects, or for any exhibition or for any political, public, general or useful object, and do any of such matters, either alone or in conjunction with any company mentioned in regulation 20.6.

20.9 The Board may exercise the voting power conferred by the shares in any other company held or owned by the company or exercisable by members of the Board as directors of such other company in such manner in all respects as they think fit, including its exercise in favour of any resolution appointing themselves or any of them directors or other officers or employees of such company or voting or providing for the payment of remuneration to such officers or employees.

20.10 All cheques, promissory notes, drafts, bills of exchange and other negotiable or transferable instruments and all receipts for money paid to the company, must be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Board may from time to time determine by resolution.

21. Borrowing powers

21.1 The Board may exercise all the powers of the company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part if it, and subject to the provisions of the Statutes, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the company or of any third party.

21.2 The Board may secure or provide for the payment of any money to be borrowed or raised by a mortgage of or charge upon all or any part of the undertaking or property of the company, both present and future, and upon any capital remaining unpaid upon the shares of the company whether called up or not, or by any other security. The Board may confer upon any mortgagees or persons in whom any debenture or security is vested such rights and powers as they think necessary or expedient. They may vest any property of the company in trustees for the purpose of securing any money so borrowed or raised and confer upon the trustees, or any receiver to be appointed by them, or by any debenture holder, such rights and powers as the Board may think necessary or expedient in relation to the undertaking or property of the company or its management or realisation, or the making, receiving, or enforcing of calls upon the members in respect of unpaid capital, and otherwise. The Board may make and issue debentures to trustees for the purpose of further security and the company may remunerate any such trustees.

21.3 The Board may give security for the payment of any money payable by the company in same manner as for the payment of money borrowed or raised.

21.4 The Board must keep a register of charges in accordance with the Statutes and the fee to be paid by any person, other than a creditor or member of the company for each inspection of the register of charges to be kept under CA 2006 is five pence.

22. Delegation of Directors' powers

22.1 The Board may delegate any of their powers, duties, discretion and authorities to committees consisting of such members or member of their body as they think fit. Any committee so formed must, in the exercise of the powers, duties, discretions and authorities so delegated, conform to any regulations that may be imposed on it by the Board.

22.2 The meetings and proceedings of any such committee consisting of two or more members are governed by the provisions of these articles regulating the meetings and proceedings of the Board so far as they are applicable and are not superseded by any regulations made by the Board under regulation 22.1. No resolution of a committee is effective unless a majority of its members present are Directors.

23. Appointment and retirement of Directors

23.1 Subject to Article 23.3, each Director shall retire at the next general meeting after the term of his office ends in accordance with Article 18.2. A Director retiring at a general meeting, if he is not re-appointed, retains office until the meeting appoints someone in his place or, if it does not do so, until the end of that meeting.

23.2 Subject to the provisions of the Statutes and of these articles, the Directors to retire in every year include, so far as necessary to obtain the required number, any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire are those who have been longest in office since their last appointment or re-appointment but, as between persons who became or were last re-appointed Directors on the same day, those to retire are determined by the Board at the recommendation of the chairman of the Board. A retiring Director is eligible for re-appointment, subject as set out in these articles.

23.3 In any two year period, a majority of the Directors must stand for re-election or replacement. In the event that this majority has not been met and the number of Directors eligible for retirement by rotation under the provisions of these articles are not met, any further Directors so to retire are those who have been longest in office since their last appointment or re-appointment but, as between persons who became or were last re-appointed Directors on the same day, those to retire are determined by the Board at the recommendation of the chairman of the Board. A retiring Director is eligible for re-appointment, subject as set out in these articles.

23.4 The company at the meeting at which a Director retires in the manner set out in regulation 23.1 may fill the vacated office and, in default, the retiring Director, if willing to act, is deemed to have been re-appointed, unless at such meeting it is expressly resolved not to fill the vacancy, or a resolution for the re-appointment of such Director is put to the meeting and lost.

23.5 No person other than a Director retiring at the meeting, unless recommended by the Directors for appointment, is eligible for appointment to the office of a Director at any general meeting unless, not fewer than seven more than 42 clear days before the day appointed for the meeting, there is given to the company notice in writing by some member duly qualified to be present and vote at the meeting for which such notice is given of his intention to propose such person for appointment stating the required particulars and, also, notice in writing signed by the person to be proposed of his willingness to be appointed.

23.6 At a general meeting, a motion for the appointment of two or more persons as Directors by a single resolution will be void, unless a resolution that it is so made has been first agreed to by the meeting without any vote being given against it and, for the purpose of this regulation, a motion for approving a person's appointment or for nominating a person for appointment is treated as a motion for his appointment.

23.7 The company may from time to time by ordinary resolution increase or reduce the number of Directors and may also determine in what rotation such increased or reduced number is to go out of office. Without prejudice to the provisions of regulation 23.8, the company may by ordinary resolution appoint any person to be a Director, either to fill a casual vacancy or as an additional Director.

23.8 The Board and the company in general meeting each have power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an additional Director, but so that the total number of Directors does not at any time exceed the maximum number, if any, fixed by or in accordance with these articles. Subject to the provisions of the Statutes and of these articles, any Director so appointed by the Directors holds office only until the conclusion of the next following annual general meeting and is eligible for reappointment at that meeting. Any Director who retires under this regulation is not taken into account in determining the Directors who are to retire by rotation at such meeting.

23.9 Any contract of employment entered into by a Director with the company may not include a term that it is to continue or may be continued, otherwise than at the instance of the company, for a period exceeding two years during which the employment either cannot be terminated by the company by notice or can be so terminated only in specified circumstances, unless such term is first approved by ordinary resolution of the company.

23.10 There is no restriction as to the age of Directors except as required by the Statutes.

23.11 On such persons who are nominated in accordance with the procedures set forth in this regulation shall be eligible to serve as directors.

24. Disqualification and removal of Directors

24.1 The office of a Director must be vacated in any of the following events:

24.1.1 if, not being a Director who has agreed to serve as a Director for a fixed term, he resigns his office by notice in writing signed by him and authorised in such manner as the other Directors may require, sent to or left at the Office;

24.1.2 if he becomes bankrupt or makes any arrangement or composition with his creditors generally or applies to the court for an interim order under section 253, Insolvency Act 1986 in connection with a voluntary arrangement under that Act;

24.1.3 an order is made by any court having jurisdiction on the ground, however formulated, of mental disorder for his detention or for the appointment of a guardian or receiver or other person, by whatever name called, to exercise powers with respect to his property or affairs;

24.1.4 if he is absent from meetings of the Directors for six successive months without leave, and his alternate Director, if any, has not during such period attended in his place, and the Directors resolve that his office be vacated;

24.1.5 if he ceases to be a Director by virtue of any provision of the Statutes or pursuant to these articles; or

24.1.6 if he becomes prohibited by law or by the Listing Rules from being a Director (after taking into account any grace period provisions or exceptions that may apply).

24.2 The company may in accordance with, and subject to the provisions of, the Statutes, by ordinary resolution of which special notice has been given, remove a Director before the expiry of his period of office and may appoint another person in his place. Such removal is without prejudice to any claim such Director may have for breach of any contract of service between him and the company. The person so appointed is subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last appointed or reappointed a Director.

25. Executive and other directors

25.1 Subject to the provisions of the Statutes, the Board may from time to time and at any time appoint one or more of their body to hold any executive office in relation to the management of the business of the company on such terms, for such period and with or without such title(s) as they may decide. The Board may, from time to time, subject to the provisions of any service contract between the appointee(s) and the company, remove or dismiss him or them from such office and appoint another or others in his or their place or places.

25.2 A Director who holds any such executive office is, while he continues to hold that office, subject to retirement by rotation in accordance with the provisions of regulation 23, and he is taken into account in determining the retirement by rotation of Directors. He is also, subject to the provisions of regulation 24.1 and of any service contract between him and the company, subject to the same provisions as to removal and as to vacation of office as the other Directors of the company. If he ceases to hold the office of Director for any cause, his appointment as the holder of an executive office will also terminate, unless otherwise determined by the Board.

25.3 The remuneration of any Director holding executive office may consist of salary, commission, profit participation, share options, pension or insurance benefit or any combination of them, or otherwise as determined by the Board.

25.4 The Board may entrust to and confer upon any Director appointed to any such executive office any of the powers exercisable by them, other than the power to make calls, upon such terms and conditions and with such restrictions as the Board think fit, and either collaterally with or to the exclusion of their own powers, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

25.5 Subject to the provisions of the Statutes, the Board may from time to time, and at any time, pursuant to this regulation appoint any person to any post with such descriptive title including that of Director, whether as executive, group, divisional, departmental, deputy, assistant, local, advisory director or otherwise, as they may determine. They may define, limit, vary and restrict the powers, authorities and discretions of any person so appointed and may fix and determine his remuneration and duties, and subject to any contract between him and the company, may remove from such post any person so appointed. A person so appointed is not a Director for any of the purposes of these articles or of the Statutes, and accordingly is not a member of the Board or of any committee of the Board, nor is he entitled to be present at any meeting of the Board or of any such committee, except at the request of the Board or of such committee. If present at such request, he is not entitled to vote at such meeting.

26. Remuneration of Directors

26.1 The Directors are entitled to fees at such rate or rates as may from time to time be determined by the Board, but the aggregate fees of the Directors (as such) will not exceed £150,000 (one hundred and fifty thousand pounds) per annum, or such additional sum as may from time to time be determined by the company by ordinary resolution. In the case of an executive Director, such fees are payable to him in addition to his remuneration as an executive Director.

26.2 The company may, by ordinary resolution, also vote extra fees to the Directors which will, unless otherwise determined by the resolution by which it is voted, be divided among the Directors as they may agree, or failing agreement, equally. The Directors' fees are deemed to accrue from day to day.

26.3 Any Director who serves on any committee, or who devotes special attention to the business of the company, or who otherwise performs services which in the opinion of the Board are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, options, participation in profits or otherwise as the Board may determine.

27. Directors' expenses

The Directors are also entitled to be paid all travelling, hotel, food and other expenses properly incurred by them in connection with the business of the company or in attending and returning from meetings of the Board or of committees of the Board or general meetings.

28. Directors' interests

28.1 A Director, including an alternate Director, may hold any other office or place of profit under the company, other than the office of auditor, in conjunction with his office of Director and may act in a professional capacity to the company, on such terms as to tenure of office, remuneration and otherwise as the Board may determine.

28.2 Subject to the Statutes and to the provisions of these articles, no Director or intending Director, including an alternate Director, is disqualified by his office from contracting with the company either with regard to his tenure of any other office or place of profit, or as seller, purchaser or otherwise. No such contract, or any contract or arrangement entered into by or on behalf of the company in which any Director is in any way, whether directly or indirectly, interested, is liable to be avoided, nor is any Director so contracting or being so interested obliged to account to the company for any profit realised by any such contract or arrangement by reason of the Director holding that office or of his fiduciary relationship with the company.

28.3 Any Director, including an alternate Director, may continue to be or become a director or other officer or member of or otherwise interested in any other company promoted by the company or in which the company may be interested, as a member or otherwise, or which is a holding company of the company or a subsidiary of any such holding company. No such Director is accountable for any remuneration or other benefits received by him as a director or other officer or member of, or from his interest in, any such other company. The Board may exercise the voting power conferred by the shares in any other company held or owned by the company, or exercisable by the directors of such other company, in such manner in all respects as they think fit, subject to the restrictions contained in regulation 28.9.

28.4 A Director, including an alternate Director, who is in any way, whether directly or indirectly, interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the company must declare the nature of his interest at a meeting of the Board. In the case of a proposed contract, transaction or arrangement, the declaration must be made at the meeting of the Board at which the question of entering into the contract, transaction or arrangement is first taken into consideration or, if the Director was not at the date of that meeting interested in the proposed contract, transaction or arrangement, at the next meeting of the Board held after he became so interested. In a case where the Board becomes interested in a contract, transaction or arrangement after it is made, the declaration must be made at the first meeting of the Board held after the Director becomes so interested. In a case where the Director is interested in a contract, transaction or arrangement which has been made before he was appointed a Director, the declaration must be made at the first meeting of the Board held after he is so appointed.

28.5 For the purposes of regulation 28.4, a general notice given to the Board by any Director to the effect that he is a member of any specified company or firm and is to be regarded as interested in any contract which may, after the date of the notice, be made with such company or firm is deemed a sufficient declaration of interest in relation to any contract so made if such Director gives the notice at a meeting of the Board or takes reasonable steps to secure that it is brought up and read at the next meeting of the Board after it is given.

28.6 A Director may continue or become a director or other officer, employee or member of any company promoted by the company or in which it may be interested as a seller, shareholder, or otherwise, and no such Director is accountable for any remuneration or other benefits derived as director or other officer, employee or member of such company.

28.7 Except as provided in these articles, a Director may not vote at a meeting of the Board or of a committee of the Board on any resolution concerning a matter:

28.7.1 in which he has (either alone or together with any person connected with him, as provided in section 252, CA 2006) a material interest, other than an interest in shares or debentures or other securities of or in the company; and

28.7.2 (subject to regulation 29) which conflicts or may conflict with the interests of the company.

28.8 A Director is not counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

28.9 Notwithstanding the provisions of regulations 28.7 and 28.8 and 29, a Director is entitled to vote and be counted in the quorum in respect of any resolution concerning any of the following matters:

28.9.1 the giving of any security, guarantee or indemnity to him in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the company or any of its subsidiaries;

28.9.2 the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

28.9.3 any proposal concerning an offer of shares or debentures or other securities of or by the company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant as the holder of such shares, debentures or other securities or in its underwriting or sub-underwriting;

28.9.4 any contract, arrangement, transaction or other proposal concerning any other company in which he holds an interest not representing one per cent. or more of any class of the equity share capital (calculated exclusive of any shares of that class held as treasury shares) of such company, or of any third company through which his interest is derived, or of the voting rights available to members of the relevant company, any such interest being deemed for the purpose of this regulation to be a material interest in all circumstances;

28.9.5 any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by HM Revenue & Customs;

28.9.6 any contract, arrangement, transaction or proposal concerning the adoption, modification or operation of any scheme for enabling employees including full time executive Directors of the company and/or any subsidiary to acquire shares of the company or any arrangement for the benefit of employees of the company or any of its subsidiaries, which does not award him any privilege or benefit not awarded to the employees to whom such scheme relates; or

28.9.7 any contract, arrangement, transaction or proposal concerning insurance which the company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including Directors.

28.10 A Director may not vote or be counted in the quorum on any resolution concerning his own appointment as the holder of any office or place of profit with the company or any company in which the company is interested, including fixing or varying the terms of his appointment or its termination.

28.11 Where proposals are under consideration concerning the appointment, including fixing or varying the terms of appointment, of two or more Directors to offices or employments with the company or any company in which the company is interested, such proposals may be divided and considered in relation to each Director separately. In such cases, each of the Directors concerned, if not debarred from voting under regulation 28.9.4, is entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.

28.12 If any question arises at any meeting as to the materiality of a Director's interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question must be referred to the chairman of the meeting and his ruling in relation to any other Director will be final and conclusive, except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed. If the question concerns the chairman, it must be referred to such other Director present at the meeting, other than the chairman, as the Directors present appoint.

28.13 Subject to the Statutes, the company may by ordinary resolution suspend or relax the provisions of regulations 28.4 to 28.12 to any extent or ratify any transaction not duly authorised by reason of a contravention of these articles.

29. Conflicts of interest requiring Board authorisation

29.1 The Board may, if the quorum and voting requirements set out in this regulation 29 are satisfied, authorise any matter that would otherwise involve a Director (**Relevant Director**) breaching his duty under chapters 2 and 3 of part 10, CA 2006 to avoid conflicts of interest.

29.2 Any Director (including the Relevant Director) may propose that the Relevant Director be authorised in relation to any matter which is the subject of such a conflict. The proposal and any authority given by the Board will be determined in the same way as any other matter proposed to and resolved by the Board under these articles, except that the Relevant Director and any other Director with a similar interest:

29.2.1 will not count towards the quorum at the meeting at which the conflict is considered;

29.2.2 may, if the Board so decides, be excluded from any Board meeting while the conflict is under consideration; and

29.2.3 may not vote on any resolution authorising the conflict, but except that, if he or they in fact vote, the resolution will be valid if it would have been passed even if the vote or votes had not been counted.

29.3 Where the Board gives authority in relation to such a conflict:

29.3.1 the Board may (whether at the time of giving the authority or at any time or times subsequently) impose such terms upon the Relevant Director and any other Director with a similar interest as it deems appropriate, including, without limitation, the exclusion of the Relevant Director and any other Director with a similar interest from the receipt of information, or participation in discussion (whether at meetings of the Board or otherwise) relating to the conflict;

29.3.2 the Relevant Director and any other Director with a similar interest will be obliged to comply with any terms imposed by the Board from time to time in relation to the conflict;

29.3.3 the authority may also provide that where the Relevant Director, and any other Director with a similar interest, obtains information that is confidential to a third party, the Relevant Director or such other Director, as the case may be, will not be obliged to disclose that information to the company, or to use the information in relation to the company's affairs, where to do so would amount to a breach of that confidence;

29.3.4 the terms of the authority must be recorded in writing; and

29.3.5 the authority may be withdrawn by the Board at any time.

30. Proceedings of Directors

30.1 The Board may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting are determined by a majority of votes. In case of an equality of votes, the chairman shall have a casting vote. A Director who is also an alternate Director is entitled, in the absence of the Director whom he is representing, to a separate vote on behalf of such Director in addition to his own vote. A Director may, and the Secretary on the requisition of a Director must, at any time call a meeting of the Board.

30.2 Notice of meetings of the Board is deemed to be duly given to a Director if it is given to him personally or by word of mouth or sent in writing or other means to him at his last known address or any other address (including an electronic address) given by him from time to time to the company for this purpose. A Director may request the Board that notices of Board meetings will be sent in writing to him at an electronic address given by him to the company.

30.3 The quorum necessary for the transaction of the business of the Board may be fixed by the Board, and unless so fixed at any other number, is a majority of the Board of Directors, to include the Chairman of the Board. If a Board meeting is attended by a Director who is acting as an alternate for one or more other Directors, the Director or Directors for whom he is the alternate will be counted in the quorum despite their absence, and if on this basis there is a quorum the meeting may be held despite the fact that only one Director is physically present. A meeting of Directors for the time being at which a quorum is present is competent to exercise all powers and discretions for the time being exercisable by the Board.

30.4 All or any of the Directors, including alternates, or members of any committee of the Board may participate in a meeting of the Board or that committee by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating is deemed to be present in person at the meeting and may vote or be counted in a quorum. Accordingly, a meeting of the Board or a committee of the Board may be held where each of those present or deemed to be present is in communication with the others only by telephone or other communication equipment. A meeting where those present or deemed to be present are in different locations is deemed to take place where the largest group of those participating is assembled, or, if there is no such group, where the chairman of the meeting then is.

30.5 The continuing Directors may act notwithstanding any vacancy in their body. If the number of the Directors is less than the prescribed minimum, the remaining Director or Directors must immediately appoint an additional Director or additional Directors to make up such minimum or convene a general meeting of the company for the purpose of making such appointment. If there is no Director or Directors able or willing to act, any two members may summon a general meeting for the purpose of appointing Directors. Any additional Director so appointed holds office, subject to the provisions of the Statutes and these articles, only until the end of the annual general meeting of the company next following such appointment, unless he is re-elected during such meeting. He is eligible for re-election at such meeting and does not retire by rotation at such meeting nor is taken into account in determining the rotation or retirement of Directors at such meeting.

30.6 The Board may from time to time elect from their number, and remove, one or more deputy chairmen or vice chairmen and determine the period for which any such person is to hold office. The deputy chairman or vice chairman (to be chosen, if in each case there are more than one, by agreement amongst them or, failing agreement, by lot) or in the absence of any of them, some other Director nominated by a majority of the other Directors in writing, presides at all meetings of the Board. If no such chairman, deputy chairman or vice chairman is elected, or if at any meeting the chairman or the deputy chairman or the vice chairman or such other Director is not present within five minutes after the time appointed for holding it, or if none of them is willing to act as chairman, the Directors present may choose one of their number to be chairman of the meeting.

30.7 A resolution in writing, agreed to by all the Directors for the time being entitled to receive notice of a meeting of the Board (if that number is sufficient to constitute a quorum) or of a committee of the Board, is as effective as a resolution passed at a Board meeting or of a committee of the Board, duly convened and held. For this purpose a Director signifies his consent to a proposed resolution in writing when the company receives from him or his alternate a document or an electronic communication at such address (including an electronic address) as may be specified by the company indicating his agreement to the resolution, authenticated in the manner required by section 1146, CA 2006.

30.8 A meeting of the Directors for the time being at which a quorum is present is competent to exercise all powers and discretions for the time being exercisable by the Board.

30.9 All acts done bona fide by any meeting of Directors, or of a committee of the Board, or by any person acting as Director, are as valid as if every such person had been duly appointed, was qualified, had continued to be a Director and had been entitled to vote, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any such director or person acting as a Director, or that they or any of them were disqualified, or had vacated office, or were not entitled to vote.

31. Secretary

31.1 Subject to the Statutes, the Secretary of the company is appointed by the Board on such terms and for such periods as they may think fit, and the Board may so appoint one or more assistant or deputy Secretary. Any Secretary or assistant or deputy Secretary so appointed may at any time be removed from office by the Board, without prejudice to any claim for damages for breach of any contract of service between him and the company.

31.2 Anything by CA 2006 required or authorised to be done by the Secretary may, if the office is vacant or there is for any other reason no Secretary capable of acting, be done by any assistant or deputy Secretary or, if there is no assistant or deputy Secretary capable of acting, by any officer of the company authorised generally or specifically in that behalf by the Board. Any provision of the Statutes or of these articles requiring or authorising a thing to be done by a Director and Secretary is not satisfied by its being done by the same person acting both as Director and as, or in the place of, the Secretary.

32. Minutes

32.1 The Board must ensure that minutes are made of:

32.1.1 all appointments of officers and committees made by the Board;

32.1.2 the names of the Directors present at each meeting of Board and of any committee of the Board and all business transacted at such meetings; and

32.1.3 all orders, resolutions and proceedings at all meetings of the company, of the holders of any class of shares in the company and of the Board and of committees of the Board.

32.2 Any such minute, if purporting to be signed by the chairman of the meeting at which the proceedings were held, or by the chairman of the next succeeding meeting, is prima facie evidence of the matters stated in such minutes without any further proof.

33. Seal and authentication of documents

33.1 The Board may provide a common seal for the company and have power from time to time to destroy it and to substitute a new seal for it.

33.2 A document expressed to be executed by the company signed as provided by section 44(2), CA 2006 has effect as if executed under seal.

33.3 The Board may exercise the powers conferred on the company by section 50, CA 2006 with regard to having an official seal solely for sealing documents creating or evidencing securities of the company. Any such documents to which such official seal is affixed need not be signed by any person.

33.4 The Board must provide for the safe custody of the seal and the seal may never be used except by the authority of a resolution of the Board or of a committee of the Board authorised for that purpose by the Board. The Board may from time to time make such regulations as it thinks fit, subject to the provisions of these articles in relation to share and debenture certificates, determining the persons and the number of such persons who may sign every instrument to which the seal is affixed and, until otherwise so determined, every such instrument must be signed by one Director and must be countersigned by a second Director or by the Secretary.

33.5 The company may have official seals under the provisions of section 49, CA 2006 for use abroad. Wherever reference is made in these articles to the seal, the reference, when and so far as may be applicable, is deemed to include any such official seal.

33.6 Any Director or the Secretary or any person appointed by the Board for the purpose has power to authenticate any documents affecting the constitution of the company and any resolutions passed by the company or the Board or any committee of the Board, and any books, records, documents and accounts relating to the business of the company, and to certify copies of them or extracts from them as true copies or extracts. A document purporting to be a copy of a resolution, or a copy of or an extract from the minutes of a meeting of the company or of the Board or any committee of the Board, which is certified as stated, is conclusive evidence in favour of all persons dealing with the company upon the faith of any such copy that such resolution has been duly passed or, as the case may be, that such copy or extract is a true and accurate record of proceedings at a duly constituted meeting.

34. Dividends

34.1 The profits of the company available for distribution and resolved to be distributed are applied in the payment of dividends to the members in accordance with their respective rights and priorities. The company in general meeting may declare dividends accordingly.

34.2 No dividend or interim dividend is payable otherwise than in accordance with the provisions of the Statutes and no dividend may exceed the amount recommended by the Board.

34.3 Subject to the rights of persons, if any, entitled to shares with preferential or other special rights as to dividends, all dividends must be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid. No amount paid up on a share in advance of the date on which a call is payable may be treated as paid up for this purposes. All dividends will be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid, except that if any share is issued on terms providing that it carries any particular rights as to dividend, such share will rank for dividend accordingly.

34.4 Subject to the provisions of the Statutes and of these articles, the Board may, if they think fit, from time to time pay to the members such interim dividends as appear to the Board to be justified by the distributable profits of the company. If at any time the share capital of the company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the company which confer on their holders deferred or non preferred rights, as well as in respect of those shares which confer on their holders preferential rights with regard to dividend. No dividend, whether interim, final or otherwise, may be paid on shares carrying deferred or non preferred rights if, at the time of payment, any preferential dividend is in arrear. The Board may also pay half yearly, or at other suitable intervals to be settled by them, any dividend which may be payable at a fixed rate if they are of the opinion that the distributable profits justify the payment and if and to the extent that such payment is permitted by the Statutes. So long as the Board act in good faith, they will not incur any responsibility to the holders of shares conferring a preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non preferred rights.

34.5 Subject to the provisions of the Statutes or as otherwise required by law, where any asset, business or property is bought by the company as from a past date, whether such date is before or after the incorporation of the company, the profits or losses attributable to it as from such date may at the discretion of the Board in whole or in part be carried to revenue account and treated for all purposes as profits or losses of the company. Except as stated, if any shares or securities are purchased cum dividend or interest, such dividend or interest may at the discretion of the Board be treated as revenue and it will not be obligatory to capitalise it or any part of it.

34.6 The Board may deduct from any dividend or other money payable to any member on or in respect of a share all sums of money, if any, presently payable by him to the company on account of calls or otherwise in relation to the shares of the company. The company may cease to send any cheque or warrant through the post for any dividend payable on any shares in the company which is normally paid in that manner on those shares if, in respect of at least two consecutive dividends payable on those shares, the cheques or warrants have been returned undelivered or remain uncashed or, if following one such occasion, reasonable enquiries have failed to establish any new address of the registered holder. Subject to the provisions of these articles, the company must recommence sending cheques or warrants in respect of dividends payable on those shares if the holder or person entitled by transmission claims the arrears of dividend and does not instruct the company to pay future dividends in some other way.

34.7 The Board may retain the dividends payable upon shares in respect of which any person is, under the provisions as to the transmission of shares contained in these articles, entitled to become a member, or which any person is under those provisions entitled to transfer, until such person becomes a member in respect of such shares or transfers them.

34.8 All dividends, interest or other sums payable and unclaimed for one year, after having been declared, may be invested or otherwise made use of by the Board for the benefit of the company until claimed and the company is not constituted a trustee in respect of them. No dividend will bear interest as against the company.

34.9 Any dividend which has remained unclaimed for a period of 12 years from the date on which it becomes due for payment will, if the Board so resolve, be forfeited and cease to remain owing by the company and will from then on belong to the company absolutely.

34.10 Any dividend or other money payable on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled to it and, in the case of joint holders, to any one of such joint holders or, to such person and such address as the holder or joint holders may in writing direct. Every such cheque or warrant will be made payable to the order of the person to whom it is sent or to such other person as the holder or joint holders may in writing direct and payment of the cheque or warrant is a good discharge to the company. Every such cheque or warrant will be sent at the risk of the person entitled to the money.

34.11 If several persons are registered as joint holders of any share any one of them may give effectual receipts for any dividend or other money payable on or in respect of the share.

34.12 The Board may, if authorised by an ordinary resolution of the company, offer any holders of Ordinary Shares the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of the whole, or some part, to be determined by the Board, of any dividend specified by the ordinary resolution. The following provisions will apply:

34.12.1 an ordinary resolution may specify a particular dividend or may specify all or any dividends declared within a specified period but such period may not end later than the beginning of the annual general meeting next following the date of the meeting at which the ordinary resolution is passed;

34.12.2 the entitlement of each holder of Ordinary Shares to new Ordinary Shares is such that the relevant value of the entitlement is as nearly as possible equal to, but not greater than, the cash amount, disregarding any tax credit of the dividend that such holder elects to forgo. For this purpose, **relevant value** is calculated by reference to the average of the middle market quotations for the company's Ordinary Shares on the relevant stock exchange, on the day on which the Ordinary Shares are first quoted "ex" the relevant dividend and the four subsequent dealing days or in such other manner as may be determined by or in accordance with the ordinary resolution. A certificate or report by the auditors as to the amount of the relevant value in respect of any dividend is conclusive evidence of that amount;

34.12.3 on or as soon as practicable after announcing that they are to declare or recommend any dividend, the Board, if they intend to offer an election in respect of that dividend, must also announce that intention, and, after determining the basis of allotment, if the Board decide to proceed with the offer, must notify the holders of Ordinary Shares in writing of the right of election and specify the procedure to be followed and the place at which, and the latest time by which, elections must be lodged in order to be effective;

34.12.4 the Board may not proceed with any election unless the company has sufficient unissued shares authorised for issue and sufficient reserves or funds that may be capitalised to give effect to it after the basis of allotment is determined;

34.12.5 the Board may exclude from any offer any holders of Ordinary Shares where the Board believes that the making of the offer to them would or might involve the contravention of the laws of any territory or that for any other reason the offer should not be made to them;

34.12.6 the dividends, or that part of the dividend in respect of which a right of election has been offered, will not be payable on Ordinary Shares other which an election has been made (**elected ordinary shares**) and, instead, additional Ordinary Shares will be allotted to the holders of the elected ordinary shares on the basis of the allotment calculated as stated. For such purpose, the Board will capitalise, out of any amount for the time being standing to the credit of any reserve or fund, including the profit and loss account, whether or not it is available for distribution as the Board may determine, a sum equal to the aggregate nominal amount of the additional Ordinary Shares to be allotted on that basis and apply it in paying up in full the appropriate number of unissued Ordinary Shares for allotment and distribution to the holders of the elected ordinary shares on that basis; and

34.12.7 the additional Ordinary Shares when allotted will rank equally in all respects with the fully paid shares then in issue except that they will not be entitled to participate in the relevant dividend.

34.13 A general meeting declaring a dividend may, upon the recommendation of the Board, direct payment of such dividend wholly or in part by the distribution of specific assets, and in particular of paid up shares or debentures of the company or any other company, and the Board must give effect to such resolution. Where any difficulty arises in regard to the distribution, they may settle it as they think expedient and, in particular but without limitation, may issue fractional certificates and may fix the value for distribution of such specific assets or any part of them, and may determine that cash payments will be made to any members upon the basis of the value so fixed, in order to adjust the rights of members. They may vest any specific assets in trustees upon trust for the persons entitled to the dividend as may seem expedient to the Board, and generally may make such arrangements for the allotment, acceptance and sale of such specific assets or fractional certificates, or any part of them, and otherwise as they think fit.

35. Reserves

35.1 Subject to the provisions of the Statutes, the Board may before recommending any dividend, whether preferential or otherwise, carry to reserve out of the profits of the company, including any premiums received upon the issue of debentures or other securities of the company, such sums as they think proper as a reserve or reserves.

35.2 All sums standing to reserve may be applied from time to time at the discretion of the Board for meeting depreciation or contingencies or for special dividends or bonuses or for equalising dividends or for repairing, improving or maintaining any of the property of the company or for such other purposes as the Board may decide are conducive to the objects of the company or any of them. Pending their application such sums may either be employed in the business of the company or be invested in such investments as the Board think fit.

35.3 The Board may divide the reserve into such special funds as they think fit, and may consolidate into one fund any special funds or any parts of any special funds into which the reserve has been divided, as they think fit. Any sum which the Board may carry to reserve out of the unrealised profits of the company will not be mixed with any reserve to which profits available for distribution have been carried. The Board may also without placing them to reserve carry forward any profits which they may think it not prudent to divide.

36. Capitalisation of profits

36.1 Subject as set out in regulations 36.2 and 36.3 the Board may with the authority of an ordinary resolution of the company:

36.1.1 resolve to capitalise any undivided profits of the company, whether or not they are available for distribution and including profits standing to any reserve, or, any sum standing to the credit of the company's share premium account or capital redemption reserve funds;

36.1.2 appropriate the profits or sum resolved to be capitalised to the members in proportion to the nominal amount of Ordinary Shares, whether or not fully paid, held by them respectively, and apply such profits or sum on their behalf, either in or towards paying up the amounts, if any, for the time being unpaid on any shares held by such members respectively, or in paying up in full unissued shares or debentures of the company of a nominal amount equal to such profits or sum, and allot and distribute such shares or debentures credited as fully paid up, to and amongst such members, or as they may direct, in due proportion, or partly in one way and partly in the other;

36.1.3 resolve that any shares allotted under this regulation to any member in respect of a holding by him of any partly paid Ordinary Shares will, so long as such Ordinary Shares remain partly paid, rank for dividends only to the extent that such partly paid Ordinary Shares rank for dividend;

36.1.4 make such provisions by the issue of fractional certificates or by payment in cash or otherwise as the Board think fit for the case of shares or debentures becoming distributable under this regulation in fractions;

36.1.5 authorise any person to enter on behalf of all the members concerned into an agreement with the company providing for the allotment to them respectively, credited as fully paid up, of any shares or debentures to which they may be entitled upon such capitalisation and any agreement made under such authority being effective and binding on all such members; and

36.1.6 generally do all acts and things required to give effect to such resolution.

36.2 The share premium account and the capital redemption reserve fund and any such profits which are not available for distribution may, for the purposes of regulation 36.1, only be applied in the paying up of unissued shares to be allotted to members credited as fully paid.

36.3 In the case where any sum is applied in paying amounts for the time being unpaid on any shares of the company or in paying up in full debentures of the company, the amount of the net assets of the company at that time must be not less than the aggregate of the called up share capital of the company and its undistributable reserves and must not be reduced below that aggregate by the payment of those amounts as shown in the latest audited accounts of the company, or such other accounts as may be relevant.

37. Accounts

37.1 The Board must ensure that proper accounting records are kept in accordance with the Statutes.

37.2 The accounting records must be kept at the office, or, subject to the provisions of the Statutes, at such other place as the Board think fit, and must always be open to inspection by the officers of the company. No member, other than a Director, has any right of inspecting any account or book or document of the company, except as conferred by the Statutes or authorised by the Board or by the company in general meetings.

37.3 The Board must from time to time, in accordance with the provisions of the Statutes, ensure that there are prepared and laid before the company in general meeting such profit and loss accounts balance sheets, group accounts, if any, and reports as are specified in the Statutes.

37.4 Subject to the Statutes, a copy of every Directors' report and Auditors' report accompanied by the company's annual accounts and every other document required by law to be attached to them or a summary financial statement derived from the company's annual accounts, prepared in accordance with the Statutes, must, not less than 21 clear days before the date of the meeting at which copies of those documents are to be laid, be sent to every member (whether or not entitled to receive notices of general meetings) and to every holder of debentures of the company (whether nor not entitled to receive notices of general meetings) and to the Auditors and to every other person who is entitled to receive notices of general meetings from the company. This regulation 37.4 does not require such documents to be sent to any member or holder of debentures of whose address the company is not aware nor to more than one of the joint holders of any shares or debentures.

37.5 The accidental omission to send any document required to be sent to any person under regulation 37.4 or the non receipt of any document by any person entitled to receive it does not invalidate any such document or the proceedings at the general meeting.

37.6 Whenever any of the company's shares or debentures have been admitted to **listing on a Regulated Market**, the required number of such documents must, at the same time, be forwarded to the appropriate officer of the Regulated Market as required by the Listing Rules.

38. Record dates

Notwithstanding any other provision of these articles, the company or the Board may fix any date as the record date for any dividend, distribution, allotment or issue and such record date may be on or at any time before any date on which such dividend, distribution, allotment or issue is paid or made and on or at any time before or after any date on which such dividend, distribution, allotment or issue is declared.

39. Audit

39.1 Auditors must be appointed and their duties, powers, rights and remuneration regulated in accordance with the provisions of CA 2006.

39.2 Once at least in every year the accounts of the company must be examined and the correctness of the balance sheet, profit and loss account and group accounts, if any, ascertained by the Auditors.

40. Notices

40.1 A notice or other document or information to be sent to or by any person under these articles (other than a notice calling a meeting of the Board or of a committee of the Board) must be in writing or sent using electronic communication to an electronic address notified for that purpose to the person sending the notice or other document or information.

40.2 A notice or other document or information may be delivered or sent to a member or another person by the company personally or by letter. Any letter must be sent by first class post and addressed to such member or other person at the postal address in the Register (or at another address notified for the purpose) or left at that address in any envelope addressed to that member or other person. Electronic communications may be used for sending a notice or other document or information to a member or other person where that member or other person has agreed, or is deemed to have agreed, to the use of electronic communication and has specified an electronic address for this purpose. A notice or other document or information may be sent to a member or other person by the company by placing it on a website and sending the member or other person concerned notification of the availability of the notice, document or information on the website, where the member or other person has agreed, or is deemed, as provided by the Statutes, to have agreed to having such notices, documents or information sent to him in that manner.

40.3 Without prejudice to regulation 40.2, the company may send or supply a notice or any other document or information that is required or authorised to be sent or supplied to a member or any other person by the company by any provision of the Statutes, or pursuant to these articles or to any other rule or regulation to which the company may be subject, in electronic form or by making it available on a website, and the provisions of schedule 5 CA 2006 will apply whether or not any such notice, document or information is required or authorised by the Statutes to be sent or supplied.

40.4 Any notice or other document or information to be sent to a member or other person may be sent by reference to the Register or the company's other records as they stand at any time within the period of 15 days before the notice or other document or information is sent and no change in the Register or the company's other records after that time will invalidate the sending of the notice or other document or information.

40.5 In the case of joint holders of a share, a notice or other document or information will be sent to whichever of them is named first in the Register and a notice or other document or information sent in this way is sufficiently sent to all the joint holders.

40.6 If, on three consecutive occasions, a notice or other document or information sent to a member or other person is returned undelivered, such member or other person will not thereafter be entitled to receive notices or other documents or information from the company until he has communicated with the company and supplied in writing to it a new address for the service of notices or other documents or information or has informed the company, in such manner as may be specified by the company, of an electronic address for the service of notices or other documents or information by electronic communication. For these purposes, a notice or other document or information sent by post will be treated as returned undelivered if it is sent back to the company or its agents and a notice or other document or information sent by electronic communication will be treated as returned undelivered if the company or its agents receive notification that it was not delivered to the address to which it was sent.

40.7 Any notice or other document or information sent addressed to a member or another person at his registered address (or another address or an electronic address notified for the purpose) is deemed to be served, if personally delivered, at the time of delivery or, if sent by first class post, on the fifth Business Day after the letter is posted or, in the case of a notice or other document or information contained in an electronic communication, on the same day it is sent. A notice or other document or information left at such an address is deemed to be received on the day it is left. In proving service it is sufficient to establish that the letter was properly addressed and, if sent by post, prepaid or stamped and posted. Proof that a notice or other document or information contained in an electronic communication was sent in accordance with guidance issued by the Institute of Chartered Secretaries and Administrators will be conclusive evidence that the notice or other document or information was received.

40.8 Any member present, either personally or by proxy, at any general meeting of the company or of the holders of any class of shares in the company will for all purposes be deemed to have received due notice of such meeting and, where requisite, of the purposes for which such meeting was called.

40.9 A person who becomes entitled by transmission, transfer or otherwise to a share is bound by a notice in respect of that share (other than a notice served by the company under a Section 793 Notice ("Notice by company requiring information about interests in its shares")) which, before his name is entered in the Register, has been properly sent to a person from whom he derives his title.

40.10 Where a person is entitled by transmission to a share, the company may send a notice or other document or information to that person as if he were the holder of a share by addressing it to him or to the representative of the deceased or trustee of the bankrupt member at an address or electronic address supplied for that purpose by the person claiming or be entitled by transmission. Until an address has been supplied, a notice or other document or information may be sent in any manner in which it might have been sent if the death or bankruptcy or other event had not occurred. The giving of notice in accordance with this regulation 40.10 is sufficient notice to all other persons interested in the share.

40.11 If, by reason of the suspension or curtailment of postal or electronic communication services in the country where the head office of the company is located, the company is unable effectively to convene a general meeting by notice sent through the post or by electronic communication, or to send any other document or information by post or by electronic communication.

41. Untraced shareholders

41.1 The company is entitled to sell at the best price reasonably obtainable any share of a member or any share to which a person is entitled by transmission if:

41.1.1 during a period of 12 years the company has paid at least three dividends, whether interim or final in respect of the share in question and all cheques and warrants in respect of any such dividend sent in the manner authorised by these articles by the company have been returned undelivered or remained uncashed and no communication has been received by the company from the member or the person entitled by transmission;

41.1.2 the company has, at the expiry of the period of 12 years, by advertisement in a national daily newspaper in the United Kingdom , as well as in a newspaper circulating in the area which includes the address held by the company for sending notices relating to the share in question or the last known address of the member or other person entitled by transmission, giving notice of its intention to sell the share;

41.1.3 the company has not, during the further period of three months after the date of the advertisement and prior to the exercise of the power of sale, received any communication from the member or person entitled by transmission; and

41.1.4 the company has first given notice, and other information as may be required, in writing to the regulators of the Regulated Market where its shares are traded of its intention to sell such shares or stock.

41.2 To give effect to any such sale, the Board may, in relation to certificates shares, appoint any person to execute as transferor an instrument of transfer of such share and such instrument of transfer will be as effective as if it had been executed by the registered holder of or person entitled by the transmission to such share. In relation to uncertificated shares the Board may, in accordance with the Statutes, issue a written notification to the Operator of the relevant system requiring conversion of the shares into certificated form and exercise any of the company's powers to effect the transfer of the shares to, or in accordance with the directions of, the purchaser and the exercise of such powers will be as effective as if exercised by the registered holder of, or person entitled by shares the transferee is not bound to see to the application of the purchase money and the title of the transferee is not affected by any irregularity or invalidity in the proceedings relating to the sale.

41.3 The company must account to the member or other person entitled to such share for the net proceeds of such sale by crediting all money in respect of those proceeds to a separate account, which are a permanent debt of the company, and the company will be deemed to be a debtor and not a trustee in respect of it for such member or other person. Money carried to such separate account may either be employed in the business of the company or invested in such investments, other than shares of the company or its holding company if any, as the Board may from time to time think fit.

42. Destruction of documents

42.1 The company may destroy:

42.1.1 any share certificate which has been cancelled at any time after the expiry of one year from the date of such cancellation;

42.1.2 any dividend mandate or any variation or cancellation of it or any notification of change of name or address (including an electronic address) at any time after the expiry of two years from the date such mandate, variation, cancellation or notification was recorded by the company; or

42.1.3 any other document on the basis of which any entry in the Register is made at any time after the expiry of six years from the date an entry in the Register was first made in respect of it.

42.2 It will be conclusively presumed in favour of the company that every share certificate so destroyed was a valid certificate duly and properly cancelled, that every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and that every other document destroyed under regulation 42.1 was a valid and effective document, in accordance with its recorded particulars in the books or records of the company.

42.3 The provisions of regulation 42.2 apply only to the destruction of a document in good faith and without express notice to the company that the preservation of such document was relevant to a claim.

42.4 Nothing contained in regulation 42.1 is construed as imposing upon the company any liability in respect of the destruction of any such document earlier than as set out in regulation 42.1 or in any case where the conditions of regulation 42.3 are not fulfilled.

42.5 References in this regulation 42 to the destruction of any document include references to its disposal in any manner.

43. Winding-up

43.1 If the company is wound up, whether the liquidation is voluntary, under supervision or by the court, the liquidator may, with the authority of a special resolution, divide among the members (excluding any holding shares or treasury shares) in specie the whole or part of the assets of the company, whether or not the assets consist of property of one kind or of different kinds. For those purposes the liquidator may set such value as he deems fair upon any one or more class or classes of property and may determine how such division will be effected as between the members or different classes of members. If any such division is carried out otherwise than in accordance with the existing rights of the members, every member will have the same right of dissent and other ancillary rights as if such resolution were a special resolution passed in accordance with section 110, Insolvency Act 1986. The liquidator may, with the same authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the same authority, thinks fit and the liquidation of the company may be closed and the company dissolved. No member will be compelled to accept any shares in respect of which there is a liability.

43.2 The Board must exercise the power conferred upon them by section 247, CA 2006 only with the prior sanction of a special resolution. If at any time the capital of the company is divided into different classes of shares, the exercise of such power is deemed to be a variation of the rights attached to each class of shares and, accordingly, requires the prior consent in writing of the holders of three fourths in nominal value of the issued shares of each class (excluding treasury shares) or the prior sanction of a special resolution passed at a separate meeting of the holders of the shares of each class (excluding any shares of a class held as treasury shares) convened and held in accordance with the provisions of regulation 2.9.

44. Indemnity

Subject to the provisions of the Statutes, every Director or other officer (except the Auditors) of the company will be indemnified out of the assets of the company, against all costs, charges, expenses, losses and liabilities which he may sustain or incur in connection with the execution of his duties and powers or otherwise in relation to them. Without prejudice to the generality of the previous sentence, any such person will be indemnified out of the assets of the company against any liability incurred by him in defending any proceedings, whether civil or criminal, in relation to anything done or omitted or alleged to have been done or omitted by him as an officer of the company and in which judgment is given in his favour (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty by him) or in which he is acquitted or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the company. Subject to the Statutes, the company may purchase and maintain for the company and for any Director, Secretary or other officer of the company insurance against any liability which by virtue of any rule of law would otherwise attach to him in respect of any negligence, default, breach of duty or breach of trust of which he may be liable for or guilty in relation to the company.

45. Indemnity against claims in respect of shares

45.1 The provisions of regulation 45.2 will apply whenever any law for the time being of any country, state or place imposes or purports to impose any immediate or future or possible liability on the company to make any payment, or empowers any government or taxing authority or government official to require the company to make any payment, in respect of any shares held either jointly or solely by a member or in respect of any dividends or other money due or payable or accruing due or which may become due or payable to such members by the company or in respect of any such shares or for or on account or in respect of any member in consequence of:

45.1.1 the death or bankruptcy of such member;

45.1.2 the non payment of any income tax or other tax by such member; or

45.1.3 the non payment of any inheritance tax or any estate, probate, succession, death, stamp or other duty by the executors or administrators or other legal personal representatives of such member or by or out of his estate.

45.2 In the circumstances described in regulation 45.1 the company:

45.2.1 will be fully indemnified by such member or his executors or administrators or his other legal personal representatives from all liability arising by virtue of such law; and

45.2.2 may recover as a debt due from such member or his executors or administrators or his other legal personal representatives wherever constituted or residing, any money paid by the company under or in consequence of any such law, together with interest on it at the rate of 15 per cent. per annum from the date of payment to the date of repayment.

45.3 Nothing contained in regulations 45.1 and 45.2 prejudices or affects any right or remedy which any law may confer or purport to confer on the company and, as between the company and every such member as is referred to in regulation 45.1, his executors, administrators or other legal personal representatives, and estate wherever constituted or situated, any right or remedy which such law confers or purports to confer on the company will be enforceable by the company.

46. Derivative actions

46.1 The rights provided under CA 2006 as are provided to shareholders in respect of derivative suits, shall apply to the company and to the rights of the members of the company to bring suits or claims against the company.

47. Lock up

47.1 Upon the Listing of the company's shares on a Regulated Market, the Board may decide that up to 100 per cent. of each members' free shares (i.e. unrestricted shares under the applicable rules and regulations) shall be restricted to sale or transfer according to the following provisions, such shares as restricted by the Board being **Restricted Shares**:

47.1.1 during the first six months commencing on the date of the Listing, no transfer of Restricted Shares is permitted;

47.1.2 as of the seventh and eighth month following the date of the Listing, such a holder may transfer shares that constitute up to 12.5 per cent. of his Restricted Shares per month; and

47.1.3 as of the ninth month following the date of the listing, the remaining Restricted Shares are no longer considered restricted.

47.2 In case of fractional shares the number of Restricted Shares shall be rounded up to the nearest integer.

DEPOSIT AGREEMENT

by and among

MORRIA BIOPHARMACEUTICALS PLC

AND

DEUTSCHE BANK TRUST COMPANY AMERICAS
as Depositary,

AND

THE HOLDERS AND BENEFICIAL OWNERS
OF AMERICAN DEPOSITARY SHARES EVIDENCED BY
AMERICAN DEPOSITARY RECEIPTS ISSUED HEREUNDER

Dated as of **[date]**, 2012

DEPOSIT AGREEMENT

DEPOSIT AGREEMENT, dated as of , 2012, by and among (i) Morria Biopharmaceuticals Plc, a company incorporated under the laws of England and Wales, and its successors (the "Company"), (ii) Deutsche Bank Trust Company Americas, an indirect wholly owned subsidiary of Deutsche Bank A.G., acting in its capacity as depositary, and any successor depositary hereunder (the "Depositary"), and (iii) all Holders and Beneficial Owners of American Depositary Shares evidenced by American Depositary Receipts issued hereunder (all such capitalized terms as hereinafter defined).

WITNESSETH THAT:

WHEREAS, the Company desires to establish an ADR facility with the Depositary to provide for the deposit of the Shares and the creation of American Depositary Shares representing the Shares so deposited;

WHEREAS, the Depositary is willing to act as the Depositary for such ADR facility upon the terms set forth in this Deposit Agreement; and

WHEREAS, the American Depositary Receipts evidencing the American Depositary Shares issued pursuant to the terms of this Deposit Agreement are to be substantially in the form of Exhibit A annexed hereto, with appropriate insertions, modifications and omissions, as hereinafter provided in this Deposit Agreement; and

WHEREAS, the Board of Directors of the Company (or an authorized committee thereof) has duly approved the establishment of an ADR facility upon the terms set forth in this Deposit Agreement, the execution and delivery of this Deposit Agreement on behalf of the Company, and the actions of the Company and the transactions contemplated herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

All capitalized terms used, but not otherwise defined, herein shall have the meanings set forth below, unless otherwise clearly indicated:

SECTION 1.1 "Affiliate" shall have the meaning assigned to such term by the Commission under Regulation C promulgated under the Securities Act.

SECTION 1.2 "Agent" shall mean such entity or entities as the Depositary may appoint under Section 7.10, including the Custodian or any successor or addition thereto.

SECTION 1.3 "American Depositary Share(s)" and "ADS(s)" shall mean the securities represented by the rights and interests in the Deposited Securities granted to the Holders and Beneficial Owners pursuant to the terms and conditions of this Deposit Agreement and evidenced by the American Depositary Receipts issued hereunder. Each American Depositary Share shall represent the right to receive ___ Shares, until there shall occur a distribution upon Deposited Securities referred to in Section 4.2 or a change in Deposited Securities referred to in Section 4.9 with respect to which additional American Depositary Receipts are not executed and delivered, and thereafter each American Depositary Share shall represent the Shares or Deposited Securities specified in such Sections.

SECTION 1.4 "ADS Record Date" shall have the meaning given to such term in Section 4.7.

SECTION 1.5 "Beneficial Owner" shall mean as to any ADS, any person or entity having a beneficial interest in any ADSs. A Beneficial Owner need not be the Holder of the ADR evidencing such ADSs. A Beneficial Owner may exercise any rights or receive any benefits hereunder solely through the Holder of the ADR(s) evidencing the ADSs in which such Beneficial Owner has an interest.

SECTION 1.6 "Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is not (a) a day on which banking institutions in the Borough of Manhattan, The City of New York are authorized or obligated by law or executive order to close and (b) a day on which the market(s) in which Receipts are traded are closed.

SECTION 1.7 "Commission" shall mean the Securities and Exchange Commission of the United States or any successor governmental agency in the United States.

SECTION 1.8 "Company" shall mean Morria Biopharmaceuticals Plc, a company incorporated and existing under the laws of England and Wales, and its successors.

SECTION 1.9 "Custodian" shall mean, as of the date hereof, State Street Bank & Trust Company, having its principal office at 525 Ferry Road, Crewe Toll, Edinburgh, EH5 2AW Scotland, as the custodian for the purposes of this Deposit Agreement, and any other firm or corporation which may hereinafter be appointed by the Depositary pursuant to the terms of Section 5.5 as a successor or an additional custodian or custodians hereunder, as the context shall require. The term "Custodian" shall mean all custodians, collectively.

SECTION 1.10 "Deliver" and "Delivery" shall mean, when used in respect of American Depositary Shares, Receipts, Deposited Securities and Shares, the physical delivery of the certificate representing such security, or the electronic delivery of such security by means of book-entry transfer, as appropriate, including, without limitation, through DRS/Profile. With respect to DRS/Profile ADRs, the terms "execute", "issue", "register", "surrender", "transfer" or "cancel" refer to applicable entries or movements to or within DRS/Profile.

SECTION 1.11 "Deposit Agreement" shall mean this Deposit Agreement and all exhibits hereto, as the same may from time to time be amended and supplemented in accordance with the terms hereof.

SECTION 1.12 "Depositary" shall mean Deutsche Bank Trust Company Americas, an indirect wholly owned subsidiary of Deutsche Bank A.G., in its capacity as depositary under the terms of this Deposit Agreement, and any successor depositary hereunder.

SECTION 1.13 "Deposited Securities" as of any time shall mean Shares at such time deposited or deemed to be deposited under this Deposit Agreement and any and all other securities, property and cash received or deemed to be received by the Depositary or the Custodian in respect thereof and held hereunder, subject, in the case of cash, to the provisions of Section 4.6. The collateral delivered in connection with Pre-Release Transactions described in Section 2.10 hereof shall not constitute Deposited Securities.

SECTION 1.14 "Dollars" and "$" shall refer to the lawful currency of the United States.

SECTION 1.15 "DRS/Profile" shall mean the system for the uncertificated registration of ownership of securities pursuant to which ownership of ADSs is maintained on the books of the Depositary without the issuance of a physical certificate and transfer instructions may be given to allow for the automated transfer of ownership between the books of DTC and the Depositary. Ownership of ADSs held in DRS/Profile are evidenced by periodic statements issued by the Depositary to the Holders entitled thereto.

SECTION 1.16 "DTC" shall mean The Depository Trust Company, the central book-entry clearinghouse and settlement system for securities traded in the United States, and any successor thereto. Participants within DTC are hereinafter referred to as "DTC Participants".

SECTION 1.17 "Exchange Act" shall mean the United States Securities Exchange Act of 1934, as from time to time amended.

SECTION 1.18 "Foreign Currency" shall mean any currency other than Dollars.

SECTION 1.19 "Foreign Registrar" shall mean the entity, if any, that carries out the duties of registrar for the Shares or any successor as registrar for the Shares and any other appointed agent of the Company for the transfer and registration of Shares.

SECTION 1.20 "Holder" shall mean the person in whose name a Receipt is registered on the books of the Depositary (or the Registrar, if any) maintained for such purpose. A Holder may or may not be a Beneficial Owner. A Holder shall be deemed to have all requisite authority to act on behalf of those Beneficial Owners of the ADRs registered in such Holder's name.

SECTION 1.21 “Indemnified Person” and “Indemnifying Person” shall have the meaning set forth in Section 5.8. hereof.

SECTION 1.22 "Pre-Release Transaction" shall have the meaning set forth in Section 2.10 hereof.

SECTION 1.23 "Principal Office" when used with respect to the Depositary, shall mean the principal office of the Depositary at which at any particular time its depositary receipts business shall be administered, which, at the date of this Deposit Agreement, is located at 60 Wall Street, New York, New York 10005, U.S.A.

SECTION 1.24 "Receipt(s)"; "American Depositary Receipt(s)" and "ADR(s)" shall mean the certificate(s) or DRS/Profile statements issued by the Depositary evidencing the American Depositary Shares issued under the terms of this Deposit Agreement, as such Receipts may be amended from time to time in accordance with the provisions of this Deposit Agreement. References to Receipts shall include physical certificated Receipts as well as ADSs issued through DRS/Profile, unless the context otherwise requires.

SECTION 1.25 "Registrar" shall mean the Depositary or any bank or trust company having an office in the Borough of Manhattan, The City of New York, which shall be appointed
by the Depositary to register ownership of Receipts and transfer of Receipts as herein provided, shall include any co-registrar appointed by the Depositary for such purposes. Registrars (other than the Depositary) may be removed and substitutes appointed by the Depositary.

SECTION 1.26 "Restricted Securities" shall mean Shares, or American Depositary Shares representing such Shares, which (i) have been acquired directly or indirectly from the Company or any of its Affiliates in a transaction or chain of transactions not involving any public offering and subject to resale limitations under the Securities Act or the rules issued thereunder, or (ii) are held by an officer or director (or persons performing similar functions) or other Affiliate of the Company, or (iii) are subject to other restrictions on sale or deposit under the laws of the United States, the United Kingdom, or under a shareholders' agreement or the Company's Articles of Association or under the regulations of an applicable securities exchange unless, in each case, such Shares are being sold to persons other than an Affiliate of the Company in a transaction (x) covered by an effective resale registration statement or (y) exempt from the registration requirements of the Securities Act (as hereinafter defined), and the Shares are not, when held by such person, Restricted Securities.

SECTION 1.27 "Securities Act" shall mean the United States Securities Act of 1933, as from time to time amended.

SECTION 1.28 "Shares" shall mean ordinary shares in registered form of the Company, heretofore validly issued and outstanding and fully paid or hereafter validly issued and outstanding and fully paid. References to Shares shall include evidence of rights to receive Shares, whether or not stated in the particular instance; provided, however, that in no event shall Shares include evidence of rights to receive Shares with respect to which the full purchase price has not been paid or Shares as to which pre-emptive rights have theretofore not been validly waived or exercised; provided further, however, that, if there shall occur any change in par value, split-up, consolidation, exchange, reclassification, conversion or any other event described in Section 4.9, in respect of the Shares of the Company, the term "Shares" shall thereafter, to the extent permitted by law, represent the successor securities resulting from such change in par value, split-up, consolidation, exchange, conversion, reclassification or event.

SECTION 1.29 "United States" or "U.S." shall mean the United States of America.

ARTICLE II

**APPOINTMENT OF DEPOSITARY; FORM OF RECEIPTS;
DEPOSIT OF SHARES; EXECUTION
AND DELIVERY, TRANSFER AND SURRENDER OF RECEIPTS**

SECTION 2.1 Appointment of Depositary. The Company hereby appoints the Depositary as exclusive depositary for the Deposited Securities and hereby authorizes and directs the Depositary to act in accordance with the terms set forth in this Deposit Agreement. Each Holder and each Beneficial Owner, upon acceptance of any ADSs (or any interest therein) issued in accordance with the terms of this Deposit Agreement, shall be deemed for all purposes to (a) be a party to and bound by the terms of this Deposit Agreement and (b) appoint the Depositary its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in this Deposit Agreement, to adopt any and all procedures necessary to comply with applicable law and to take such action as the Depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of this Deposit Agreement (the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof).

SECTION 2.2 Form and Transferability of Receipts.

(a) Definitive Receipts shall be substantially in the form set forth in Exhibit A annexed to this Deposit Agreement, with appropriate insertions, modifications and omissions, as hereinafter provided. Receipts may be issued in denominations of any number of American Depositary Shares. No definitive Receipt shall be entitled to any benefits under this Deposit Agreement or be valid or obligatory for any purpose, unless such Receipt shall have been executed by the Depositary by the manual or facsimile signature of a duly authorized signatory of the Depositary. The Depositary shall maintain books on which each Receipt so executed and delivered, in the case of definitive Receipts, and each Receipt issued through the DRS/Profile, in either case as hereinafter provided and the transfer of each such Receipt shall be registered. Receipts in certificated form bearing the manual or facsimile signature of a duly authorized signatory of the Depositary who was at any time a proper signatory of the Depositary shall bind the Depositary, notwithstanding that such signatory has ceased to hold such office prior to the execution and delivery of such Receipts by the Registrar or did not hold such office on the date of issuance of such Receipts.

In addition to the foregoing, the Receipts may be endorsed with or have incorporated in the text thereof such legends or recitals or modifications not inconsistent with the provisions of this Deposit Agreement as may be reasonably required by the Depositary in order to comply with any applicable law or regulations thereunder or with the rules and regulations of any securities exchange or market upon which American Depositary Shares may be listed, traded or quoted or conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Receipts are subject by reason of the date of issuance of the underlying Deposited Securities or otherwise.

Notwithstanding anything in this Deposit Agreement or in the Receipt to the contrary, to the extent available by the Depositary, American Depositary Shares shall be evidenced by Receipts issued through DRS/Profile unless certificated Receipts are specifically requested by the Holder. Holders and Beneficial Owners shall be bound by the terms and conditions of this Deposit Agreement and of the form of Receipt, regardless of whether their Receipts are certificated or issued through DRS/Profile.

(b) Subject to the limitations contained herein and in the form of Receipt, title to a Receipt (and to the American Depositary Shares evidenced thereby), when properly endorsed (in the case of certificated Receipts) or upon delivery to the Depositary of proper instruments of transfer, shall be transferable by delivery with the same effect as in the case of a negotiable instrument under the laws of the State of New York; provided, however, that the Depositary, notwithstanding any notice to the contrary, may treat the Holder thereof as the absolute owner thereof for the purpose of determining the person entitled to distribution of dividends or other distributions or to any notice provided for in this Deposit Agreement and for all other purposes and neither the Depositary nor the Company will have any obligation or be subject to any liability under the Deposit Agreement to any holder of a Receipt, unless such holder is the Holder thereof.

SECTION 2.3 Deposits. (a) Subject to the terms and conditions of this Deposit Agreement and applicable law, Shares or evidence of rights to receive Shares (other than Restricted Securities) may be deposited by any person (including the Depositary in its individual capacity but subject, however, in the case of the Company or any Affiliate of the Company, to Section 5.7 hereof) at any time, whether or not the transfer books of the Company or the Foreign Registrar, if any, are closed, by Delivery of the Shares to the Custodian. Every deposit of Shares shall be accompanied by the following: (A)(i) in the case of Shares issued in registered form, appropriate instruments of transfer or endorsement, in a form satisfactory to the Custodian, (ii) in the case of Shares issued in bearer form, such Shares or the certificates representing such Shares, and (iii) in the case of Shares delivered by book-entry transfer, confirmation of such book-entry transfer to the Custodian or that irrevocable instructions have been given to cause such Shares to be so transferred, (B) such certifications and payments (including, without limitation, the Depositary's fees and related charges) and evidence of such payments (including, without limitation, stamping or otherwise marking such Shares by way of receipt) as may be required by the Depositary or the Custodian in accordance with the provisions of this Deposit Agreement, (C) if the Depositary so requires, a written order directing the Depositary to execute and deliver to, or upon the written order of, the person or persons stated in such order a Receipt or Receipts for the number of American Depositary Shares representing the Shares so deposited, (D) evidence satisfactory to the Depositary (which may include an opinion of counsel reasonably satisfactory to the Depositary provided at the cost of the person seeking to deposit Shares) that all conditions to such deposit have been met and all necessary approvals have been granted by, and there has been compliance with the rules and regulations of, any applicable governmental agency in the United Kingdom, and (E) if the Depositary so requires, (i) an agreement, assignment or instrument satisfactory to the Depositary or the Custodian which provides for the prompt transfer by any person in whose name the Shares are or have been recorded to the Custodian of any distribution, or right to subscribe for additional Shares or to receive other property in respect of any such deposited Shares or, in lieu thereof, such indemnity or other agreement as shall be satisfactory to the Depositary or the Custodian and (ii) if the Shares are registered in the name of the person on whose behalf they are presented for deposit, a proxy or proxies entitling the Custodian to exercise voting rights in respect of the Shares for any and all purposes until the Shares so deposited are registered in the name of the Depositary, the Custodian or any nominee. No Share shall be accepted for deposit unless accompanied by confirmation or such additional evidence, if any is required by the Depositary, that is reasonably satisfactory to the Depositary or the Custodian that all conditions to such deposit have been satisfied by the person depositing such Shares under the laws and regulations of the United Kingdom and any necessary approval has been granted by any governmental body in the United Kingdom, if any, which is then performing the function of the regulator of currency exchange. The Depositary may issue Receipts against evidence of rights to receive Shares from the Company, any agent of the Company or any custodian, registrar, transfer agent, clearing agency or other entity involved in ownership or transaction records in respect of the Shares. Without limitation of the foregoing, the Depositary shall not knowingly accept for deposit under this Deposit Agreement any Shares required to be registered under the provisions of the Securities Act , unless a registration statement is in effect as to such Shares. The Depositary will use commercially reasonable efforts to comply with reasonable written instructions of the Company that the Depositary shall not accept for deposit hereunder any Shares specifically identified in such instructions at such times and under such circumstances as may reasonably be specified in such instructions in order to facilitate the Company's compliance with the securities laws in the United States.

(b) As soon as practicable after receipt of any permitted deposit hereunder and compliance with the provisions of this Deposit Agreement, the Custodian shall present the Shares so deposited, together with the appropriate instrument or instruments of transfer or endorsement, duly stamped if required by applicable law, to the Foreign Registrar for transfer and registration of the Shares (as soon as transfer and registration can be accomplished and at the expense of the person for whom the deposit is made) in the name of the Depositary, the Custodian or a nominee of either. Deposited Securities shall be held by the Depositary or by a Custodian for the account and to the order of the Depositary or a nominee, in each case for the account of the Holders and Beneficial Owners, at such place or places as the Depositary or the Custodian shall determine.

(c) In the event any Shares are deposited which entitle the holders thereof to receive a per-share distribution or other entitlement in an amount different from the Shares then on deposit, the Depositary is authorized to take any and all actions as may be necessary (including, without limitation, making the necessary notations on Receipts) to give effect to the issuance of such ADSs and to ensure that such ADSs are not fungible with other ADSs issued hereunder until such time as the entitlement of the Shares represented by such non-fungible ADSs equals that of the Shares represented by ADSs prior to the original such deposit. The Company agrees to give timely written notice to the Depositary if any Shares issued or to be issued contain rights different from those of any other Shares theretofore issued and shall assist the Depositary with the establishment of procedures enabling the identification of such non-fungible Shares upon Delivery to the Custodian.

SECTION 2.4 Execution and Delivery of Receipts. After the deposit of any Shares pursuant to Section 2.3, the Custodian shall notify the Depositary of such deposit and the person or persons to whom or upon whose written order a Receipt or Receipts are deliverable in respect thereof and the number of American Depositary Shares to be evidenced thereby. Such notification shall be made by letter, first class airmail postage prepaid, or, at the request, risk and expense of the person making the deposit, by cable, telex, SWIFT, facsimile or electronic transmission. After receiving such notice from the Custodian, the Depositary, subject to this Deposit Agreement (including, without limitation, the payment of the fees, expenses, taxes and other charges owing hereunder), shall issue the ADSs representing the Shares so deposited to or upon the order of the person or persons named in the notice delivered to the Depositary and shall execute and deliver a Receipt registered in the name or names requested by such person or persons evidencing in the aggregate the number of American Depositary Shares to which such person or persons are entitled. Nothing herein shall prohibit any Pre-Release Transaction upon the terms set forth in this Deposit Agreement.

SECTION 2.5 Transfer of Receipts; Combination and Split-up of Receipts.

(a) Transfer. The Depositary, or, if a Registrar (other than the Depositary) for the Receipts shall have been appointed, the Registrar, subject to the terms and conditions of this Deposit Agreement, shall register transfers of Receipts on its books, upon surrender at the Principal Office of the Depositary of a Receipt by the Holder thereof in person or by duly authorized attorney, properly endorsed in the case of a certificated Receipt or accompanied by, or in the case of DRS/Profile Receipts receipt by the Depositary of, proper instruments of transfer (including signature guarantees in accordance with standard industry practice) and duly stamped as may be required by the laws of the State of New York and of the United States and any other applicable law. Subject to the terms and conditions of this Deposit Agreement, including payment of the applicable fees and charges of the Depositary set forth in Section 5.9 hereof and Article (9) of the Receipt, the Depositary shall execute a new Receipt or Receipts and deliver the same to or upon the order of the person entitled thereto evidencing the same aggregate number of American Depositary Shares as those evidenced by the Receipts surrendered.

(b) Combination & Split Up. The Depositary, subject to the terms and conditions of this Deposit Agreement shall, upon surrender of a Receipt or Receipts for the purpose of effecting a split-up or combination of such Receipt or Receipts and upon payment to the Depositary of the applicable fees and charges set forth in Section 5.9 hereof and Article (9) of the Receipt, execute and deliver a new Receipt or Receipts for any authorized number of American Depositary Shares requested, evidencing the same aggregate number of American Depositary Shares as the Receipt or Receipts surrendered.

(c) Co-Transfer Agents. The Depositary may appoint one or more co-transfer agents for the purpose of effecting transfers, combinations and split-ups of Receipts at designated transfer offices on behalf of the Depositary. In carrying out its functions, a co-transfer agent may require evidence of authority and compliance with applicable laws and other requirements by Holders or persons entitled to such Receipts and will be entitled to protection and indemnity, in each case to the same extent as the Depositary. Such co-transfer agents may be removed and substitutes appointed by the Depositary. Each co-transfer agent appointed under this Section 2.5 (other than the Depositary) shall give notice in writing to the Depositary accepting such appointment and agreeing to be bound by the applicable terms of this Deposit Agreement.

(d) At the request of a Holder, the Depositary shall, for the purpose of substituting a certificated Receipt with a Receipt issued through DRS/Profile, or vice versa, execute and deliver a certificated Receipt or DRS/Profile statement, as the case may be, for any authorized number of American Depositary Shares requested, evidencing the same aggregate number of American Depositary Shares as those evidenced by the certificated Receipt or DRS/Profile statement, as the case may be, substituted.

SECTION 2.6 Surrender of Receipts and Withdrawal of Deposited Securities. Upon surrender, at the Principal Office of the Depositary, of American Depositary Shares for the purpose of withdrawal of the Deposited Securities represented thereby, and upon payment of (i) the fees and charges of the Depositary for the making of withdrawals of Deposited Securities and cancellation of Receipts (as set forth in Section 5.9 hereof and Article (9) of the Receipt) and (ii) all applicable taxes and/or governmental charges payable in connection with such surrender and withdrawal, and subject to the terms and conditions of this Deposit Agreement, the Company's Articles of Association, Section 7.8 hereof and any other provisions of or governing the Deposited Securities and other applicable laws, the Holder shall be entitled to Delivery, to him or upon his order, of the Deposited Securities at the time represented by the American Depositary Shares so surrendered. American Depositary Shares may be surrendered for the purpose of withdrawing Deposited Securities by delivery of a Receipt evidencing such American Depositary Shares (if held in certificated form) or by book-entry delivery of such American Depositary Shares to the Depositary. In such case, the Depositary shall notify the Foreign Registrar of such cancellation and provide the same with Share delivery instructions.

A Receipt surrendered for such purposes shall, if so required by the Depositary, be properly endorsed in blank or accompanied by proper instruments of transfer in blank, and if the Depositary so requires, the Holder thereof shall execute and deliver to the Depositary a written order directing the Depositary to cause the Deposited Securities being withdrawn to be Delivered to or upon the written order of a person or persons designated in such order. Thereupon, the Depositary shall direct the Custodian to Deliver (without unreasonable delay) at the designated office of the Custodian or through a book entry Delivery of the Shares (in either case, subject to Sections 2.7, 3.1, 3.2, 5.9, and to the other terms and conditions of this Deposit Agreement, to the Company's Articles of Association, to the provisions of or governing the Deposited Securities and to applicable laws, now or hereafter in effect) to or upon the written order of the person or persons designated in the order delivered to the Depositary as provided above, the Deposited Securities represented by such American Depositary Shares, together with any certificate or other proper documents of or relating to title of the Deposited Securities as may be legally required, as the case may be, to or for the account of such person.

The Depositary may, in its discretion, refuse to accept for surrender a number of American Depositary Shares representing a number other than a whole number of Shares. In the case of surrender of a Receipt evidencing a number of American Depositary Shares representing other than a whole number of Shares, the Depositary shall cause ownership of the appropriate whole number of Shares to be Delivered in accordance with the terms hereof, and shall, at the discretion of the Depositary, either (i) issue and deliver to the person surrendering such Receipt a new Receipt evidencing American Depositary Shares representing any remaining fractional Share, or (ii) sell or cause to be sold the fractional Shares represented by the Receipt surrendered and remit the proceeds of such sale (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes and governmental charges) to the person surrendering the Receipt.

At the request, risk and expense of any Holder so surrendering a Receipt, and for the account of such Holder, the Depositary shall direct the Custodian to forward (to the extent permitted by law) any cash or other property (other than securities) held in respect of, and any certificate or certificates and other proper documents of or relating to title to, the Deposited Securities represented by such Receipt to the Depositary for delivery at the Principal Office of the Depositary, and for further delivery to such Holder. Such direction shall be given by letter or, at the request, risk and expense of such Holder, by cable, telex, electronic or facsimile transmission. Upon receipt by the Depositary, the Depositary may make delivery to such person or persons entitled thereto at the Principal Office of the Depositary of any dividends or cash distributions with respect to the Deposited Securities represented by such American Depositary Shares, or of any proceeds of sale of any dividends, distributions or rights, which may at the time be held by the Depositary.

SECTION 2.7 Limitations on Execution and Delivery, Transfer, etc. of Receipts; Suspension of Delivery, Transfer, etc.

(a) Additional Requirements. As a condition precedent to the execution and delivery, registration, registration of transfer, split-up, subdivision combination or surrender of any Receipt, the delivery of any distribution thereon or withdrawal of any Deposited Securities, the Depositary or the Custodian may require (i) payment from the depositor of Shares or presenter of the Receipt of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees and charges of the Depositary as provided in Section 5.9 hereof and Article (9) of the Receipt, (ii) the production of proof satisfactory to it as to the identity and genuineness of any signature or any other matter contemplated by Section 3.1 hereof and (iii) compliance with (A) any laws or governmental regulations relating to the execution and delivery of Receipts or American Depositary Shares or to the withdrawal or delivery of Deposited Securities and (B) such reasonable regulations as the Depositary may establish consistent with the provisions of this Deposit Agreement and applicable law.

(b) Additional Limitations. The issuance of ADSs against deposits of Shares generally or against deposits of particular Shares may be suspended, or the issuance of ADSs against the deposit of particular Shares may be withheld, or the registration of transfer of Receipts in particular instances may be refused, or the registration of transfers of Receipts generally may be suspended, during any period when the transfer books of the Depositary are closed or if any such action is deemed necessary or advisable by the Depositary or the Company, in good faith, at any time or from time to time because of any requirement of law, any government or governmental body or commission or any securities exchange on which the Receipts or Shares are listed, or under any provision of this Deposit Agreement or provisions of, or governing, the Deposited Securities, or any meeting of shareholders of the Company or for any other reason, subject, in all cases, to Section 7.8 hereof.

SECTION 2.8 Lost Receipts, etc. In case any Receipt shall be mutilated, destroyed, lost or stolen, unless the Depositary has notice that such ADR has been acquired by a bona fide purchaser, subject to Section 5.9 hereof, the Depositary shall execute and deliver a new Receipt (which, in the discretion of the Depositary may be issued through DRS/Profile unless specifically requested otherwise) in exchange and substitution for such mutilated Receipt upon cancellation thereof, or in lieu of and in substitution for such destroyed, lost or stolen Receipt. Before the Depositary shall execute and deliver a new Receipt in substitution for a destroyed, lost or stolen Receipt, the Holder thereof shall have (a) filed with the Depositary (i) a request for such execution and delivery before the Depositary has notice that the Receipt has been acquired by a bona fide purchaser and (ii) a sufficient indemnity bond in form and amount acceptable to the Depositary and (b) satisfied any other reasonable requirements imposed by the Depositary.

SECTION 2.9 Cancellation and Destruction of Surrendered Receipts; Maintenance of Records. All Receipts surrendered to the Depositary shall be cancelled by the Depositary. The Depositary is authorized to destroy Receipts so cancelled in accordance with its customary practices. Cancelled Receipts shall not be entitled to any benefits under this Deposit Agreement or be valid or obligatory for any purpose.

SECTION 2.10 Pre-Release. Subject to the further terms and provisions of this Section 2.10, the Depositary, its Affiliates and their agents, on their own behalf, may own and deal in any class of securities of the Company and its Affiliates and in ADSs. In its capacity as Depositary, the Depositary may (i) issue ADSs prior to the receipt of Shares (each such transaction a "Pre-Release Transaction") as provided below and (ii) deliver Shares upon the receipt and cancellation of ADSs that were issued in a Pre-Release Transaction, but for which Shares may not yet have been received. The Depositary may receive ADSs in lieu of Shares under (i) above and receive Shares in lieu of ADSs under (ii) above. Each such Pre-Release Transaction will be (a) subject to a written agreement whereby the person or entity (the "Applicant") to whom ADSs or Shares are to be Delivered (1) represents that at the time of the Pre-Release Transaction the Applicant or its customer owns the Shares or ADSs that are to be Delivered by the Applicant under such Pre-Release Transaction, (2) agrees to indicate the Depositary as owner of such Shares or ADSs in its records and to hold such Shares or ADSs in trust for the Depositary until such Shares or ADSs are delivered to the Depositary or the Custodian, (3) unconditionally guarantees to deliver to the Depositary or the Custodian, as applicable, such Shares or ADSs, and (4) agrees to any additional restrictions or requirements that the Depositary deems appropriate, (b) at all times fully collateralized with cash, United States government securities or such other collateral as the Depositary deems appropriate, (c) terminable by the Depositary on not more than five (5) Business Days' notice and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The Depositary will normally limit the number of ADSs and Shares involved in such Pre-Release Transactions at any one time to thirty percent (30%) of the ADSs outstanding (without giving effect to ADSs outstanding under (i) above), provided, however, that the Depositary reserves the right to disregard such limit from time to time as it deems appropriate. The Depositary may also set limits with respect to the number of ADSs and Shares involved in Pre-Release Transactions with any one person on a case by case basis as it deems appropriate.

The Depositary may retain for its own account any compensation received by it in conjunction with the foregoing. Collateral provided pursuant to (b) above, but not the earnings thereon, shall be held for the benefit of the Holders (other than the Applicant).

SECTION 2.11 Maintenance of Records. The Depositary agrees to maintain records of all Receipts surrendered and Deposited Securities withdrawn under Section 2.6, substitute Receipts delivered under Section 2.8 and cancelled or destroyed Receipts under Section 2.9, in keeping with the procedures ordinarily followed by stock transfer agents located in the City of New York.

ARTICLE III

CERTAIN OBLIGATIONS OF HOLDERS AND BENEFICIAL OWNERS OF RECEIPTS

SECTION 3.1 Proofs, Certificates and Other Information. Any person presenting Shares for deposit, any Holder and any Beneficial Owner may be required, and every Holder and Beneficial Owner agrees, from time to time to provide to the Depositary or the Custodian such proof of citizenship or residence, taxpayer status, payment of all applicable taxes or other governmental charges, exchange control approval, legal or beneficial ownership of ADSs and Deposited Securities, compliance with applicable laws and the terms of this Deposit Agreement and the provisions of, or governing, the Deposited Securities or other information; to execute such certifications and to make such representations and warranties, and to provide such other information and documentation, in all cases as the Depositary may deem necessary or proper or as the Company may reasonably require by written request to the Depositary consistent with its obligations hereunder. The Depositary and the Registrar, as applicable, may withhold the execution or delivery or registration of transfer of any Receipt or the distribution or sale of any dividend or distribution of rights or of the proceeds thereof, or to the extent not limited by the terms of Section 7.8 hereof, the delivery of any Deposited Securities, until such proof or other information is filed or such certifications are executed, or such representations and warranties are made, or such other documentation or information provided, in each case to the Depositary's and the Company's satisfaction. The Depositary shall from time to time on the written request advise the Company of the availability of any such proofs, certificates or other information and shall, at the Company's sole expense, provide or otherwise make available copies thereof to the Company upon written request thereof by the Company, unless such disclosure is prohibited by law. Each Holder and Beneficial Owner agrees to provide any information requested by the Company or the Depositary pursuant to this paragraph. Nothing herein shall obligate the Depositary to (i) obtain any information for the Company if not provided by the Holders or Beneficial Owners or (ii) verify or vouch for the accuracy of the information so provided by the Holders or Beneficial Owners.

SECTION 3.2 Liability for Taxes and Other Charges. If any present or future tax or other governmental charge shall become payable by the Depositary or the Custodian with respect to any Shares, Deposited Securities, Receipts or ADSs, such tax or other governmental charge shall be payable by the Holders and Beneficial Owners to the Depositary and such Holders and Beneficial Owners shall be deemed liable therefor. The Company, the Custodian and/or the Depositary may withhold or deduct from any distributions made in respect of Deposited Securities and may sell for the account of a Holder and/or Beneficial Owner any or all of the Deposited Securities and apply such distributions and sale proceeds in payment of such taxes (including applicable interest and penalties) or charges, with the Holder and the Beneficial Owner remaining fully liable for any deficiency. In addition to any other remedies available to it, the Depositary and the Custodian may refuse the deposit of Shares, and the Depositary may refuse to issue ADSs, to deliver ADRs, register the transfer, split-up or combination of ADRs and (subject to Section 7.8) the withdrawal of Deposited Securities, until payment in full of such tax, charge, penalty or interest is received. Every Holder and Beneficial Owner agrees to, and shall, indemnify the Depositary, the Company, the Custodian and each and every of their respective officers, directors, employees, agents and Affiliates against, and hold each of them harmless from, any claims with respect to taxes, additions to tax (including applicable interest and penalties thereon) arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained for or by such Holder and/or Beneficial Owner. The obligations of Holders and Beneficial Owners of Receipts under this Section 3.2 shall survive any transfer of Receipts, any surrender of Receipts and withdrawal of Deposited Securities, or the termination of this Deposit Agreement.

SECTION 3.3 Representations and Warranties on Deposit of Shares. Each person depositing Shares under the Deposit Agreement shall be deemed thereby to represent and warrant that (i) such Shares and the certificates therefor are duly authorized, validly issued, fully paid, non-assessable and were legally obtained by such person, (ii) all preemptive (and similar) rights, if any, with respect to such Shares have been validly waived or exercised, (iii) the person making such deposit is duly authorized so to do, (iv) the Shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, and are not, and the American Depositary Shares issuable upon such deposit will not be, Restricted Securities and (v) the Shares presented for deposit have not been stripped of any rights or entitlements. Such representations and warranties shall survive the deposit and withdrawal of Shares, the issuance and cancellation of American Depositary Shares in respect thereof and the transfer of such American Depositary Shares. If any such representations or warranties are false in any way, the Company and the Depositary shall be authorized, at the cost and expense of the person depositing Shares, to take any and all actions necessary to correct the consequences thereof.

SECTION 3.4 Ownership Restrictions. Holders and Beneficial Owners shall comply with any limitations on ownership of Shares under the constituent documents of the Company or applicable English law as if they held the number of Shares their ADSs represent. The Company shall inform the Holders, Beneficial Owners and the Depositary of any such ownership restrictions in place from time to time.

SECTION 3.5 Compliance with Information Requests. Notwithstanding any other provision of this Deposit Agreement, the Articles of Association of the Company and applicable law, each Holder and Beneficial Owner agrees to (a) provide such information as the Company or the Depositary may request pursuant to law (including, without limitation, relevant United Kingdom law, any applicable law of the United States, the Articles of Association of the Company, any resolutions of the Company's Board of Directors adopted pursuant to such Articles of Association, the requirements of any markets or exchanges upon which the Shares, ADSs or Receipts are listed or traded, or to any requirements of any electronic book-entry system by which the ADSs or Receipts may be transferred) regarding the capacity in which they own or owned Receipts, the identity of any other persons then or previously interested in such Receipts and the nature of such interest, and any other applicable matters, and (b) be bound by and subject to applicable provisions of the laws of the United Kingdom, the Articles of Association of the Company and the requirements of any markets or exchanges upon which the ADSs, Receipts or Shares are listed or traded, or pursuant to any requirements of any electronic book-entry system by which the ADSs, Receipts or Shares may be transferred, to the same extent as if such Holder and Beneficial Owner held Shares directly, in each case irrespective of whether or not they are Holders or Beneficial Owners at the time such request is made and (c) without limiting the generality of the foregoing, comply with all applicable provisions of United Kingdom law, and any stock exchange on which the Shares are, or will be registered, traded or listed and the Company's Articles of Association regarding any such Holder or Beneficial Owner's interest in Shares (including the aggregate of ADSs and Shares held by each such Holder or Beneficial Owner) and/or the disclosure of interests therein, whether or not the same may be enforceable against such Holder or Beneficial Owner. Each Holder and Beneficial Owner of ADSs further agrees to furnish the Company with any such notification made in accordance with this Section 3.4 and to comply with requests from the Company pursuant to the laws of the United Kingdom, the rules and requirements of any stock exchange on which the Shares are, or will be registered, traded or listed, and the Company's Articles of Association, whether or not they are Holders and/or Beneficial Owner at the time of such request. The Depositary agrees to use its reasonable efforts to forward upon the request of the Company, and at the Company's expense, any such request from the Company to the Holders and to forward to the Company any such responses to such requests received by the Depositary.

Notwithstanding any provision of the Deposit Agreement or of the ADRs and without limiting the foregoing, by being a Holder, each such Holder agrees to provide such information as the Company may request in a disclosure notice (a "Disclosure Notice") given pursuant to the United Kingdom Companies Act 2006 (as amended from time to time and including any statutory modification or re-enactment thereof, the "Companies Act") or the Articles of Association of the Company. By accepting or holding an ADR, each Holder acknowledges that it understands that failure to comply with a Disclosure Notice may result in the imposition of sanctions against the holder of the Shares in respect of which the non-complying person is or was, or appears to be or has been, interested as provided in the Companies Act and the Articles of Association which currently include, the withdrawal of the voting rights of such Shares and the imposition of restrictions on the rights to receive dividends on and to transfer such Shares. In addition, by accepting or holding an ADR each Holder agrees to comply with the provisions of the Companies Act with regard to the notification to the Company of interests in Shares, which currently provide, inter alia, that any Holder who is or becomes directly or indirectly interested (within the meaning of the Companies Act) in 3% or more of the outstanding Shares, or is aware that another person for whom it holds such ADRs is so interested, must within two Business Days after becoming so interested or so aware (and thereafter in certain circumstances upon any change to the particulars previously notified) notify the Company as required by the Companies Act. After the relevant threshold is exceeded, similar notifications must be made in whole respect of whole percentage figure increases or decreases, rounded down to the nearest whole number.

ARTICLE IV

THE DEPOSITED SECURITIES

SECTION 4.1 Cash Distributions. Whenever the Depositary receives confirmation from the Custodian of receipt of any cash dividend or other cash distribution on any Deposited Securities, or receives proceeds from the sale of any Shares, rights, securities or other entitlements under the terms hereof, the Depositary will, if at the time of receipt thereof any amounts received in a Foreign Currency can in the judgment of the Depositary (pursuant to Section 4.6 hereof) be converted on a practicable basis into Dollars transferable to the United States, promptly convert or cause to be converted such cash dividend, distribution or proceeds into Dollars (on the terms described in Section 4.6) and will distribute promptly the amount thus received (net of (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes and governmental charges) to the Holders of record as of the ADS Record Date in proportion to the number of American Depositary Shares held by such Holders respectively as of the ADS Record Date. The Depositary shall distribute only such amount, however, as can be distributed without attributing to any Holder a fraction of one cent. Any such fractional amounts shall be rounded to the nearest whole cent and so distributed to Holders entitled thereto. Holders and Beneficial Owners understand that in converting Foreign Currency, amounts received on conversion are calculated at a rate which exceeds three or four decimal places (the number of decimal places used by the Depositary to report distribution rates). The excess amount may be retained by the Depositary as an additional cost of conversion, irrespective of any other fees and expenses payable or owing hereunder and shall not be subject to escheatment. If the Company, the Custodian or the Depositary is required to withhold and does withhold from any cash dividend or other cash distribution in respect of any Deposited Securities an amount on account of taxes, duties or other governmental charges, the amount distributed to Holders on the American Depositary Shares representing such Deposited Securities shall be reduced accordingly. Such withheld amounts shall be forwarded by the Company, the Custodian or the Depositary to the relevant governmental authority. Evidence of payment thereof by the Company shall be forwarded by the Company to the Depositary upon request. The Depositary will forward to the Company or its agent such information from its records as the Company may reasonably request to enable the Company or its agent to file necessary reports with governmental agencies, such reports necessary to obtain benefits under the applicable tax treaties for the Holders and Beneficial Owners of Receipts.

SECTION 4.2 Distribution in Shares. If any distribution upon any Deposited Securities consists of a dividend in, or free distribution of, Shares, the Company shall cause such Shares to be deposited with the Custodian and registered, as the case may be, in the name of the Depositary, the Custodian or any of their nominees. Upon receipt of confirmation of such deposit from the Custodian, the Depositary shall establish the ADS Record Date upon the terms described in Section 4.7 and shall, subject to Section 5.9 hereof, either (i) distribute to the Holders as of the ADS Record Date in proportion to the number of American Depositary Shares held as of the ADS Record Date, additional American Depositary Shares, which represent in the aggregate the number of Shares received as such dividend, or free distribution, subject to the other terms of this Deposit Agreement (including, without limitation, (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes and/or governmental charges), or (ii) if additional American Depositary Shares are not so distributed, each American Depositary Share issued and outstanding after the ADS Record Date shall, to the extent permissible by law, thenceforth also represent rights and interests in the additional Shares distributed upon the Deposited Securities represented thereby (net of (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes and governmental charges). In lieu of delivering fractional American Depositary Shares, the Depositary shall sell the number of Shares represented by the aggregate of such fractions and distribute the proceeds upon the terms described in Section 4.1. The Depositary may withhold any such distribution of Receipts if it has not received satisfactory assurances from the Company (including an opinion of counsel to the Company furnished at the expense of the Company) that such distribution does not require registration under the Securities Act or is exempt from registration under the provisions of the Securities Act. To the extent such distribution may be withheld, the Depositary may dispose of all or a portion of such distribution in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable, and the Depositary shall distribute the net proceeds of any such sale (after deduction of applicable (a) taxes and/or governmental charges and (b) fees and charges of, and expenses incurred by, the Depositary) to Holders entitled thereto upon the terms described in Section 4.1.

SECTION 4.3 Elective Distributions in Cash or Shares. Whenever the Company intends to distribute a dividend payable at the election of the holders of Shares in cash or in additional Shares, the Company shall give notice thereof to the Depositary at least 30 days prior to the proposed distribution stating whether or not it wishes such elective distribution to be made available to Holders. Upon receipt of notice indicating that the Company wishes such elective distribution to be made available to Holders, the Depositary shall consult with the Company to determine, and the Company shall assist the Depositary in its determination, whether it is lawful and reasonably practicable to make such elective distribution available to the Holders. The Depositary shall make such elective distribution available to Holders only if (i) the Company shall have timely requested that the elective distribution is available to Holders of ADRs, (ii) the Depositary shall have determined that such distribution is reasonably practicable and (iii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7 including, without limitation, any legal opinions of counsel in any applicable jurisdiction that the Depositary in its reasonable discretion may request, at the expense of the Company. If the above conditions are not satisfied, the Depositary shall, to the extent permitted by law, distribute to the Holders, on the basis of the same determination as is made in the local market in respect of the Shares for which no election is made, either (x) cash upon the terms described in Section 4.1 or (y) additional ADSs representing such additional Shares upon the terms described in Section 4.2. If the above conditions are satisfied, the Depositary shall establish an ADS Record Date (on the terms described in Section 4.7) and establish procedures to enable Holders to elect the receipt of the proposed dividend in cash or in additional ADSs. The Company shall assist the Depositary in establishing such procedures to the extent necessary. Subject to Section 5.9 hereof, if a Holder elects to receive the proposed dividend (x) in cash, the dividend shall be distributed upon the terms described in Section 4.1, or (y) in ADSs, the dividend shall be distributed upon the terms described in Section 4.2. Nothing herein shall obligate the Depositary to make available to Holders a method to receive the elective dividend in Shares (rather than ADSs). There can be no assurance that Holders generally, or any Holder in particular, will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of Shares.

SECTION 4.4 Distribution of Rights to Purchase Shares.

(a) Distribution to ADS Holders. Whenever the Company intends to distribute to the holders of the Deposited Securities rights to subscribe for additional Shares, the Company shall give notice thereof to the Depositary at least 60 days prior to the proposed distribution stating whether or not it wishes such rights to be made available to Holders. Upon receipt of a notice indicating that the Company wishes such rights to be made available to Holders, the Depositary shall consult with the Company to determine, and the Company shall determine, whether it is lawful and reasonably practicable to make such rights available to the Holders. The Depositary shall make such rights available to Holders only if (i) the Company shall have timely requested that such rights be made available to Holders, (ii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7, and (iii) the Depositary shall have determined that such distribution of rights is lawful and reasonably practicable. In the event any of the conditions set forth above are not satisfied, the Depositary shall proceed with the sale of the rights as contemplated in Section 4.4(b) below or, if timing or market conditions may not permit, do nothing thereby allowing such rights to lapse. In the event all conditions set forth above are satisfied, the Depositary shall establish an ADS Record Date (upon the terms described in Section 4.7) and establish procedures (x) to distribute such rights (by means of warrants or otherwise) and (y) to enable the Holders to exercise the rights (upon payment of applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes and other governmental charges). Nothing herein shall obligate the Depositary to make available to the Holders a method to exercise such rights to subscribe for Shares (rather than ADSs).

(b) Sale of Rights. If (i) the Company does not timely request the Depositary to make the rights available to Holders or requests that the rights not be made available to Holders, (ii) the Depositary fails to receive satisfactory documentation within the terms of Section 5.7 or determines it is not lawful or reasonably practicable to make the rights available to Holders, or (iii) any rights made available are not exercised and appear to be about to lapse, the Depositary shall determine whether it is lawful and reasonably practicable to sell such rights, and if it so determines that it is lawful and reasonably practicable, endeavor to sell such rights in a riskless principal capacity or otherwise, at such place and upon such terms (including public or private sale) as it may deem proper. The Company shall assist the Depositary to the extent necessary to determine such legality and practicability. The Depositary shall, upon such sale, convert and distribute proceeds of such sale (net of applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes and governmental charges) upon the terms set forth in Section 4.1.

(c) Lapse of Rights. If the Depositary is unable to make any rights available to Holders upon the terms described in Section 4.4(a) or to arrange for the sale of the rights upon the terms described in Section 4.4(b), the Depositary shall allow such rights to lapse.

The Depositary shall not be responsible for (i) any failure to determine that it may be lawful or practicable to make such rights available to Holders in general or any Holders in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale, or exercise, or (iii) the content of any materials forwarded to the Holders on behalf of the Company in connection with the rights distribution.

Notwithstanding anything to the contrary in this Section 4.4, if registration (under the Securities Act and/or any other applicable law) of the rights or the securities to which any rights relate may be required in order for the Company to offer such rights or such securities to Holders and to sell the securities represented by such rights, the Depositary will not distribute such rights to the Holders (i) unless and until a registration statement under the Securities Act (and/or such other applicable law) covering such offering is in effect or (ii) unless the Company furnishes to the Depositary at the Company's own expense opinion(s) of counsel to the Company in the United States and counsel to the Company in any other applicable country in which rights would be distributed, in each case satisfactory to the Depositary, to the effect that the offering and sale of such securities to Holders and Beneficial Owners are exempt from, or do not require registration under, the provisions of the Securities Act or any other applicable laws. In the event that the Company, the Depositary or the Custodian shall be required to withhold and does withhold from any distribution of property (including rights) an amount on account of taxes or other governmental charges, the amount distributed to the Holders shall be reduced accordingly. In the event that the Depositary determines that any distribution in property (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charges which the Depositary is obligated to withhold, the Depositary may dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable to pay any such taxes and charges.

There can be no assurance that Holders generally, or any Holder in particular, will be given the opportunity to exercise rights on the same terms and conditions as the holders of Shares or be able to exercise such rights. Nothing herein shall obligate the Company to file any registration statement in respect of any rights or Shares or other securities to be acquired upon the exercise of such rights or otherwise to register or qualify the offer or sale of such rights or securities under the applicable law of any other jurisdiction for any purpose.

SECTION 4.5 Distributions Other Than Cash, Shares or Rights to Purchase Shares.

(a) Whenever the Company intends to distribute to the holders of Deposited Securities property other than cash, Shares or rights to purchase additional Shares, the Company shall give notice thereof to the Depositary at least 30 days prior to the proposed distribution and shall indicate whether or not it wishes such distribution to be made to Holders. Upon receipt of a notice indicating that the Company wishes such distribution be made to Holders, the Depositary shall determine whether such distribution to Holders is lawful and practicable. The Depositary shall not make such distribution unless (i) the Company shall have timely requested the Depositary to make such distribution to Holders, (ii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7, and (iii) the Depositary shall have determined that such distribution is reasonably practicable.

(b) Upon receipt of satisfactory documentation and the request of the Company to distribute property to Holders and after making the requisite determinations set forth in (a) above, the Depositary may distribute the property so received to the Holders of record as of the ADS Record Date, in proportion to the number of ADSs held by such Holders respectively and in such manner as the Depositary may deem practicable for accomplishing such distribution (i) upon receipt of payment or net of the applicable fees and charges of, and expenses incurred by, the Depositary, and (ii) net of any taxes and other governmental charges withheld. The Depositary may dispose of all or a portion of the property so distributed and deposited, in such amounts and in such manner (including public or private sale) as the Depositary may deem practicable or necessary to satisfy any taxes (including applicable interest and penalties) or other governmental charges applicable to the distribution.

(c) If (i) the Company does not request the Depositary to make such distribution to Holders or requests not to make such distribution to Holders, (ii) the Depositary does not receive satisfactory documentation within the terms of Section 5.7, or (iii) the Depositary determines that all or a portion of such distribution is not reasonably practicable or feasible, the Depositary shall endeavor to sell or cause such property to be sold in a public or private sale, at such place or places and upon such terms as it may deem proper and shall distribute the net proceeds, if any, of such sale received by the Depositary (net of applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes and governmental charges) to the Holders as of the ADS Record Date upon the terms of Section 4.1. If the Depositary is unable to sell such property, the Depositary may dispose of such property in any way it deems reasonably practicable under the circumstances for nominal or no consideration and Holders and Beneficial Owners shall have no rights thereto or arising therefrom.

SECTION 4.6 Conversion of Foreign Currency. Whenever the Depositary or the Custodian shall receive Foreign Currency, by way of dividends or other distributions or the net proceeds from the sale of securities, property or rights, and in the judgment of the Depositary such Foreign Currency can at such time be converted on a practicable basis (by sale or in any other manner that it may determine in accordance with applicable law) into Dollars transferable to the United States and distributable to the Holders entitled thereto, the Depositary shall convert or cause to be converted, by sale or in any other manner that it may determine, such Foreign Currency into Dollars, and shall distribute such Dollars (net of any fees, expenses, taxes and other governmental charges incurred in the process of such conversion) in accordance with the terms of the applicable sections of this Deposit Agreement. If the Depositary shall have distributed warrants or other instruments that entitle the holders thereof to such Dollars, the Depositary shall distribute such Dollars to the holders of such warrants and/or instruments upon surrender thereof for cancellation, in either case without liability for interest thereon. Such distribution may be made upon an averaged or other practicable basis without regard to any distinctions among Holders on account of exchange restrictions, the date of delivery of any Receipt or otherwise.

Holders understand that in converting Foreign Currency, amounts received on conversion are calculated at a rate which may exceed the number of decimal places used by the Depositary to report distribution rates (which in any case will not be less than two decimal places). Any excess amount may be retained by the Depositary as an additional cost of conversion, irrespective of any other fees and expenses payable or owing hereunder and shall not be subject to escheatment.

If such conversion or distribution can be effected only with the approval or license of any government or agency thereof, the Depositary may file such application for approval or license, if any, as it may deem necessary, practicable and at nominal cost and expense. Nothing herein shall obligate the Depositary to file or cause to be filed, or to seek effectiveness of any such application or license.

If at any time the Depositary shall determine that in its judgment the conversion of any Foreign Currency and the transfer and distribution of proceeds of such conversion received by the Depositary is not practical or lawful, or if any approval or license of any governmental authority or agency thereof that is required for such conversion, transfer and distribution is denied, or not obtainable at a reasonable cost, within a reasonable period or otherwise sought, the Depositary shall, in its sole discretion but subject to applicable laws and regulations, either (i) distribute the Foreign Currency (or an appropriate document evidencing the right to receive such Foreign Currency) received by the Depositary to the Holders entitled to receive such Foreign Currency, or (ii) hold such Foreign Currency uninvested and without liability for interest thereon for the respective accounts of the Holders entitled to receive the same.

SECTION 4.7 Fixing of Record Date. Whenever necessary in connection with any distribution (whether in cash, Shares, rights, or other distribution), or whenever for any reason the Depositary causes a change in the number of Shares that are represented by each American Depositary Share, or whenever the Depositary shall receive notice of any meeting of or solicitation of holders of Shares or other Deposited Securities, or whenever the Depositary shall find it necessary or convenient, the Depositary shall fix a record date (the "ADS Record Date"), as close as practicable to the record date fixed by the Company with respect to the Shares (if applicable), for the determination of the Holders who shall be entitled to receive such distribution, to give instructions for the exercise of voting rights at any such meeting, or to give or withhold such consent, or to receive such notice or solicitation or to otherwise take action, or to exercise the rights of Holders with respect to such changed number of Shares represented by each American Depositary Share, or for any other reason. Subject to applicable law and the provisions of Section 4.1 through 4.6 and to the other terms and conditions of this Deposit Agreement, only the Holders of record at the close of business in New York on such ADS Record Date shall be entitled to receive such distribution, to give such voting instructions, to receive such notice or solicitation, or otherwise take action.

SECTION 4.8 Voting of Deposited Securities. Subject to the next sentence, as soon as practicable after receipt of notice of any meeting at which the holders of Shares are entitled to vote, or of solicitation of consents or proxies from holders of Shares or other Deposited Securities, the Depositary shall fix the ADS Record Date in respect of such meeting or solicitation of consent or proxy. The Depositary shall, if requested by the Company in writing in a timely manner (the Depositary having no obligation to take any further action if the request shall not have been received by the Depositary at least 30 days prior to the date of such vote or meeting) and at the Company's expense and provided no U.S. legal prohibitions exist, mail by regular, ordinary mail delivery (or by electronic mail or as otherwise may be agreed between the Company and the Depositary in writing from time to time) or otherwise distribute to Holders as of the ADS Record Date: (a) such notice of meeting or solicitation of consent or proxy; (b) a statement that the Holders at the close of business on the ADS Record Date will be entitled, subject to any applicable law, the Company's Articles of Association and the provisions of or governing the Deposited Securities (which provisions, if any, shall be summarized in pertinent part by the Company), to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the Shares or other Deposited Securities represented by such Holder's American Depositary Shares; and (c) a brief statement as to the manner in which such instructions may be given. Voting instructions may be given only in respect of a number of American Depositary Shares representing an integral number of Shares or other Deposited Securities. Upon the timely receipt of written instructions of a Holder on the ADS Record Date of voting instructions in the manner specified by the Depositary, the Depositary shall endeavor, insofar as practicable and permitted under applicable law, the provisions of this Deposit Agreement, the Company's Articles of Association and the provisions of or governing the Deposited Securities, to vote or cause the Custodian to vote the Shares and/or other Deposited Securities (in person or by proxy) represented by American Depositary Shares evidenced by such Receipt in accordance with such voting instructions.

Neither the Depositary nor the Custodian shall, under any circumstances exercise any discretion as to voting, and neither the Depositary nor the Custodian shall vote, attempt to exercise the right to vote, or in any way make use of for purposes of establishing a quorum or otherwise, the Shares or other Deposited Securities represented by American Depositary Shares except pursuant to and in accordance with such written instructions from Holders. Shares or other Deposited Securities represented by ADSs for which no specific voting instructions are received by the Depositary from the Holder shall not be voted.

Notwithstanding the above, save for applicable provisions of United Kingdom law, and in accordance with the terms of Section 5.3, the Depositary shall not be liable for any failure to carry out any instructions to vote any of the Deposited Securities or the manner in which such vote is cast or the effect of any such vote.

There can be no assurance that Holders or Beneficial Owners generally or any Holder or Beneficial Owner in particular will receive the notice described above with sufficient time to enable the Holder to return voting instructions to the Depositary in a timely manner.

SECTION 4.9 Changes Affecting Deposited Securities. Upon any change in par value, split-up, subdivision cancellation, consolidation or any other reclassification of Deposited Securities, or upon any recapitalization, reorganization, merger, amalgamation or consolidation or sale of assets affecting the Company or to which it is otherwise a party, any securities which shall be received by the Depositary or the Custodian in exchange for, or in conversion of or replacement or otherwise in respect of, such Deposited Securities shall, to the extent permitted by law, be treated as new Deposited Securities under this Deposit Agreement, and the Receipts shall, subject to the provisions of this Deposit Agreement and applicable law, evidence American Depositary Shares representing the right to receive such additional securities. Alternatively, the Depositary may, with the Company's approval, and shall, if the Company shall so request, subject to the terms of the Deposit Agreement and receipt of an opinion of counsel to the Company, furnished at the expense of the Company, satisfactory to the Depositary that such distributions are not in violation of any applicable laws or regulations, execute and deliver additional Receipts as in the case of a stock dividend on the Shares, or call for the surrender of outstanding Receipts to be exchanged for new Receipts, in either case, as well as in the event of newly deposited Shares, with necessary modifications to the form of Receipt contained in Exhibit A hereto, specifically describing such new Deposited Securities and/or corporate change. The Company agrees to, jointly with the Depositary, amend the Registration Statement on Form F-6 as filed with the Commission to permit the issuance of such new form of Receipts. Notwithstanding the foregoing, in the event that any security so received may not be lawfully distributed to some or all Holders, the Depositary may, with the Company's approval, and shall, if the Company requests, subject to receipt of an opinion of counsel to the Company, furnished at the expense of the Company, satisfactory to the Depositary that such action is not in violation of any applicable laws or regulations, sell such securities at public or private sale, at such place or places and upon such terms as it may deem proper and may allocate the net proceeds of such sales (net of (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes and governmental charges) for the account of the Holders otherwise entitled to such securities upon an averaged or other practicable basis without regard to any distinctions among such Holders and distribute the net proceeds so allocated to the extent practicable as in the case of a distribution received in cash pursuant to Section 4.1. The Depositary shall not be responsible for (i) any failure to determine that it may be lawful or feasible to make such securities available to Holders in general or to any Holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale, or (iii) any liability to the purchaser of such securities.

SECTION 4.10 Available Information. The Company is subject to the periodic reporting requirements of the Exchange Act and accordingly files certain information with the Commission. These reports and documents can be inspected and copied at the public reference facilities maintained by the Commission located at the date of this Deposit Agreement at 100 F Street, N.E., Washington, D.C. 20549.

SECTION 4.11 Reports. The Depositary shall make available during normal business hours on any Business Day for inspection by Holders at its Principal Office any reports and communications, including any proxy soliciting materials, received from the Company which are both (a) received by the Depositary, the Custodian, or the nominee of either of them as the holder of the Deposited Securities and (b) made generally available to the holders of such Deposited Securities by the Company. The Company agrees to provide to the Depositary, at the Company's expense, all documents that it provides to the Custodian. The Depositary shall, at the expense of the Company and in accordance with Section 5.6, also mail by regular, ordinary mail delivery or by electronic transmission (if agreed by the Company and the Depositary) and unless otherwise agreed in writing by the Company and the Depositary, to Holders copies of such reports when furnished by the Company pursuant to Section 5.6.

SECTION 4.12 List of Holders. Promptly upon written request by the Company, the Depositary shall, at the expense of the Company, furnish to it a list, as of a recent date, of the names, addresses and holdings of American Depositary Shares by all persons in whose names Receipts are registered on the books of the Depositary.

SECTION 4.13 Taxation;Withholding. The Depositary will, and will instruct the Custodian to, forward to the Company or its agents such information from its records as the Company may reasonably request to enable the Company or its agents to file necessary tax reports with governmental authorities or agencies. The Depositary, the Custodian or the Company and its agents may, but shall not be obligated to, file such reports as are necessary to reduce or eliminate applicable taxes on dividends and on other distributions in respect of Deposited Securities under applicable tax treaties or laws for the Holders and Beneficial Owners. Holders and Beneficial Owners of American Depositary Shares may be required from time to time, and in a timely manner, to file such proof of taxpayer status, residence and beneficial ownership (as applicable), to execute such certificates and to make such representations and warranties, or to provide any other information or documents, as the Depositary or the Custodian may deem necessary or proper to fulfill the Depositary's or the Custodian's obligations under applicable law.

The Company shall remit to the appropriate governmental authority or agency any amounts required to be withheld by the Company and owing to such governmental authority or agency. Upon any such withholding, the Company shall remit to the Depositary information about such taxes and/or governmental charges withheld or paid, and, if so requested, the tax receipt (or other proof of payment to the applicable governmental authority) therefor, in each case, in a form satisfactory to the Depositary. The Depositary shall, to the extent required by U.S. law, report to Holders: (i) any taxes withheld by it; (ii) any taxes withheld by the Custodian, subject to information being provided to the Depositary by the Custodian; and (iii) any taxes withheld by the Company, subject to information being provided to the Depositary by the Company. The Depositary and the Custodian shall not be required to provide the Holders with any evidence of the remittance by the Company (or its agents) of any taxes withheld, or of the payment of taxes by the Company, except to the extent the evidence is provided by the Company to the Depositary. Neither the Depositary, the Custodian, nor the Company shall be liable for the failure by any Holder or Beneficial Owner to obtain the benefits of credits on the basis of non-U.S. tax paid against such Holder's or Beneficial Owner's income tax liability.

In the event that the Depositary determines that any distribution in property (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charge which the Depositary is obligated to withhold, the Depositary shall withhold the amount required to be withheld and may by public or private sale dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner as the Depositary deems necessary and practicable to pay such taxes and charges and the Depositary shall distribute the net proceeds of any such sale after deduction of such taxes and charges to the Holders entitled thereto in proportion to the number of American Depositary Shares held by them respectively.

The Depositary is under no obligation to provide the Holders and Beneficial Owners with any information about the tax status of the Company. The Depositary shall not incur any liability for any tax consequences that may be incurred by Holders and Beneficial Owners on account of their ownership of the American Depositary Shares, including without limitation, tax consequences resulting from the Company (or any of its subsidiaries) being treated as a "Passive Foreign Investment Company" (as defined in the U.S. Internal Revenue Code and the regulations issued thereunder) or otherwise.

ARTICLE V

THE DEPOSITARY, THE CUSTODIAN AND THE COMPANY

SECTION 5.1 Maintenance of Office and Transfer Books by the Registrar. Until termination of this Deposit Agreement in accordance with its terms, the Depositary or if a Registrar for the Receipts shall have been appointed, the Registrar shall maintain in the Borough of Manhattan, the City of New York, an office and facilities for the execution and delivery, registration, registration of transfers, combination and split-up of Receipts, the surrender of Receipts and the delivery and withdrawal of Deposited Securities in accordance with the provisions of this Deposit Agreement.

The Depositary or the Registrar as applicable, shall keep books for the registration of Receipts and transfers of Receipts which at all reasonable times shall be open for inspection by the Company and by the Holders of such Receipts, provided that such inspection shall not be, to the Depositary's or the Registrar's knowledge, for the purpose of communicating with Holders of such Receipts in the interest of a business or object other than the business of the Company or other than a matter related to this Deposit Agreement or the Receipts.

The Depositary or the Registrar, as applicable, may close the transfer books with respect to the Receipts, at any time or from time to time, when deemed necessary or advisable by it in connection with the performance of its duties hereunder.

If any Receipts or the American Depositary Shares evidenced thereby are listed on one or more stock exchanges or automated quotation systems in the United States, the Depositary shall act as Registrar or appoint a Registrar or one or more co-registrars for registration of Receipts and transfers, combinations and split-ups, and to countersign such Receipts in accordance with any requirements of such exchanges or systems. Such Registrar or co-registrars may be removed and a substitute or substitutes appointed by the Depositary.

If any Receipts or the American Depositary Shares evidenced thereby are listed on one or more securities exchanges, markets or automated quotation systems, (i) the Depositary shall be entitled to, and shall, take or refrain from taking such action(s) as it may deem necessary or appropriate to comply with the requirements of such securities exchange(s), market(s) or automated quotation system(s) applicable to it, notwithstanding any other provision of this Deposit Agreement; and (ii) upon the reasonable request of the Depositary, the Company shall provide the Depositary such information and assistance as may be reasonably necessary for the Depositary to comply with such requirements, to the extent that the Company may lawfully do so.

SECTION 5.2 Exoneration. Neither the Depositary, the Custodian or the Company shall be obligated to do or perform any act which is inconsistent with the provisions of this Deposit Agreement or shall incur any liability (i) if the Depositary, the Custodian or the Company or their respective controlling persons or agents shall be prevented or forbidden from, or subjected to any civil or criminal penalty or restraint on account of, or delayed in, doing or performing any act or thing required by the terms of the Deposit Agreement and any Receipt, by reason of any provision of any present or future law or regulation of the United States or any state thereof, the United Kingdom or any other country, or of any other governmental authority or regulatory authority or stock exchange, or on account of the possible criminal or civil penalties or restraint, or by reason of any provision, present or future, of the Company's Articles of Association or any provision of or governing any Deposited Securities, or by reason of any act of God or war or other circumstances beyond its control (including, without limitation, nationalization, expropriation, currency restrictions, work stoppage, strikes, civil unrest, revolutions, rebellions, explosions and computer failure), (ii) by reason of any exercise of, or failure to exercise, any discretion provided for in this Deposit Agreement or in the Company's Articles of Association or provisions of or governing Deposited Securities, (iii) for any action or inaction of the Depositary, the Custodian or the Company or their respective controlling persons or agents in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Holder, any Beneficial Owner or authorized representative thereof, or any other person believed by it in good faith to be competent to give such advice or information, (iv) for the inability by a Holder or Beneficial Owner to benefit from any distribution, offering, right or other benefit which is made available to holders of Deposited Securities but is not, under the terms of this Deposit Agreement, made available to Holders of American Depositary Shares or (v) for any special, consequential, indirect or punitive damages ("Special Damages") for any breach of the terms of this Deposit Agreement or otherwise.

The Depositary, its controlling persons, its agents, the Custodian and the Company, its controlling persons and its agents may rely and shall be protected in acting upon any written notice, request, opinion or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

No disclaimer of liability under the Securities Act is intended by any provision of this Deposit Agreement.

SECTION 5.3 Standard of Care. The Company and the Depositary and their respective agents assume no obligation and shall not be subject to any liability under this Deposit Agreement or any Receipts to any Holder(s) or Beneficial Owner(s) or other persons (except for the Company's and the Depositary's obligations specifically set forth in Section 5.8), provided, that the Company and the Depositary and their respective agents agree to perform their respective obligations specifically set forth in this Deposit Agreement or the applicable ADRs without gross negligence or willful misconduct.

Without limitation of the foregoing, neither the Depositary, nor the Company, nor any of their respective controlling persons, or agents, shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Securities or in respect of the Receipts, which in its opinion may involve it in expense or liability, unless indemnity satisfactory to it against all expenses (including fees and disbursements of counsel) and liabilities be furnished as often as may be required (and no Custodian shall be under any obligation whatsoever with respect to such proceedings, the responsibility of the Custodian being solely to the Depositary).

In no event shall the Depositary or any of its directors, officers, employees, agents (including, without limitation, its Agents) and/or Affiliates, or any of them, be liable for any Special Damages to the Company, Holders, Beneficial Owners or any other person.

The Depositary and its agents shall not be liable for any failure to carry out any instructions to vote any of the Deposited Securities, or for the manner in which any vote is cast (provided that any such action or omission is in good faith) or the effects of any vote. The Depositary shall not incur any liability for any failure to determine that any distribution or action may be lawful or reasonably practicable, for the content of any information submitted to it by the Company for distribution to the Holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the Deposited Securities, for the validity or worth of the Deposited Securities or for any tax consequences that may result from the ownership of ADSs, Shares or Deposited Securities, for the credit-worthiness of any third party, for allowing any rights to lapse upon the terms of this Deposit Agreement or for the failure or timeliness of any notice from the Company, or for any action or non action by it in reliance upon the opinion, advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Holder or any other person believed by it in good faith to be competent to give such advice or information. The Depositary and its agents shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with any matter arising wholly after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises the Depositary performed its obligations without gross negligence or willful misconduct while it acted as Depositary.

SECTION 5.4 Resignation and Removal of the Depositary; Appointment of Successor Depositary. The Depositary may at any time resign as Depositary hereunder by written notice of resignation delivered to the Company, such resignation to be effective on the earlier of (i) the 90th day after delivery thereof to the Company (whereupon the Depositary shall, in the event no successor depositary has been appointed by the Company, be entitled to take the actions contemplated in Section 6.2 hereof), or (ii) upon the appointment by the Company of a successor depositary and its acceptance of such appointment as hereinafter provided, save that, any amounts, fees, costs or expenses owed to the Depositary hereunder or in accordance with any other agreements otherwise agreed in writing between the Company and the Depositary from time to time shall be paid to the Depositary prior to such resignation.

The Depositary may at any time be removed by the Company by written notice of such removal, which removal shall be effective on the later of (i) the 90th day after delivery thereof to the Depositary (whereupon the Depositary shall be entitled to take the actions contemplated in Section 6.2 hereof), or (ii) upon the appointment by the Company of a successor depositary and its acceptance of such appointment as hereinafter provided, save that, any amounts, fees, costs or expenses owed to the Depositary hereunder or in accordance with any other agreements otherwise agreed in writing between the Company and the Depositary from time to time shall be paid to the Depositary prior to such removal.

In case at any time the Depositary acting hereunder shall resign or be removed, the Company shall use its best efforts to appoint a successor depositary, which shall be a bank or trust company having an office in the Borough of Manhattan, the City of New York. The Company shall give notice to the Depositary of the appointment of a successor depositary not more than 90 days after delivery by the Depositary of written notice of resignation or by the Company of removal, each as provided in this section. In the event that a successor depositary is not appointed or notice of the appointment of a successor depositary is not provided by the Company in accordance with the preceding sentence, the Depositary shall be entitled to take the actions contemplated in Section 6.2 hereof. Every successor depositary shall be required by the Company to execute and deliver to its predecessor and to the Company an instrument in writing accepting its appointment hereunder, and thereupon such successor depositary, without any further act or deed (except as required by applicable law), shall become fully vested with all the rights, powers, duties and obligations of its predecessor. The predecessor depositary, upon payment of all sums due to it and on the written request of the Company, shall (i) execute and deliver an instrument transferring to such successor all rights and powers of such predecessor hereunder (other than as contemplated in Sections 5.8 and 5.9), (ii) duly assign, transfer and deliver all right, title and interest to the Deposited Securities to such successor, and (iii) deliver to such successor a list of the Holders of all outstanding Receipts and such other information relating to Receipts and Holders thereof as the successor may reasonably request. Any such successor depositary shall promptly mail notice of its appointment to such Holders.

Any corporation into or with which the Depositary may be merged or consolidated shall be the successor of the Depositary without the execution or filing of any document or any further act.

SECTION 5.5 The Custodian. The Custodian or its successors in acting hereunder shall be subject at all times and in all respects to the direction of the Depositary for the Deposited Securities for which the Custodian acts as custodian and shall be responsible solely to it. If any Custodian resigns or is discharged from its duties hereunder with respect to any Deposited Securities and no other Custodian has previously been appointed hereunder, the Depositary shall promptly appoint a substitute custodian. The Depositary shall require such resigning or discharged Custodian to deliver the Deposited Securities held by it, together with all such records maintained by it as Custodian with respect to such Deposited Securities as the Depositary may request, to the Custodian designated by the Depositary. Whenever the Depositary determines, in its discretion, that it is appropriate to do so, it may appoint an additional entity to act as Custodian with respect to any Deposited Securities, or discharge the Custodian with respect to any Deposited Securities and appoint a substitute custodian, which shall thereafter be Custodian hereunder with respect to the Deposited Securities. After any such change, the Depositary shall give notice thereof in writing to all Holders.

Upon the appointment of any successor depositary, any Custodian then acting hereunder shall, unless otherwise instructed by the Depositary, continue to be the Custodian of the Deposited Securities without any further act or writing and shall be subject to the direction of the successor depositary. The successor depositary so appointed shall, nevertheless, on the written request of any Custodian, execute and deliver to such Custodian all such instruments as may be proper to give to such Custodian full and complete power and authority to act on the direction of such successor depositary.

SECTION 5.6 Notices and Reports. On or before the first date on which the Company gives notice, by publication or otherwise, of any meeting of holders of Shares or other Deposited Securities, or of any adjourned meeting of such holders, or of the taking of any action by such holders other than at a meeting, or of the taking of any action in respect of any cash or other distributions or the offering of any rights in respect of Deposited Securities, the Company shall transmit to the Depositary and the Custodian a copy of the notice thereof in English but otherwise in the form given or to be given to holders of Shares or other Deposited Securities. The Company shall also furnish to the Custodian and the Depositary a summary, in English, of any applicable provisions or proposed provisions of the Company's Articles of Association that may be relevant or pertain to such notice of meeting or be the subject of a vote thereat.

The Company will also transmit to the Depositary (a) English language versions of the other notices, reports and communications which are made generally available by the Company to holders of its Shares or other Deposited Securities and (b) English language versions of the Company's annual and other reports prepared in accordance with the applicable requirements of the Commission under Rule 12g3-2(b). The Depositary shall arrange, at the request of the Company and at the Company's expense, for the mailing of copies thereof to all Holders, or by any other means as agreed between the Company and the Depositary (at the Company's expense) or make such notices, reports and other communications available for inspection by all Holders, provided, that, the Depositary shall have received evidence sufficiently satisfactory to it, including in the form of an opinion of local and/or U.S. counsel or counsel of other applicable jurisdiction, furnished at the expense of the Company, as the Depositary in its discretion so requests, that the distribution of such notices, reports and any such other communications to Holders from time to time is valid and does not or will not infringe any local, U.S. or other applicable jurisdiction regulatory restrictions or requirements if so distributed and made available to Holders. The Company will timely provide the Depositary with the quantity of such notices, reports, and communications, as requested by the Depositary from time to time, in order for the Depositary to effect such mailings. The Company has delivered to the Depositary and the Custodian a copy of the Company's Articles of Association along with the provisions of or governing the Shares and any other Deposited Securities issued by the Company or any Affiliate of the Company, in connection with the Shares, in each case along with a certified English translation thereof, and promptly upon any amendment thereto or change therein, the Company shall deliver to the Depositary and the Custodian a copy of such amendment thereto or change therein (along with a certified English translation thereof). The Depositary may rely upon such copy for all purposes of this Deposit Agreement.

The Depositary will, at the expense of the Company, make available a copy of any such notices, reports or communications issued by the Company and delivered to the Depositary for inspection by the Holders of the Receipts evidencing the American Depositary Shares representing such Shares governed by such provisions at the Depositary's Principal Office, at the office of the Custodian and at any other designated transfer office.

SECTION 5.7 Issuance of Additional Shares, ADSs etc. The Company agrees that in the event it or any of its Affiliates proposes (i) an issuance, sale or distribution of additional Shares, (ii) an offering of rights to subscribe for Shares or other Deposited Securities, (iii) an issuance of securities convertible into or exchangeable for Shares, (iv) an issuance of rights to subscribe for securities convertible into or exchangeable for Shares, (v) an elective dividend of cash or Shares, (vi) a redemption of Deposited Securities, (vii) a meeting of holders of Deposited Securities, or solicitation of consents or proxies, relating to any reclassification of securities, merger, subdivision, amalgamation or consolidation or transfer of assets or (viii) any reclassification, recapitalization, reorganization, merger, amalgamation, consolidation or sale of assets which affects the Deposited Securities, it will obtain U.S. legal advice and take all steps necessary to ensure that the application of the proposed transaction to Holders and Beneficial Owners does not violate the registration provisions of the Securities Act, or any other applicable laws (including, without limitation, the Investment Company Act of 1940, as amended, the Exchange Act or the securities laws of the states of the United States). In support of the foregoing or at the reasonable request of the Depositary where it deems necessary, the Company will furnish to the Depositary, at its own expense (a) a written opinion of U.S. counsel (reasonably satisfactory to the Depositary) stating whether or not application of such transaction to Holders and Beneficial Owners (1) requires a registration statement under the Securities Act to be in effect or is exempt from the registration requirements of the Securities Act and/or (2) dealing with such other reasonable issues requested by the Depositary and (b) an opinion of United Kingdom counsel (reasonably satisfactory to the Depositary) stating that (1) making the transaction available to Holders and Beneficial Owners does not violate the laws or regulations of the United Kingdom and (2) all requisite regulatory consents and approvals have been obtained in the United Kingdom. If the filing of a registration statement is required, the Depositary shall not have any obligation to proceed with the transaction unless it shall have received evidence reasonably satisfactory to it that such registration statement has been declared effective and that such distribution is in accordance with all applicable laws or regulations. If, being advised by counsel, the Company determines that a transaction is required to be registered under the Securities Act, the Company will either (i) register such transaction to the extent necessary, (ii) alter the terms of the transaction to avoid the registration requirements of the Securities Act or (iii) direct the Depositary to take specific measures, in each case as contemplated in this Deposit Agreement, to prevent such transaction from violating the registration requirements of the Securities Act.

The Company agrees with the Depositary that neither the Company nor any of its Affiliates will at any time (i) deposit any Shares or other Deposited Securities, either upon original issuance or upon a sale of Shares or other Deposited Securities previously issued and reacquired by the Company or by any such Affiliate, or (ii) issue additional Shares, rights to subscribe for such Shares, securities convertible into or exchangeable for Shares or rights to subscribe for such securities, unless such transaction and the securities issuable in such transaction are exempt from registration under the Securities Act or have been registered under the Securities Act (and such registration statement has been declared effective).

Notwithstanding anything else contained in this Deposit Agreement, nothing in this Deposit Agreement shall be deemed to obligate the Company to file any registration statement in respect of any proposed transaction.

SECTION 5.8 Indemnification. The Company agrees to indemnify the Depositary, any Custodian and each of their respective directors, officers, employees, agents and Affiliates against, and hold each of them harmless from, any losses, liabilities, taxes, costs, claims, judgments, proceedings, actions, demands and any charges or expenses of any kind whatsoever (including, but not limited to, reasonable fees and expenses of counsel and, in each case, any value added taxes and any similar taxes charged or otherwise imposed in respect thereof) (collectively referred to as "Losses") which the Depositary or any agent thereof may incur or which may be made against it as a result of or in connection with its appointment or the exercise of its powers and duties under this Deposit Agreement or that may arise (a) out of or in connection with any offer, issuance, sale, resale, transfer, deposit or withdrawal of Receipts, American Depositary Shares, the Shares, or other Deposited Securities, as the case may be, (b) out of or in connection with any offering documents in respect thereof or (c) out of or in connection with acts performed or omitted, including, but not limited to, any delivery by the Depositary on behalf of the Company of information regarding the Company in connection with this Deposit Agreement, the Receipts, the American Depositary Shares, the Shares, or any Deposited Securities, in any such case (i) by the Depositary, the Custodian or any of their respective directors, officers, employees, agents and Affiliates, except to the extent any such Losses directly arise out of the gross negligence or willful misconduct of any of them, or (ii) by the Company or any of its directors, officers, employees, agents and Affiliates.

Except as provided in the next succeeding paragraph, the Depositary shall indemnify, defend and hold harmless the Company against any Losses incurred by the Company in respect of this Deposit Agreement to the extent such loss, liability or expense is due to the gross negligence or willful misconduct of the Depositary.

Notwithstanding any other provision of this Deposit Agreement or any Receipts to the contrary, neither the Company nor the Depositary, nor any of their agents, shall be liable to the other for any Special Damages except (i) to the extent such Special Damages arise from the gross negligence or willful misconduct of the party from whom indemnification is sought or (ii) in the case of a claim to the Company for indemnification of Special Damages to the extent Special Damages arise from or out of a claim brought by a third party, Holder or Beneficial Owner against the Depositary or its agents and such Special Damages did not directly arise out of the gross negligence or willful misconduct of the Depositary.

Any person seeking indemnification hereunder (an "Indemnified Person") shall notify the person from whom it is seeking indemnification (the "Indemnifying Person") of the commencement of any indemnifiable action or claim promptly after such Indemnified Person becomes aware of such commencement (provided that the failure to make such notification shall not affect such Indemnified Person's rights to indemnification except to the extent the Indemnifying Person is materially prejudiced by such failure) and shall consult in good faith with the Indemnifying Person as to the conduct of the defense of such action or claim that may give rise to an indemnity hereunder, which defense shall be reasonable under the circumstances. No Indemnified Person shall compromise or settle any action or claim that may give rise to an indemnity hereunder without the consent of the Indemnifying Person, which consent shall not be unreasonably withheld.

The obligations set forth in this Section shall survive the termination of this Deposit Agreement and the succession or substitution of any party hereto.

SECTION 5.9 Fees and Charges of Depositary. The Company, the Holders, the Beneficial Owners, and persons depositing Shares or surrendering ADSs for cancellation and withdrawal of Deposited Securities shall be required to pay to the Depositary the Depositary's fees and related charges identified as payable by them respectively as provided for under Article (9) of the Receipt. All fees and charges so payable may, at any time and from time to time, be changed by agreement between the Depositary and the Company, but, in the case of fees and charges payable by Holders and Beneficial Owners, only in the manner contemplated in Section 6.1. The Depositary shall provide, without charge, a copy of its latest fee schedule to anyone upon request.

The Depositary and the Company may reach separate agreement in relation to the payment of any additional remuneration to the Depositary in respect of any exceptional duties which the Depositary finds necessary or desirable and agreed by both parties in the performance of its obligations hereunder and in respect of the actual costs and expenses of the Depositary in respect of any notices required to be given to the Holders in accordance with Section 6.1 hereof.

In connection with any payment by the Company to the Depositary:

(i) all fees, taxes, duties, charges, costs and expenses which are payable by the Company shall be paid or be procured to be paid by the Company (and any such amounts which are paid by the Depositary shall be reimbursed to the Depositary by the Company upon demand therefor); and

(ii) such payment shall be subject to all necessary United Kingdom exchange control and other consents and approvals having been obtained. The Company undertakes to use its reasonable endeavours to obtain all necessary approvals that are required to be obtained by it in this connection.

The Company agrees to promptly pay to the Depositary such other expenses, fees and charges and to reimburse the Depositary for such out-of-pocket expenses as the Depositary and the Company may agree to from time to time or as are incurred in accordance herewith. Responsibility for payment of such charges may at any time and from time to time be changed by agreement between the Company and the Depositary. In the discretion of the Depositary, the Depositary shall present its statement for such expenses and fees or charges to the Company upon receipt or payment of any relevant invoice by the Depositary, once every three months, semiannually or annually.

All payments by the Company to the Depositary under this Section 5.9 shall be paid without set-off or counterclaim, and free and clear of and without deduction or withholding for or on account of, any present or future taxes, levies, imports, duties, fees, assessments or other charges of whatever nature, imposed by law, rule, regulation, court, tribunal or by any department, agency or other political subdivision or taxing authority thereof or therein, and all interest, penalties or similar liabilities with respect thereto.

The right of the Depositary to receive payment of fees, charges and expenses as provided above shall survive the termination of this Deposit Agreement. As to any Depositary, upon the resignation or removal of such Depositary as described in Section 5.4 hereof, such right shall extend for those fees, charges and expenses incurred prior to the effectiveness of such resignation or removal.

SECTION 5.10 Restricted Securities Owners. The Company agrees to advise in writing each of the persons or entities who, to the knowledge of the Company, holds Restricted Securities that such Restricted Securities are ineligible for deposit hereunder and, to the extent practicable, shall require each of such persons to represent in writing that such person will not deposit Restricted Securities hereunder. The Company shall inform Holders and Beneficial Owners and the Depositary of any other limitations on ownership of Shares that the Holders and Beneficial Owners may be subject to by reason of the number of American Depositary Shares held under the Articles of Incorporation of the Company or applicable United Kingdom law, as such restrictions may be in force from time to time.

ARTICLE VI

AMENDMENT AND TERMINATION

SECTION 6.1 Amendment/Supplement. Subject to the terms and conditions of this Section 6.1 and applicable law, the Receipts outstanding at any time, the provisions of this Deposit Agreement and the form of Receipt attached hereto and to be issued under the terms hereof may at any time and from time to time be amended or supplemented by written agreement between the Company and the Depositary in any respect which they may deem necessary or desirable without the consent of the Holders or Beneficial Owners. Any amendment or supplement which shall impose or increase any fees or charges (other than charges in connection with foreign exchange control regulations, and taxes and other governmental charges, delivery and other such expenses), or which shall otherwise materially prejudice any substantial existing right of Holders or Beneficial Owners, shall not, however, become effective as to outstanding Receipts until 30 days after notice of such amendment or supplement shall have been given to the Holders of outstanding Receipts. Notice of any amendment to the Deposit Agreement or form of Receipts shall not need to describe in detail the specific amendments effectuated thereby, and failure to describe the specific amendments in any such notice shall not render such notice invalid, provided, however, that, in each such case, the notice given to the Holders identifies a means for Holders and Beneficial Owners to retrieve or receive the text of such amendment (i.e., upon retrieval from the Commission's, the Depositary's or the Company's website or upon request from the Depositary). The parties hereto agree that any amendments or supplements which (i) are reasonably necessary (as agreed by the Company and the Depositary) in order for (a) the American Depositary Shares to be registered on Form F-6 under the Securities Act or (b) the American Depositary Shares or the Shares to be traded solely in electronic book-entry form and (ii) do not in either such case impose or increase any fees or charges to be borne by Holders, shall be deemed not to materially prejudice any substantial rights of Holders or Beneficial Owners. Every Holder and Beneficial Owner at the time any amendment or supplement so becomes effective shall be deemed, by continuing to hold such American Depositary Share or Shares, to consent and agree to such amendment or supplement and to be bound by the Deposit Agreement as amended and supplemented thereby. In no event shall any amendment or supplement impair the right of the Holder to surrender such Receipt and receive therefor the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law. Notwithstanding the foregoing, if any governmental body should adopt new laws, rules or regulations which would require amendment or supplement of the Deposit Agreement to ensure compliance therewith, the Company and the Depositary may amend or supplement the Deposit Agreement and the Receipt at any time in accordance with such changed laws, rules or regulations. Such amendment or supplement to the Deposit Agreement in such circumstances may become effective before a notice of such amendment or supplement is given to Holders or within any other period of time as required for compliance with such laws, rules or regulations.

SECTION 6.2 Termination. The Depositary shall, at any time at the written direction of the Company, terminate this Deposit Agreement by mailing notice of such termination to the Holders of all Receipts then outstanding at least 90 days prior to the date fixed in such notice for such termination, provided that, the Depositary shall be reimbursed for any amounts, fees, costs or expenses owed to it in accordance with the terms of this Deposit Agreement and in accordance with any other agreements as otherwise agreed in writing between the Company and the Depositary from time to time, before such termination shall take effect. If 90 days shall have expired after (i) the Depositary shall have delivered to the Company a written notice of its election to resign, or (ii) the Company shall have delivered to the Depositary a written notice of the removal of the Depositary, and in either case a successor depositary shall not have been appointed and accepted its appointment as provided in Section 5.4, the Depositary may terminate this Deposit Agreement by mailing notice of such termination to the Holders of all Receipts then outstanding at least 30 days prior to the date fixed for such termination. On and after the date of termination of this Deposit Agreement, the Holder will, upon surrender of such Receipt at the Principal Office of the Depositary, upon the payment of the charges of the Depositary for the surrender of Receipts referred to in Section 2.6 and subject to the conditions and restrictions therein set forth, and upon payment of any applicable taxes and/or governmental charges, be entitled to delivery, to him or upon his order, of the amount of Deposited Securities represented by such Receipt. If any Receipts shall remain outstanding after the date of termination of this Deposit Agreement, the Registrar thereafter shall discontinue the registration of transfers of Receipts, and the Depositary shall suspend the distribution of dividends to the Holders thereof, and shall not give any further notices or perform any further acts under this Deposit Agreement, except that the Depositary shall continue to collect dividends and other distributions pertaining to Deposited Securities, shall sell rights or other property as provided in this Deposit Agreement, and shall continue to deliver Deposited Securities, subject to the conditions and restrictions set forth in Section 2.6, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any rights or other property, in exchange for Receipts surrendered to the Depositary (after deducting, or charging, as the case may be, in each case, the charges of the Depositary for the surrender of a Receipt, any expenses for the account of the Holder in accordance with the terms and conditions of this Deposit Agreement and any applicable taxes and/or governmental charges or assessments). At any time after the expiration of six months from the date of termination of this Deposit Agreement, the Depositary may sell the Deposited Securities then held hereunder and may thereafter hold uninvested the net proceeds of any such sale, together with any other cash then held by it hereunder, in an unsegregated account, without liability for interest for the pro rata benefit of the Holders of Receipts whose Receipts have not theretofore been surrendered. After making such sale, the Depositary shall be discharged from all obligations under this Deposit Agreement with respect to the Receipts and the Shares, Deposited Securities and American Depositary Shares, except to account for such net proceeds and other cash (after deducting, or charging, as the case may be, in each case, the charges of the Depositary for the surrender of a Receipt, any expenses for the account of the Holder in accordance with the terms and conditions of this Deposit Agreement and any applicable taxes and/or governmental charges or assessments). Upon the termination of this Deposit Agreement, the Company shall be discharged from all obligations under this Deposit Agreement except for its obligations to the Depositary hereunder. The obligations under the terms of the Deposit Agreement and Receipts of Holders and Beneficial Owners of ADSs outstanding as of the effective date of any termination shall survive such effective date of termination and shall be discharged only when the applicable ADSs are presented by their Holders to the Depositary for cancellation under the terms of the Deposit Agreement and the Holders have each satisfied any and all of their obligations hereunder (including, but not limited to, any payment and/or reimbursement obligations which relate to prior to the effective date of termination but which payment and/or reimbursement is claimed after such effective date of termination).

ARTICLE VII

MISCELLANEOUS

SECTION 7.1 Counterparts. This Deposit Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of such counterparts together shall constitute one and the same agreement. Copies of this Deposit Agreement shall be maintained with the Depositary and shall be open to inspection by any Holder during business hours.

SECTION 7.2 No Third-Party Beneficiaries. This Deposit Agreement is for the exclusive benefit of the parties hereto (and their successors) and shall not be deemed to give any legal or equitable right, remedy or claim whatsoever to any other person, except to the extent specifically set forth in this Deposit Agreement. Nothing in this Deposit Agreement shall be deemed to give rise to a partnership or joint venture among the parties hereto nor establish a fiduciary or similar relationship among the parties. The parties hereto acknowledge and agree that (i) the Depositary and its Affiliates may at any time have multiple banking relationships with the Company and its Affiliates, (ii) the Depositary and its Affiliates may be engaged at any time in transactions in which parties adverse to the Company or the Holders or Beneficial Owners may have interests and (iii) nothing contained in this Deposit Agreement shall (a) preclude the Depositary or any of its Affiliates from engaging in such transactions or establishing or maintaining such relationships, or (b) obligate the Depositary or any of its Affiliates to disclose such transactions or relationships or to account for any profit made or payment received in such transactions or relationships.

SECTION 7.3 Severability. In case any one or more of the provisions contained in this Deposit Agreement or in the Receipts should be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall in no way be affected, prejudiced or disturbed thereby.

SECTION 7.4 Holders and Beneficial Owners as Parties; Binding Effect. The Holders and Beneficial Owners from time to time of American Depositary Shares shall be parties to the Deposit Agreement and shall be bound by all of the terms and conditions hereof and of any Receipt by acceptance hereof or any beneficial interest therein.

SECTION 7.5 Notices. Any and all notices to be given to the Company shall be deemed to have been duly given if personally delivered or sent by mail, air courier or cable, telex, facsimile transmission or electronic transmission, confirmed by letter, addressed to Morria Biopharmaceuticals Plc, 53 Davies Street, Mayfair, London W1K5JH, Attention: Chief Financial Officer, telephone: Tel: +44 (0)207 152 6341, facsimile: +44 (0) 207 152 6342, or to any other address which the Company may specify in writing to the Depositary.

Any and all notices to be given to the Depositary shall be deemed to have been duly given if personally delivered or sent by mail, air courier or cable, telex, facsimile transmission or by electronic transmission (if agreed by the Company and the Depositary), at the Company's expense, unless otherwise agreed in writing between the Company and the Depositary, confirmed by letter, addressed to Deutsche Bank Trust Company Americas, 60 Wall Street, New York, New York 10005, USA Attention: ADR Department, telephone: (001) 212 602-1044, facsimile: (001) 212 797 0327 or to any other address which the Depositary may specify in writing to the Company.

Any and all notices to be given to any Holder shall be deemed to have been duly given if personally delivered or sent by mail or cable, telex, facsimile transmission or by electronic transmission (if agreed by the Company and the Depositary), at the Company's expense, unless otherwise agreed in writing between the Company and the Depositary, addressed to such Holder at the address of such Holder as it appears on the transfer books for Receipts of the Depositary, or, if such Holder shall have filed with the Depositary a written request that notices intended for such Holder be mailed to some other address, at the address specified in such request. Notice to Holders shall be deemed to be notice to Beneficial Owners for all purposes of this Deposit Agreement.

Delivery of a notice sent by mail, air courier or cable, telex, facsimile or electronic transmission shall be deemed to be effective at the time when a duly addressed letter containing the same (or a confirmation thereof in the case of a cable, telex, facsimile or electronic transmission) is deposited, postage prepaid, in a post-office letter box or delivered to an air courier service. The Depositary or the Company may, however, act upon any cable, telex, facsimile or electronic transmission received by it from the other or from any Holder, notwithstanding that such cable, telex, facsimile or electronic transmission shall not subsequently be confirmed by letter as aforesaid, as the case may be.

SECTION 7.6 Governing Law and Jurisdiction. This Deposit Agreement and the Receipts shall be interpreted in accordance with, and all rights hereunder and thereunder and provisions hereof and thereof shall be governed by, the laws of the State of New York without reference to the principles of choice of law thereof. Except as set forth in the following paragraph of this Section 7.6, the Company and the Depositary agree that the federal or state courts in the City of New York shall have jurisdiction to hear and determine any suit, action or proceeding and to settle any dispute between them that may arise out of or in connection with this Deposit Agreement and, for such purposes, each irrevocably submits to the non-exclusive jurisdiction of such courts. The Company hereby irrevocably designates, appoints and empowers [ ] (the "Agent") now at [ ], as its authorized agent to receive and accept for and on its behalf, and on behalf of its properties, assets and revenues, service by mail of any and all legal process, summons, notices and documents that may be served in any suit, action or proceeding brought against the Company in any federal or state court as described in the preceding sentence or in the next paragraph of this Section 7.6. If for any reason the Agent shall cease to be available to act as such, the Company agrees to designate a new agent in the City of New York on the terms and for the purposes of this Section 7.6 reasonably satisfactory to the Depositary. The Company further hereby irrevocably consents and agrees to the service of any and all legal process, summons, notices and documents in any suit, action or proceeding against the Company, by service by mail of a copy thereof upon the Agent (whether or not the appointment of such Agent shall for any reason prove to be ineffective or such Agent shall fail to accept or acknowledge such service), with a copy mailed to the Company by registered or certified air mail, postage prepaid, to its address provided in Section 7.5 hereof. The Company agrees that the failure of the Agent to give any notice of such service to it shall not impair or affect in any way the validity of such service or any judgment rendered in any action or proceeding based thereon.

Notwithstanding the foregoing, the Depositary and the Company unconditionally agree that in the event that a Holder or Beneficial Owner brings a suit, action or proceeding against (a) the Company, (b) the Depositary in its capacity as Depositary under this Deposit Agreement or (c) against both the Company and the Depositary, in any state or federal court of the United States, and the Depositary or the Company have any claim, for indemnification or otherwise, against each other arising out of the subject matter of such suit, action or proceeding, then the Company and the Depositary may pursue such claim against each other in the state or federal court in the United States in which such suit, action, or proceeding is pending, and for such purposes, the Company and the Depositary irrevocably submit to the non-exclusive jurisdiction of such courts. The Company agrees that service of process upon the Agent in the manner set forth in the preceding paragraph shall be effective service upon it for any suit, action or proceeding brought against it as described in this paragraph.

The Company irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of venue of any actions, suits or proceedings brought in any court as provided in this Section 7.6, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

The Company and the Depositary agree that, notwithstanding the foregoing, with regard to any claim or dispute or difference of whatever nature between the parties hereto arising directly or indirectly from the relationship created by this Deposit Agreement, the Depositary, in its sole discretion, shall be entitled to refer such dispute or difference for final settlement by arbitration ("Arbitration") in accordance with the applicable rules of the American Arbitration Association (the "Rules") then in force, by a sole arbitrator appointed in accordance with the Rules. The seat and place of any reference to Arbitration shall be New York, New York State. The procedural law of any Arbitration shall be New York law and the language to be used in the Arbitration shall be English. The fees of the arbitrator and other costs incurred by the parties in connection with such Arbitration shall be paid by the party that is unsuccessful in such Arbitration.

EACH PARTY TO THE DEPOSIT AGREEMENT (INCLUDING, FOR AVOIDANCE OF DOUBT, EACH HOLDER AND BENEFICIAL OWNER AND/OR HOLDER OF INTERESTS IN ADRS) HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING AGAINST THE DEPOSITARY AND/OR THE COMPANY DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THE SHARES OR OTHER DEPOSITED SECURITIES, THE ADSs OR THE ADRs, THE DEPOSIT AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREIN OR THEREIN, OR THE BREACH HEREOF OR THEREOF (WHETHER BASED ON CONTRACT, TORT, COMMON LAW OR ANY OTHER THEORY).

The provisions of this Section 7.6 shall survive any termination of this Deposit Agreement, in whole or in part.

SECTION 7.7 Assignment. Subject to the provisions of Section 5.4 hereof, this Deposit Agreement may not be assigned by either the Company or the Depositary.

SECTION 7.8 Compliance with U.S. Securities Laws. Notwithstanding anything in this Deposit Agreement to the contrary, the withdrawal or delivery of Deposited Securities will not be suspended by the Company or the Depositary except as would be permitted by Instruction I.A.(1) of the General Instructions to Form F-6 Registration Statement, as amended from time to time, under the Securities Act.

SECTION 7.9 Titles; References. All references in this Deposit Agreement to exhibits, articles, sections, subsections, and other subdivisions refer to the exhibits, articles, sections, subsections and other subdivisions of this Deposit Agreement unless expressly provided otherwise. The words "this Deposit Agreement", "herein", "hereof", "hereby", "hereunder", and words of similar import refer to the Deposit Agreement as a whole as in effect between the Company, the Depositary and the Holders and Beneficial Owners of ADSs and not to any particular subdivision unless expressly so limited. Pronouns in masculine, feminine and neuter gender shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and vice versa unless the context otherwise requires. Titles to sections of this Deposit Agreement are included for convenience only and shall be disregarded in construing the language contained in this Deposit Agreement. References herein to the laws of the United Kingdom shall include references to the laws, rules and regulations of United Kingdom and any and all communities, provinces and states thereof.

SECTION 7.10 Agents. The Depositary shall be entitled, in its sole but reasonable discretion, to appoint one or more agents of which it shall have control for the purpose, *inter alia*, of making distributions to the Holders or otherwise carrying out its obligations under this Deposit Agreement.

SECTION 7.11 Exclusivity. The Company agrees not to appoint any other depositary for the issuance or administration of depositary receipts evidencing any class of stock of the Company so long as Deutsche Bank Trust Company Americas is acting as Depositary hereunder.

IN WITNESS WHEREOF, MORRIA BIOPHARMACEUTICALS PLC and DEUTSCHE BANK TRUST COMPANY AMERICAS have duly executed this Deposit Agreement as of the day and year first above set forth and all Holders and Beneficial Owners shall become parties hereto upon acceptance by them of American Depositary Shares evidenced by Receipts issued in accordance with the terms hereof.

MORRIA BIOPHARMACEUTICALS PLC

By: _____
Name:
Title:

DEUTSCHE BANK TRUST COMPANY
AMERICAS

By: _____
Name:
Title:

By: _____
Name:
Title:

TABLE OF CONTENTS

Number CUSIP

American Depositary Shares (Each American Depositary Share representing [__] Fully Paid Ordinary Shares)

EXHIBIT A

[FORM OF FACE OF RECEIPT]

AMERICAN DEPOSITARY RECEIPT

FOR

AMERICAN DEPOSITARY SHARES

representing

DEPOSITED ORDINARY SHARES

Of

MORRIA BIOPHARMACEUTICALS PLC

(Incorporated under the laws of England and Wales)

DEUTSCHE BANK TRUST COMPANY AMERICAS, as depositary (herein called the "Depositary"), hereby certifies that _____is the owner of _____ American Depositary Shares (hereinafter "ADSs" or "American Depositary Shares"), representing deposited ordinary shares, including evidence of rights to receive such ordinary shares, (the "Shares") of Morria Biopharmaceuticals Plc (the "Company"), a company incorporated under the laws of England and Wales (the "Company"). As of the date of the Deposit Agreement (hereinafter referred to), each ADS represents [__] Shares deposited under the Deposit Agreement with the Custodian which at the date of execution of the Deposit Agreement is State Street Bank & Trust Company (the "Custodian"). The ratio of ADSs to Shares is subject to subsequent amendment as provided in Article IV of the Deposit Agreement. The Depositary's Principal Office is located at 60 Wall Street, New York, New York 10005, U.S.A.

(1) The Deposit Agreement. This American Depositary Receipt is one of an issue of American Depositary Receipts ("Receipts"), all issued and to be issued upon the terms and conditions set forth in the Deposit Agreement, dated as of [_____], 2012 (as amended from time to time, the "Deposit Agreement"), by and among the Company, the Depositary, and all Holders and Beneficial Owners from time to time of Receipts issued thereunder, each of whom by accepting a Receipt agrees to become a party thereto and becomes bound by all the terms and conditions thereof. The Deposit Agreement sets forth the rights and obligations of Holders and Beneficial Owners of Receipts and the rights and duties of the Depositary in respect of the Shares deposited thereunder and any and all other securities, property and cash from time to time, received in respect of such Shares and held thereunder (such Shares, other securities, property and cash are herein called "Deposited Securities"). Copies of the Deposit Agreement are on file at the Principal Office of the Depositary and the Custodian.

Each owner and each Beneficial Owner, upon acceptance of any ADSs (or any interest therein) issued in accordance with the terms and conditions of the Deposit Agreement, shall be deemed for all purposes to (a) be a party to and bound by the terms of the Deposit Agreement and applicable ADR(s), and (b) appoint the Depositary its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the Deposit Agreement and applicable ADR(s), to adopt any and all procedures necessary to comply with applicable law and to take such action as the Depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of the Deposit Agreement and the applicable ADR(s), the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof.

The statements made on the face and reverse of this Receipt are summaries of certain provisions of the Deposit Agreement and the Company's Articles of Association (as in effect on the date of the Deposit Agreement) and are qualified by and subject to the detailed provisions of the Deposit Agreement, to which reference is hereby made. All capitalized terms used herein which are not otherwise defined herein shall have the meanings ascribed thereto in the Deposit Agreement. The Depositary makes no representation or warranty as to the validity or worth of the Deposited Securities. The Depositary has made arrangements for the acceptance of the ADSs into DTC. Each Beneficial Owner of ADSs held through DTC must rely on the procedures of DTC and the DTC Participants to exercise and be entitled to any rights attributable to such ADSs. The Receipt evidencing the ADSs held through DTC will be registered in the name of a nominee of DTC. So long as the ADSs are held through DTC or unless otherwise required by law, ownership of beneficial interests in the Receipt registered in the name of DTC (or its nominee) will be shown on, and transfers of such ownership will be effected only through, records maintained by (i) DTC (or its nominee), or (ii) DTC Participants (or their nominees).

(2) Surrender of Receipts and Withdrawal of Deposited Securities. Upon surrender, at the Principal Office of the Depositary, of ADSs evidenced by this Receipt for the purpose of withdrawal of the Deposited Securities represented thereby, and upon payment of (i) the fees and charges of the Depositary for the making of withdrawals and cancellation of Receipts (as set forth in Article (9) hereof or in Section 5.9 of the Deposit Agreement) and (ii) all applicable taxes and/or governmental charges payable in connection with such surrender and withdrawal, and, subject to the terms and conditions of the Deposit Agreement, the Company's Articles of Association, Section 7.8 of the Deposit Agreement, Article (22) of this Receipt and the provisions of or governing the Deposited Securities and other applicable laws, the Holder hereof is entitled to Delivery, to him or upon his order, of the Deposited Securities represented by the ADS so surrendered. ADSs may be surrendered for the purpose of withdrawing Deposited Securities by delivery of a Receipt evidencing such ADSs (if held in certificated form) or by book-entry delivery of such ADSs to the Depositary.

A Receipt surrendered for such purposes shall, if so required by the Depositary, be properly endorsed in blank or accompanied by proper instruments of transfer in blank, and if the Depositary so requires, the Holder thereof shall execute and deliver to the Depositary a written order directing the Depositary to cause the Deposited Securities being withdrawn to be Delivered to or upon the written order of a person or persons designated in such order. Thereupon, the Depositary shall request the Foreign Registrar to deliver or direct the Custodian to Deliver (without unreasonable delay) at the designated office of the Custodian or through book entry delivery of the Shares (in either case subject to the terms and conditions of the Deposit Agreement, to the Company's Articles of Association, and to the provisions of or governing the Deposited Securities and applicable laws, now or hereafter in effect) or through a book entry Delivery of the Shares, to or upon the written order of the person or persons designated in the order delivered to the Depositary as provided above, the Deposited Securities represented by such ADSs, together with any certificate or other proper documents of or relating to title for the Deposited Securities as may be legally required, as the case may be, to or for the account of such person.

The Depositary may, in its discretion, refuse to accept for surrender a number of ADSs representing a number of Shares other than a whole number of Shares. In the case of surrender of a Receipt evidencing a number of ADSs representing other than a whole number of Shares, the Depositary shall cause ownership of the appropriate whole number of Shares to be Delivered in accordance with the terms hereof, and shall, at the discretion of the Depositary, either (i) issue and deliver to the person surrendering such Receipt a new Receipt evidencing ADSs representing any remaining fractional Share, or (ii) sell or cause to be sold the fractional Shares represented by the Receipt so surrendered and remit the proceeds thereof (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes and governmental charges) to the person surrendering the Receipt. At the request, risk and expense of any Holder so surrendering a Receipt, and for the account of such Holder, the Depositary shall direct the Custodian to forward (to the extent permitted by law) any cash or other property (other than securities) held in respect of, and any certificate or certificates and other proper documents of or relating to title to, the Deposited Securities represented by such Receipt to the Depositary for delivery at the Principal Office of the Depositary, and for further delivery to such Holder. Such direction shall be given by letter or, at the request, risk and expense of such Holder, by cable, telex, electronic or facsimile transmission. Upon receipt by the Depositary, the Depositary may make delivery to such person or persons at the Principal Office of the Depositary of any dividends or distributions with respect to the Deposited Securities represented by such Receipt, or of any proceeds of sale of any dividends, distributions or rights, which may at the time be held by the Depositary.

(3) Transfers, Split-Ups and Combinations of Receipts. Subject to the terms and conditions of the Deposit Agreement, the Depositary or, if a Registrar (other than the Depositary) for the Receipts shall have been appointed, the Registrar shall register transfers of Receipts on its books, upon surrender at the Principal Office of the Depositary of a Receipt by the Holder thereof in person or by duly authorized attorney, properly endorsed (in the case of a certificated Receipt) or accompanied by, or in the case of DRS/Profile Receipts receipt by the Depositary of, proper instruments of transfer (including signature guarantees in accordance with standard industry practice) and duly stamped as may be required by the laws of the State of New York and of the United States of America and of any other applicable jurisdiction. Subject to the terms and conditions of the Deposit Agreement, including payment of the applicable fees and charges of the Depositary, the Depositary shall execute a new Receipt or Receipts (and, if necessary, cause the Registrar to countersign such Receipt(s)) and deliver the same to or upon the order of the person entitled to such Receipts evidencing the same aggregate number of ADSs as those evidenced by the Receipts surrendered. Upon surrender of a Receipt or Receipts for the purpose of effecting a split-up or combination of such Receipt or Receipts upon payment of the applicable fees and charges of the Depositary, and subject to the terms and conditions of the Deposit Agreement, the Depositary shall execute and deliver a new Receipt or Receipts for any authorized number of ADSs requested, evidencing the same aggregate number of ADSs as the Receipt or Receipts surrendered.

(4) Pre-Conditions to Registration, Transfer, Etc. As a condition precedent to the execution and delivery, registration, registration of transfer, split-up, subdivision combination or surrender of any Receipt, the delivery of any distribution thereon or withdrawal of any Deposited Securities, the Depositary or the Custodian may require (i) payment from the depositor of Shares or presenter of the Receipt of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees and charges of the Depositary as provided in the Deposit Agreement and in this Receipt, (ii) the production of proof satisfactory to it as to the identity and genuineness of any signature or any other matters contemplated in the Deposit Agreement and (iii) compliance with (A) any laws or governmental regulations relating to the execution and delivery of Receipts and ADSs or to the withdrawal or delivery of Deposited Securities and (B) such reasonable regulations as the Depositary may establish consistent with the Deposit Agreement and applicable law.

The issuance of ADSs against deposits of Shares generally or against deposits of particular Shares may be suspended, or the issuance of ADSs against the deposit of particular Shares may be withheld, or the registration of transfer of Receipts in particular instances may be refused, or the registration of transfer of Receipts generally may be suspended, during any period when the transfer books of the Depositary are closed or if any such action is deemed necessary or advisable by the Depositary or the Company, in good faith, at any time or from time to time because of any requirement of law, any government or governmental body or commission or any securities exchange upon which the Receipts or Shares are listed, or under any provision of the Deposit Agreement or provisions of, or governing, the Deposited Securities or any meeting of shareholders of the Company or for any other reason, subject in all cases to Article (22) hereof.

(5) Compliance With Information Requests. Notwithstanding any other provision of the Deposit Agreement, this Receipt, the constituent documents of the Company and applicable law, each Holder and Beneficial Owner agrees to (a) provide such information as the Company or the Depositary may request pursuant to law (including, without limitation, relevant English law, any applicable law of the United States, the constituent documents of the Company, any resolutions of the Company's Board of Directors adopted pursuant to such constituent documents, the requirements of any markets or exchanges upon which the Shares, ADSs or Receipts are listed or traded, or to any requirements of any electronic book-entry system by which the ADSs or Receipts may be transferred) regarding the capacity in which they own or owned Receipts, the identity of any other persons then or previously interested in such Receipts and the nature of such interest, and any other applicable matters, and (b) be bound by and subject to applicable provisions of the laws of England and Wales, the constituent documents of the Company and the requirements of any markets or exchanges upon which the ADSs, Receipts or Shares are listed or traded, or pursuant to any requirements of any electronic book-entry system by which the ADSs, Receipts or Shares may be transferred, to the same extent as if such Holder and Beneficial Owner held Shares directly, in each case irrespective of whether or not they are Holders or Beneficial Owners at the time such request is made and (c) without limiting the generality of the foregoing, comply with all applicable provisions of English law, the rules and requirements of any stock exchange on which the Shares are, or will be registered, traded or listed and the Company's constituent documents regarding any such Holder or Beneficial Owner's interest in Shares (including the aggregate of ADSs and Shares held by each such Holder or Beneficial Owner) and/or the disclosure of interests therein, whether or not the same may be enforceable against such Holder or Beneficial Owner. Each Holder and Beneficial Owner of ADSs further agrees to furnish the Company and the Depositary with any such notification made in accordance with this Article 5 and the Deposit Agreement and to comply with requests for information from the Company or the Depositary pursuant to the laws of England and Wales, the rules and requirements of any stock exchange on which the Shares are, or will be registered, traded or listed, and the Company's constituent documents, whether or not they are Holders and/or Beneficial Owners at the time of such request. The Depositary agrees to use its reasonable efforts to forward upon the request of the Company, and at the Company's expense, any such request from the Company to the Holders and to forward to the Company any such responses to such requests received by the Depositary.

(6) Liability of Holder for Taxes, Duties and Other Charges. If any present or future tax or other governmental charge shall become payable by the Depositary or the Custodian with respect to any Shares, Deposited Securities, Receipts or ADSs, such tax, or other governmental charge shall be payable by the Holders and Beneficial Owners to the Depositary and such Holders and Beneficial Owners shall be deemed liable therefor. The Company, the Custodian and/or the Depositary may withhold or deduct from any distributions made in respect of Deposited Securities and may sell for the account of the Holder and/or Beneficial Owner any or all of the Deposited Securities and apply such distributions and sale proceeds in payment of such taxes (including applicable interest and penalties) or charges, with the Holder and the Beneficial Owner hereof remaining fully liable for any deficiency. In addition to any other remedies available to it, the Depositary and the Custodian may refuse the deposit of Shares, and the Depositary may refuse to issue ADSs, to deliver ADSs, register the transfer, split-up or combination of ADRs and (subject to Article (22) hereof) the withdrawal of Deposited Securities, until payment in full of such tax, charge, penalty or interest is received. Every Holder and Beneficial Owner agrees to, and shall, indemnify the Depositary, the Company, the Custodian and each and every of their respective officers, directors, employees, agents and Affiliates against, and hold each of them harmless from, any claims with respect to taxes, additions to tax (including applicable interest and penalties thereon) arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained for or by such Holder and/or Beneficial Owner.

Holders understand that in converting Foreign Currency, amounts received on conversion are calculated at a rate which may exceed the number of decimal places used by the Depositary to report distribution rates (which in any case will not be less than two decimal places). Any excess amount may be retained by the Depositary as an additional cost of conversion, irrespective of any other fees and expenses payable or owing hereunder and shall not be subject to escheatment.

(7) Representations and Warranties of Depositors. Each person depositing Shares under the Deposit Agreement shall be deemed thereby to represent and warrant that (i) such Shares (and the certificates therefor) are duly authorized, validly issued, fully paid, non-assessable and were legally obtained by such person, (ii) all preemptive (and similar) rights, if any, with respect to such Shares, have been validly waived or exercised, (iii) the person making such deposit is duly authorized so to do, (iv) the Shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim and are not, and the ADSs issuable upon such deposit will not be, Restricted Securities and (v) the Shares presented for deposit have not been stripped of any rights or entitlements. Such representations and warranties shall survive the deposit and withdrawal of Shares and the issuance, cancellation and transfer of ADSs. If any such representations or warranties are false in any way, the Company and Depositary shall be authorized, at the cost and expense of the person depositing Shares, to take any and all actions necessary to correct the consequences thereof.

(8) Filing Proofs, Certificates and Other Information. Any person presenting Shares for deposit, any Holder and any Beneficial Owner may be required, and every Holder and Beneficial Owner agrees, from time to time to provide to the Depositary or the Custodian such proof of citizenship or residence, taxpayer status, payment of all applicable taxes or other governmental charges, exchange control approval, legal or beneficial ownership of ADSs and Deposited Securities, compliance with applicable laws and the terms of the Deposit Agreement and the provisions of, or governing, the Deposited Securities or other information, to execute such certifications and to make such representations and warranties, and to provide such other information and documentation, in all cases as the Depositary deems necessary or proper or as the Company may reasonably require by written request to the Depositary consistent with its obligations under the Deposit Agreement. The Depositary and the Registrar, as applicable, may withhold the execution or delivery or registration of transfer of any Receipt or the distribution or sale of any dividend or other distribution of rights or of the proceeds thereof or, to the extent not limited by Article (22) hereof of the terms of the Deposit Agreement, the delivery of any Deposited Securities until such proof or other information is filed, or such certifications are executed, or such representations and warranties made, or such other documentation or information are provided, in each case to the Depositary's and the Company's satisfaction. The Depositary shall from time to time on the written request advise the Company of the availability of any such proofs, certificates or other information and shall, at the Company's sole expense, provide or otherwise make available copies thereof to the Company upon written request thereof by the Company, unless such disclosure is prohibited by law. Each Holder and Beneficial Owner agrees to provide any information requested by the Company or the Depositary pursuant to this paragraph. Nothing herein shall obligate the Depositary to (i) obtain any information for the Company if not provided by the Holders or Beneficial Owners or (ii) verify or vouch for the accuracy of the information so provided by the Holders or Beneficial Owners.

(9) Charges of Depositary. The Depositary shall charge the following fees for the services performed under the terms of the Deposit Agreement; provided, however, that no fees shall be payable upon distribution of cash dividends so long as the charging of such fee is prohibited by the exchange, if any, upon which the ADSs are listed:

(i) to any person to whom ADSs are issued or to any person to whom a distribution is made in respect of ADS distributions pursuant to stock dividends or other free distributions of stock, bonus distributions, stock splits or other distributions (except where converted to cash), a fee not in excess of U.S. $ 5.00 per 100 ADSs (or fraction thereof) so issued under the terms of the Deposit Agreement to be determined by the Depositary;

(ii) to any person surrendering ADSs for cancellation and withdrawal of Deposited Securities including, *inter alia*, cash distributions made pursuant to a cancellation or withdrawal, a fee not in excess of U.S. $ 5.00 per 100 ADSs (or fraction thereof) so surrendered;

(iii) to any holder of ADSs (including, without limitation, Holders), a fee not in excess of U.S. $ 2.00 per 100 ADSs held for the distribution of cash proceeds, including cash dividends or sale of rights and other entitlements, not made pursuant to a cancellation or withdrawal;

(iv) to any holder of ADSs (including, without limitation, Holders), a fee not in excess of U.S. $ 5.00 per 100 ADSs (or portion thereof) issued upon the exercise of rights;

(v) for the operation and maintenance costs in administering the ADSs an annual fee of U.S. $ 2.00 per 100 ADSs; and

(vi) for the expenses incurred by the Depositary, the Custodian or their respective agents in connection with inspections of the relevant share register maintained by the local registrar and/or performing due diligence on the central securities depository for England and Wales: an annual fee of U.S.$1.00 per 100 ADSs (such fee to be assessed against Holders of record as at the date or dates set by the Depositary as it sees fit and collected at the sole discretion of the Depositary by billing such Holders for such fee or by deducting such fee from one or more cash dividends or other cash distributions).

In addition, Holders, Beneficial Owners, persons depositing Shares for deposit and persons surrendering ADSs for cancellation and withdrawal of Deposited Securities will be required to pay the following charges:

(i) taxes (including applicable interest and penalties) and other governmental charges;

(ii) such registration fees as may from time to time be in effect for the registration of Shares or other Deposited Securities with the Foreign Registrar and applicable to transfers of Shares or other Deposited Securities to or from the name of the Custodian, the Depositary or any nominees upon the making of deposits and withdrawals, respectively;

(iii) such cable, telex , facsimile and electronic transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing or withdrawing Shares or Holders and Beneficial Owners of ADSs;

(iv) the expenses and charges incurred by the Depositary in the conversion of Foreign Currency;

(v) such fees and expenses as are incurred by the Depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to Shares, Deposited Securities, ADSs and ADRs;

(vi) the fees and expenses incurred by the Depositary in connection with the delivery of Deposited Securities, including any fees of a central depository for securities in the local market, where applicable; and

(vii) any additional fees, charges, costs or expenses that may be incurred from time to time by the Depositary and/or any of the Depositary's agents, including the Custodian, and/or agents of the Depositary's agents in connection with the servicing of Shares, Deposited Securities and/or American Depositary Shares (such fees, charges, costs or expenses to be assessed against Holders of record as at the date or dates set by the Depositary as it sees fit and collected at the sole discretion of the Depositary by billing such Holders for such fee or by deducting such fee from one or more cash dividends or other cash distributions).

Any other charges and expenses of the Depositary under the Deposit Agreement will be paid by the Company upon agreement between the Depositary and the Company. All fees and charges may, at any time and from time to time, be changed by agreement between the Depositary and Company but, in the case of fees and charges payable by Holders or Beneficial Owners, only in the manner contemplated by Article (20) of this Receipt.

(10) Title to Receipts. It is a condition of this Receipt, and every successive Holder of this Receipt by accepting or holding the same consents and agrees, that title to this Receipt (and to each ADS evidenced hereby) is transferable by delivery of the Receipt, provided it has been properly endorsed or accompanied by proper instruments of transfer, such Receipt being a certificated security under the laws of the State of New York. Notwithstanding any notice to the contrary, the Depositary may deem and treat the Holder of this Receipt (that is, the person in whose name this Receipt is registered on the books of the Depositary) as the absolute owner hereof for the purpose of determining the person entitled to distributions of dividends or other distributions or to any notice provided for in the Deposit Agreement and for all other purposes. Neither the Depositary nor the Company shall have any obligation or be subject to any liability under the Deposit Agreement or this Receipt to any holder of this Receipt unless such holder is the Holder of this Receipt registered on the books of the Depositary.

(11) Validity of Receipt. This Receipt shall not be entitled to any benefits under the Deposit Agreement or be valid or obligatory for any purpose, unless this Receipt has been (i) dated, (ii) signed by the manual or facsimile signature of a duly authorized signatory of the Depositary. Receipts bearing the manual or facsimile signature of a duly-authorized signatory of the Depositary who was at any time a proper signatory of the Depositary shall bind the Depositary, notwithstanding the fact that such signatory has ceased to hold such office prior to the execution and delivery of such Receipt by the Depositary or did not hold such office on the date of issuance of such Receipts.

(12) Available Information; Reports; Inspection of Transfer Books. The Company is subject to the periodic reporting requirements of the Exchange Act and accordingly files certain information with the Commission. These reports and documents can be inspected and copied at the public reference facilities maintained by the Commission located at the date of this Deposit Agreement at 100 F Street, N.E., Washington, D.C. 20549.

The Depositary shall make available during normal business hours on any Business Day for inspection by Holders at its Principal Office any reports and communications, including any proxy soliciting materials, received from the Company which are both (a) received by the Depositary, the Custodian, or the nominee of either of them as the holder of the Deposited Securities and (b) made generally available to the holders of such Deposited Securities by the Company.

The Depositary or the Registrar, as applicable, shall keep books for the registration of Receipts and transfers of Receipts which at all reasonable times shall be open for inspection by the Company and by the Holders of such Receipts, provided that such inspection shall not be, to the Depositary's or the Registrar's knowledge, for the purpose of communicating with Holders of such Receipts in the interest of a business or object other than the business of the Company or other than a matter related to the Deposit Agreement or the Receipts.

The Depositary or the Registrar, as applicable, may close the transfer books with respect to the Receipts, at any time or from time to time, when deemed necessary or advisable by it in connection with the performance of its duties hereunder, or, with respect to the issuance books only at the reasonable written request of the Company in order to enable the Company to comply with applicable law, subject, in all cases, to Article (22) hereof.

Dated:

DEUTSCHE BANK TRUST
COMPANY AMERICAS, as Depositary

By: _____
Vice President

The address of the Principal Office of the Depositary is 60 Wall Street, New York, New York 10005, U.S.A.

[FORM OF REVERSE OF RECEIPT]
SUMMARY OF CERTAIN ADDITIONAL PROVISIONS
OF THE DEPOSIT AGREEMENT

(13) Dividends and Distributions in Cash, Shares, etc. Whenever the Depositary receives confirmation from the Custodian of receipt of any cash dividend or other cash distribution on any Deposited Securities, or receives proceeds from the sale of any Shares, rights securities or other entitlements under the Deposit Agreement, the Depositary will, if at the time of receipt thereof any amounts received in a Foreign Currency can, in the judgment of the Depositary (upon the terms of the Deposit Agreement), be converted on a practicable basis, into Dollars transferable to the United States, promptly convert or cause to be converted such dividend, distribution or proceeds into Dollars and will distribute promptly the amount thus received (net of applicable fees and charges of, and expenses incurred by, the Depositary and taxes and governmental charges) to the Holders of record as of the ADS Record Date in proportion to the number of ADSs held by such Holders respectively as of the ADS Record Date. The Depositary shall distribute only such amount, however, as can be distributed without attributing to any Holder a fraction of one cent. Any such fractional amounts shall be rounded to the nearest whole cent and so distributed to Holders entitled thereto. If the Company, the Custodian or the Depositary is required to withhold and does withhold from any cash dividend or other cash distribution in respect of any Deposited Securities an amount on account of taxes, duties or other governmental charges, the amount distributed to Holders on the ADSs representing such Deposited Securities shall be reduced accordingly. Such withheld amounts shall be forwarded by the Company, the Custodian or the Depositary to the relevant governmental authority. Evidence of payment thereof by the Company shall be forwarded by the Company to the Depositary upon request. The Depositary will forward to the Company or its agent such information from its records as the Company may reasonably request to enable the Company or its agent to file necessary reports with governmental agencies, such reports necessary to obtain benefits under the applicable tax treaties for the Holders and Beneficial Owners of Receipts. Any Foreign Currency received by the Depositary shall be converted upon the terms and conditions set forth in the Deposit Agreement.

If any distribution upon any Deposited Securities consists of a dividend in, or free distribution of, Shares, the Company shall cause such Shares to be deposited with the Custodian and registered, as the case may be, in the name of the Depositary, the Custodian or their nominees. Upon receipt of confirmation of such deposit from the Custodian, the Depositary shall, subject to and in accordance with the Deposit Agreement, establish the ADS Record Date and either (i) distribute to the Holders as of the ADS Record Date in proportion to the number of ADSs held as of the ADS Record Date, additional ADSs, which represent in aggregate the number of Shares received as such dividend, or free distribution, subject to the terms of the Deposit Agreement (including, without limitation, the applicable fees and charges of, and expenses incurred by, the Depositary, and taxes and/or governmental charges), or (ii) if additional ADSs are not so distributed, each ADS issued and outstanding after the ADS Record Date shall, to the extent permissible by law, thenceforth also represent rights and interests in the additional Shares distributed upon the Deposited Securities represented thereby (net of the applicable fees and charges of, and the expenses incurred by, the Depositary, and taxes and governmental charges). In lieu of delivering fractional ADSs, the Depositary shall sell the number of Shares represented by the aggregate of such fractions and distribute the proceeds upon the terms set forth in the Deposit Agreement.

The Depositary may withhold any such distribution of Receipts if it has not received satisfactory assurances from the Company (including an opinion of counsel to the Company furnished at the expense of the Company) that such distribution does not require registration under the Securities Act or is exempt from registration under the provisions of the Securities Act. To the extent such distribution may be withheld, the Depositary may dispose of all or a portion of such distribution in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable, and the Depositary shall distribute the net proceeds of any such sale (after deduction of taxes and/or governmental charges and fees and charges of, and expenses incurred by, the Depositary) to Holders entitled thereto upon the terms of the Deposit Agreement.

Whenever the Company intends to distribute a dividend payable at the election of the holders of Shares in cash or in additional Shares, the Company shall give notice thereof to the Depositary at least 30 days prior to the proposed distribution stating whether or not it wishes such elective distribution to be made available to Holders. Upon timely receipt of a notice indicating that the Company wishes such elective distribution to be made available to Holders upon the terms described in the Deposit Agreement, the Depositary shall consult with the Company to determine, and the Company shall assist the Depositary in its determination, whether it is lawful and reasonably practicable to make such elective distribution available to the Holders. The Depositary shall make such elective distribution available to Holders only if (i) the Company shall have timely requested that the elective distribution is available to Holders of ADRs, (ii) the Depositary shall have determined that such distribution is reasonably practicable and (iii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7 of the Deposit Agreement including, without limitation, any legal opinions of counsel in any applicable jurisdiction that the Depositary in its reasonable discretion may request, at the expense of the Company. If the above conditions are not satisfied, the Depositary shall, to the extent permitted by law, distribute to the Holders, on the basis of the same determination as is made in the local market in respect of the Shares for which no election is made, either cash or additional ADSs representing such additional Shares, in each case upon the terms described in the Deposit Agreement. If the above conditions are satisfied, the Depositary shall, subject to the terms and conditions of the Deposit Agreement, establish an ADS Record Date according to Article (14) hereof and establish procedures to enable the Holder hereof to elect the receipt of the proposed dividend in cash or in additional ADSs. The Company shall assist the Depositary in establishing such procedures to the extent necessary. Subject to the Deposit Agreement, if a Holder elects to receive the proposed dividend in cash, the dividend shall be distributed as in the case of a distribution in cash. If the Holder hereof elects to receive the proposed dividend in additional ADSs, the dividend shall be distributed as in the case of a distribution in Shares upon the terms described in the Deposit Agreement. Nothing herein shall obligate the Depositary to make available to the Holder hereof a method to receive the elective distribution in Shares (rather than ADSs). There can be no assurance that the Holder hereof will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of Shares.

Whenever the Company intends to distribute to the holders of the Deposited Securities rights to subscribe for additional Shares, the Company shall give notice thereof to the Depositary at least 60 days prior to the proposed distribution stating whether or not it wishes such rights to be made available to Holders. Upon receipt by the Depositary of a notice indicating that the Company wishes such rights to be made available to Holders, the Depositary shall consult with the Company to determine, and the Company shall determine, whether it is lawful and reasonably practicable to make such rights available to the Holders. The Depositary shall make such rights available to any Holders only if the Company shall have timely requested that such rights be made available to Holders, the Depositary shall have received the documentation required by the Deposit Agreement, and the Depositary shall have determined that such distribution of rights is lawful and reasonably practicable. If any of such conditions are not satisfied, the Depositary shall sell the rights as described below or, if timing or market conditions may not permit, do nothing thereby allowing such rights to lapse. In the event all conditions set forth above are satisfied, the Depositary shall establish an ADS Record Date (upon the terms described in the Deposit Agreement) and establish procedures (x) to distribute such rights (by means of warrants or otherwise) and (y) to enable the Holders to exercise the rights (upon payment of the applicable fees and charges of, and expenses incurred by, the Depositary and taxes and other governmental charges). Nothing herein or in the Deposit Agreement shall obligate the Depositary to make available to the Holders a method to exercise such rights to subscribe for Shares (rather than ADSs). If (i) the Company does not timely request the Depositary to make the rights available to Holders or if the Company requests that the rights not be made available to Holders, (ii) the Depositary fails to receive the documentation required by the Deposit Agreement or determines it is not lawful or reasonably practicable to make the rights available to Holders, or (iii) any rights made available are not exercised and appear to be about to lapse, the Depositary shall determine whether it is lawful and reasonably practicable to sell such rights, and if it so determines that it is lawful and reasonably practicable, endeavor to sell such rights in a riskless principal capacity or otherwise, at such place and upon such terms (including public and/or private sale) as it may deem proper. The Depositary shall, upon such sale, convert and distribute proceeds of such sale (net of applicable fees and charges of, and expenses incurred by, the Depositary and taxes and governmental charges) upon the terms hereof and in the Deposit Agreement. If the Depositary is unable to make any rights available to Holders or to arrange for the sale of the rights upon the terms described above, the Depositary shall allow such rights to lapse. The Depositary shall not be responsible for (i) any failure to determine that it may be lawful or practicable to make such rights available to Holders in general or any Holders in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale, or exercise, or (iii) the content of any materials forwarded to the Holders on behalf of the Company in connection with the rights distribution.

Notwithstanding anything herein to the contrary, if registration (under the Securities Act and/or any other applicable law) of the rights or the securities to which any rights relate may be required in order for the Company to offer such rights or such securities to Holders and to sell the securities represented by such rights, the Depositary will not distribute such rights to the Holders (i) unless and until a registration statement under the Securities Act (and/or such other applicable law) covering such offering is in effect or (ii) unless the Company furnishes to the Depositary at the Company's own expense opinion(s) of counsel for the Company in the United States and counsel to the Company in any other applicable country in which rights would be distributed, in each case satisfactory to the Depositary, to the effect that the offering and sale of such securities to Holders and Beneficial Owners are exempt from, or do not require registration under, the provisions of the Securities Act or any other applicable laws. In the event that the Company, the Depositary or the Custodian shall be required to withhold and does withhold from any distribution of property (including rights) an amount on account of taxes or other governmental charges, the amount distributed to the Holders shall be reduced accordingly. In the event that the Depositary determines that any distribution in property (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charges which the Depositary is obligated to withhold, the Depositary may dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable to pay any such taxes and charges.

There can be no assurance that Holders generally, or any Holder in particular, will be given the opportunity to exercise rights on the same terms and conditions as the holders of Shares or to exercise such rights. Nothing herein shall obligate the Company to file any registration statement in respect of any rights or Shares or other securities to be acquired upon the exercise of such rights.

Whenever the Company intends to distribute to the holders of Deposited Securities property other than cash, Shares or rights to purchase additional Shares, the Company shall give notice thereof to the Depositary at least 30 days prior to the proposed distribution and shall indicate whether or not it wishes such distribution to be made to Holders. Upon receipt of a notice indicating that the Company wishes such distribution be made to Holders, the Depositary shall determine whether such distribution to Holders is lawful and practicable. The Depositary shall not make such distribution unless (i) the Company shall have timely requested the Depositary to make such distribution to Holders, (ii) the Depositary shall have received the documentation required by the Deposit Agreement, and (iii) the Depositary shall have determined that such distribution is lawful and reasonably practicable. Upon satisfaction of such conditions, the Depositary shall distribute the property so received to the Holders of record as of the ADS Record Date, in proportion to the number of ADSs held by such Holders respectively and in such manner as the Depositary may deem practicable for accomplishing such distribution (i) upon receipt of payment or net of the applicable fees and charges of, and expenses incurred by, the Depositary, and (ii) net of any taxes and governmental charges withheld. The Depositary may dispose of all or a portion of the property so distributed and deposited, in such amounts and in such manner (including public or private sale) as the Depositary may deem practicable or necessary to satisfy any taxes (including applicable interest and penalties) or other governmental charges applicable to the distribution.

If (i) the Company does not request the Depositary to make such distribution to Holders or requests not to make such distribution to Holders, (ii) the Depositary does not receive satisfactory documentation within the terms of Section 5.7 of the Deposit Agreement, or (iii) the Depositary determines that all or a portion of such distribution is not reasonably practicable or feasible, the Depositary shall endeavor to sell or cause such property to be sold in a public or private sale, at such place or places and upon such terms as it may deem proper and shall distribute the proceeds of such sale received by the Depositary (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes and governmental charges) to the Holders upon the terms hereof and of the Deposit Agreement. If the Depositary is unable to sell such property, the Depositary may dispose of such property in any way it deems reasonably practicable under the circumstances for nominal or no consideration and Holders and Beneficial Owners shall have no rights thereto or arising therefrom.

(14) Fixing of Record Date. Whenever necessary in connection with any distribution (whether in cash, Shares, rights or other distribution), or whenever for any reason the Depositary causes a change in the number of Shares that are represented by each ADS, or whenever the Depositary shall receive notice of any meeting of or solicitation of holders of Shares or other Deposited Securities, or whenever the Depositary shall find it necessary or convenient, the Depositary shall fix a record date ("ADS Record Date") as close as practicable to the record date fixed by the Company with respect to the Shares (if applicable) for the determination of the Holders who shall be entitled to receive such distribution, to give instructions for the exercise of voting rights at any such meeting, or to give or withhold such consent, or to receive such notice or solicitation or to otherwise take action, or to exercise the rights of Holders with respect to such changed number of Shares represented by each ADS or for any other reason. Subject to applicable law and the terms and conditions of this Receipt and the Deposit Agreement, only the Holders of record at the close of business in New York on such ADS Record Date shall be entitled to receive such distributions, to give such voting instructions, to receive such notice or solicitation, or otherwise take action.

(15) Voting of Deposited Securities. Subject to the next sentence, as soon as practicable after receipt of notice of any meeting at which the holders of Shares are entitled to vote, or of solicitation of consents or proxies from holders of Shares or other Deposited Securities, the Depositary shall fix the ADS Record Date in respect of such meeting or solicitation of such consent or proxy. The Depositary shall, if requested by the Company in writing in a timely manner (the Depositary having no obligation to take any further action if the request shall not have been received by the Depositary at least 30 days prior to the date of such vote or meeting), at the Company's expense and provided no U.S. legal prohibitions exist, mail by ordinary, regular mail delivery (or by electronic mail or as otherwise agreed by the Company and the Depositary in writing from time to time), or otherwise distribute to Holders as of the ADS Record Date: (a) such notice of meeting or solicitation of consent or proxy; (b) a statement that the Holders at the close of business on the ADS Record Date will be entitled, subject to any applicable law, the provisions of the Deposit Agreement, the Company's Articles of Association and the provisions of or governing Deposited Securities (which provisions, if any, shall be summarized in pertinent part by the Company), to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the Shares or other Deposited Securities represented by such Holder's ADSs; and (c) a brief statement as to the manner in which such instructions may be given. Voting instructions may be given only in respect of a number of American Depositary Shares representing an integral number of Shares or other Deposited Securities. Upon the timely receipt of written instructions of a Holder on the ADS Record Date of voting instructions in the manner specified by the Depositary, the Depositary shall endeavor, insofar as practicable and permitted under applicable law, the provisions of the Deposit Agreement, the Company's Articles of Association and the provisions of or governing the Deposited Securities, to vote or cause the Custodian to vote the Shares and/or other Deposited Securities (in person or by proxy) represented by ADSs evidenced by such Receipt in accordance with such voting instructions.

Neither the Depositary nor the Custodian shall, under any circumstances exercise any discretion as to voting, and neither the Depositary nor the Custodian shall vote, attempt to exercise the right to vote, or in any way make use of for purposes of establishing a quorum or otherwise the Shares or other Deposited Securities represented by ADSs except pursuant to and in accordance with such written instructions from Holders. Shares or other Deposited Securities represented by ADSs for which no specific voting instructions are received by the Depositary from the Holder shall not be voted.

There can be no assurance that Holders or Beneficial Owners generally or any Holder or Beneficial Owner in particular will receive the notice described above with sufficient time to enable the Holder to return voting instructions to the Depositary in a timely manner.

Notwithstanding the above, save for applicable provisions of English law and in accordance with Section 5.3 of the Deposit Agreement, the Depositary shall not be liable for any failure to carry out any instructions to vote any of the Deposited Securities, or for the manner in which such vote is cast or the effect of any such vote.

(16) Changes Affecting Deposited Securities. Upon any change in par value, split-up, subdivision cancellation, consolidation or any other reclassification of Deposited Securities, or upon any recapitalization, reorganization, merger, amalgamation or consolidation or sale of assets affecting the Company or to which it otherwise is a party, any securities which shall be received by the Depositary or a Custodian in exchange for, or in conversion of or replacement or otherwise in respect of, such Deposited Securities shall, to the extent permitted by law, be treated as new Deposited Securities under the Deposit Agreement, and the Receipts shall, subject to the provisions of the Deposit Agreement and applicable law, evidence ADSs representing the right to receive such additional securities. Alternatively, the Depositary may, with the Company's approval, and shall, if the Company shall so request, subject to the terms of the Deposit Agreement and receipt of an opinion of counsel to the Company, furnished at the expense of the Company, satisfactory to the Depositary that such distributions are not in violation of any applicable laws or regulations, execute and deliver additional Receipts as in the case of a stock dividend on the Shares, or call for the surrender of outstanding Receipts to be exchanged for new Receipts, in either case, as well as in the event of newly deposited Shares, with necessary modifications to this form of Receipt specifically describing such new Deposited Securities and/or corporate change. Notwithstanding the foregoing, in the event that any security so received may not be lawfully distributed to some or all Holders, the Depositary may, with the Company's approval, and shall if the Company requests, subject to receipt of an opinion of counsel to the Company, furnished at the expense of the Company, satisfactory to the Depositary that such distributions are not in violation of any applicable laws or regulations, sell such securities at public or private sale, at such place or places and upon such terms as it may deem proper and may allocate the net proceeds of such sales (net of fees and charges of, and expenses incurred by, the Depositary and taxes and governmental charges) for the account of the Holders otherwise entitled to such securities upon an averaged or other practicable basis without regard to any distinctions among such Holders and distribute the net proceeds so allocated to the extent practicable as in the case of a distribution received in cash pursuant to the Deposit Agreement. The Depositary shall not be responsible for (i) any failure to determine that it may be lawful or feasible to make such securities available to Holders in general or any Holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale, or (iii) any liability to the purchaser of such securities.

(17) Exoneration. Neither the Depositary, the Custodian or the Company shall be obligated to do or perform any act which is inconsistent with the provisions of the Deposit Agreement or shall incur any liability (i) if the Depositary, the Custodian or the Company or their respective controlling persons or agents shall be prevented or forbidden from, or subjected to any civil or criminal penalty or restraint on account of, or delayed in, doing or performing any act or thing required by the terms of the Deposit Agreement and this Receipt, by reason of any provision of any present or future law or regulation of the United States or any state thereof, the United Kingdom or any other country, or of any other governmental authority or regulatory authority or stock exchange, or on account of the possible criminal or civil penalties or restraints or by reason of any provision, present or future of the Company's Articles of Association or any provision of or governing any Deposited Securities, or by reason of any act of God or war or other circumstances beyond its control, (including, without limitation, nationalization, expropriation, currency restrictions, work stoppage, strikes, civil unrest, revolutions, rebellions, explosions and computer failure), (ii) by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement or in the Company's Articles of Association or provisions of or governing Deposited Securities, (iii) for any action or inaction of the Depositary, the Custodian or the Company or their respective controlling persons or agents in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Holder, any Beneficial Owner or authorized representative thereof, or any other person believed by it in good faith to be competent to give such advice or information, (iv) for any inability by a Holder or Beneficial Owner to benefit from any distribution, offering, right or other benefit which is made available to holders of Deposited Securities but is not, under the terms of the Deposit Agreement, made available to Holders of ADS or (v) for any special, consequential, indirect or punitive damages for any breach of the terms of the Deposit Agreement. Every Holder and Beneficial Owner agrees to, and shall, indemnify the Depositary, the Company, the Custodian and each and every of their respective officers, directors, employees, agents and Affiliates against, and hold each of them harmless from, any claims with respect to taxes, additions to tax (including applicable interest and penalties thereon) arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained for or by such Holder and/or Beneficial Owner. The Depositary, its controlling persons, its agents, any Custodian and the Company, its controlling persons and its agents may rely and shall be protected in acting upon any written notice, request, opinion or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. Neither the Depositary nor the Custodian shall be liable for the failure by any Holder or Beneficial Owner to obtain the benefits of credits on the basis of non-U.S. tax paid against such Holder's or Beneficial Owner's income tax liability. No disclaimer of liability under the Securities Act is intended by any provision of the Deposit Agreement.

(18) Standard of Care. The Company and the Depositary and their respective agents assume no obligation and shall not be subject to any liability under the Deposit Agreement or the Receipts to Holders or Beneficial Owners or other persons (except for the Company's and the Depositary's obligations specifically set forth in Section 5.8 of the Deposit Agreement), provided, that the Company and the Depositary and their respective agents agree to perform their respective obligations specifically set forth in the Deposit Agreement without gross negligence or willful misconduct. Without limitation of the foregoing, neither the Depositary, nor the Company, nor any of their respective controlling persons, or agents, shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Securities or in respect of this Receipt, which in its opinion may involve it in expense or liability, unless indemnity satisfactory to it against all expenses (including fees and disbursements of counsel) and liabilities be furnished as often as may be required (and no Custodian shall be under any obligation whatsoever with respect to such proceedings, the responsibility of the Custodian being solely to the Depositary). The Depositary and its agents shall not be liable for any failure to carry out any instructions to vote any of the Deposited Securities, or for the manner in which any vote is cast (provided that any such action or omission is in good faith) or the effect of any vote. The Depositary shall not incur any liability for any failure to determine that any distribution or action may be lawful or reasonably practicable, for the content of any information submitted to it by the Company for distribution to the Holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the Deposited Securities, for the validity or worth of the Deposited Securities or for any tax consequences that may result from the ownership of ADSs, Shares or Deposited Securities, for the credit-worthiness of any third party, for allowing any rights to lapse upon the terms of the Deposit Agreement or for the failure or timeliness of any notice from the Company. The Depositary shall not incur any liability for any action or non action by it in reliance upon the opinion, advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Holder or any other person believed by it in good faith to be competent to give such advice or information. The Depositary and its agents shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with any matter arising wholly after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises the Depositary performed its obligations without gross negligence or willful misconduct while it acted as Depositary. The Depositary is under no obligation to provide the Holders and Beneficial Owners with any information about the tax status of the Company. The Depositary shall not incur any liability for any tax consequences that may be incurred by Holders and Beneficial Owners on account of their ownership of the American Depositary Shares, including without limitation, tax consequences resulting from the Company (or any of its subsidiaries) being treated as a "Passive Foreign Investment Company" (as defined in the U.S. Internal Revenue Code and the regulations issued thereunder) or otherwise. In no event shall the Depositary or any of its directors, officers, employees, agents (including, without limitation, its Agents) and/or Affiliates, or any of them, be liable for any indirect, special, punitive or consequential damages to the Company, Holders, Beneficial Owners or any other person.

(19) Resignation and Removal of the Depositary; Appointment of Successor Depositary. The Depositary may at any time resign as Depositary under the Deposit Agreement by written notice of resignation delivered to the Company, such resignation to be effective on the earlier of (i) the 90th day after delivery thereof to the Company (whereupon the Depositary shall, in the event no successor depositary has been appointed by the Company, be entitled to terminate the Deposit Agreement as contemplated under the provisions of the Deposit Agreement), or (ii) upon the appointment by the Company of a successor depositary and its acceptance of such appointment as provided in the Deposit Agreement, save that, any amounts, fees, costs or expenses owed to the Depositary under the Deposit Agreement or in accordance with any other agreements otherwise agreed in writing between the Company and the Depositary from time to time shall be paid to the Depositary prior to such resignation. The Company shall use reasonable efforts to appoint such successor depositary, and give notice to the Depositary of such appointment, not more than 90 days after delivery by the Depositary of written notice of resignation as provided in the Deposit Agreement. The Depositary may at any time be removed by the Company by written notice of such removal which removal shall be effective on the later of (i) the 90th day after delivery thereof to the Depositary (whereupon the Depositary shall be entitled to terminate the Deposit Agreement as contemplated under the provisions of the Deposit Agreement), or (ii) upon the appointment by the Company of a successor depositary and its acceptance of such appointment as provided in the Deposit Agreement save that, any amounts, fees, costs or expenses owed to the Depositary under the Deposit Agreement or in accordance with any other agreements otherwise agreed in writing between the Company and the Depositary from time to time shall be paid to the Depositary prior to such removal. In case at any time the Depositary acting hereunder shall resign or be removed, the Company shall use its best efforts to appoint a successor depositary which shall be a bank or trust company having an office in the Borough of Manhattan, the City of New York. The Company shall give notice to the Depositary of the appointment of a successor depositary not more than 90 days after delivery by the Depositary of written notice of resignation or by the Company of removal, each as provided in this Article (19) and the Deposit Agreement. In the event that a successor depositary is not appointed or notice of the appointment of a successor depositary is not provided by the Company in accordance with the preceding sentence, the Depositary shall be entitled to terminate the Deposit Agreement as contemplated under the provisions of the Deposit Agreement. Every successor depositary shall execute and deliver to its predecessor and to the Company an instrument in writing accepting its appointment hereunder, and thereupon such successor depositary, without any further act or deed (except as required by applicable law), shall become fully vested with all the rights, powers, duties and obligations of its predecessor. The predecessor depositary, upon payment of all sums due it and on the written request of the Company, shall (i) execute and deliver an instrument transferring to such successor all rights and powers of such predecessor hereunder (other than as contemplated in the Deposit Agreement), (ii) duly assign, transfer and deliver all right, title and interest to the Deposited Securities to such successor, and (iii) deliver to such successor a list of the Holders of all outstanding Receipts and such other information relating to Receipts and Holders thereof as the successor may reasonably request. Any such successor depositary shall promptly mail notice of its appointment to such Holders. Any corporation into or with which the Depositary may be merged or consolidated shall be the successor of the Depositary without the execution or filing of any document or any further act.

(20) Amendment/Supplement. Subject to the terms and conditions of this Article (20), and applicable law, this Receipt and any provisions of the Deposit Agreement may at any time and from time to time be amended or supplemented by written agreement between the Company and the Depositary in any respect which they may deem necessary or desirable without the consent of the Holders or Beneficial Owners. Any amendment or supplement which shall impose or increase any fees or charges (other than charges in connection with foreign exchange control regulations, and taxes and other governmental charges, delivery and other such expenses), or which shall otherwise materially prejudice any substantial existing right of Holders or Beneficial Owners, shall not, however, become effective as to outstanding Receipts until 30 days after notice of such amendment or supplement shall have been given to the Holders of outstanding Receipts. Notice of any amendment to the Deposit Agreement or form of Receipts shall not need to describe in detail the specific amendments effectuated thereby, and failure to describe the specific amendments in any such notice shall not render such notice invalid, provided, however, that, in each such case, the notice given to the Holders identifies a means for Holders and Beneficial Owners to retrieve or receive the text of such amendment (i.e., upon retrieval from the Commission's, the Depositary's or the Company's website or upon request from the Depositary). The parties hereto agree that any amendments or supplements which (i) are reasonably necessary (as agreed by the Company and the Depositary) in order for (a) the ADSs to be registered on Form F-6 under the Securities Act or (b) the ADSs or Shares to be traded solely in electronic book-entry form and (ii) do not in either such case impose or increase any fees or charges to be borne by Holders, shall be deemed not to materially prejudice any substantial rights of Holders or Beneficial Owners. Every Holder and Beneficial Owner at the time any amendment or supplement so becomes effective shall be deemed, by continuing to hold such ADS, to consent and agree to such amendment or supplement and to be bound by the Deposit Agreement as amended or supplemented thereby. In no event shall any amendment or supplement impair the right of the Holder to surrender such Receipt and receive therefor the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law. Notwithstanding the foregoing, if any governmental body should adopt new laws, rules or regulations which would require amendment or supplement of the Deposit Agreement to ensure compliance therewith, the Company and the Depositary may amend or supplement the Deposit Agreement and the Receipt at any time in accordance with such changed laws, rules or regulations. Such amendment or supplement to the Deposit Agreement in such circumstances may become effective before a notice of such amendment or supplement is given to Holders or within any other period of time as required for compliance with such laws, or rules or regulations.

(21) Termination. The Depositary shall, at any time at the written direction of the Company, terminate the Deposit Agreement by mailing notice of such termination to the Holders of all Receipts then outstanding at least 90 days prior to the date fixed in such notice for such termination provided that, the Depositary shall be reimbursed for any amounts, fees, costs or expenses owed to it in accordance with the terms of the Deposit Agreement and in accordance with any other agreements as otherwise agreed in writing between the Company and the Depositary from time to time, before such termination shall take effect. If 90 days shall have expired after (i) the Depositary shall have delivered to the Company a written notice of its election to resign, or (ii) the Company shall have delivered to the Depositary a written notice of the removal of the Depositary, and in either case a successor depositary shall not have been appointed and accepted its appointment as provided herein and in the Deposit Agreement, the Depositary may terminate the Deposit Agreement by mailing notice of such termination to the Holders of all Receipts then outstanding at least 30 days prior to the date fixed for such termination. On and after the date of termination of the Deposit Agreement, the Holder will, upon surrender of such Holder's Receipt at the Principal Office of the Depositary, upon the payment of the charges of the Depositary for the surrender of Receipts referred to in Article (2) hereof and in the Deposit Agreement and subject to the conditions and restrictions therein set forth, and upon payment of any applicable taxes and/or governmental charges, be entitled to delivery, to him or upon his order, of the amount of Deposited Securities represented by such Receipt. If any Receipts shall remain outstanding after the date of termination of the Deposit Agreement, the Registrar thereafter shall discontinue the registration of transfers of Receipts, and the Depositary shall suspend the distribution of dividends to the Holders thereof, and shall not give any further notices or perform any further acts under the Deposit Agreement, except that the Depositary shall continue to collect dividends and other distributions pertaining to Deposited Securities, shall sell rights as provided in the Deposit Agreement, and shall continue to deliver Deposited Securities, subject to the conditions and restrictions set forth in the Deposit Agreement, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any rights or other property, in exchange for Receipts surrendered to the Depositary (after deducting, or charging, as the case may be, in each case the charges of the Depositary for the surrender of a Receipt, any expenses for the account of the Holder in accordance with the terms and conditions of the Deposit Agreement and any applicable taxes and/or governmental charges or assessments). At any time after the expiration of six months from the date of termination of the Deposit Agreement, the Depositary may sell the Deposited Securities then held hereunder and may thereafter hold uninvested the net proceeds of any such sale, together with any other cash then held by it hereunder, in an unsegregated account, without liability for interest for the pro rata benefit of the Holders of Receipts whose Receipts have not theretofore been surrendered. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement with respect to the Receipts and the Shares, Deposited Securities and ADSs, except to account for such net proceeds and other cash (after deducting, or charging, as the case may be, in each case the charges of the Depositary for the surrender of a Receipt, any expenses for the account of the Holder in accordance with the terms and conditions of the Deposit Agreement and any applicable taxes and/or governmental charges or assessments). Upon the termination of the Deposit Agreement, the Company shall be discharged from all obligations under the Deposit Agreement except as set forth in the Deposit Agreement. The obligations under the terms of the Deposit Agreement and Receipts of Holders and Beneficial Owners of ADSs outstanding as of the effective date of any termination shall survive such effective date of termination and shall be discharged only when the applicable ADSs are presented by their Holders to the Depositary for cancellation under the terms of the Deposit Agreement and the Holders have each satisfied any and all of their obligations hereunder (including, but not limited to, any payment and/or reimbursement obligations which relate to prior to the effective date of termination but which payment and/or reimbursement is claimed after such effective date of termination).

(22) Compliance with U.S. Securities Laws; Regulatory Compliance. Notwithstanding any provisions in this Receipt or the Deposit Agreement to the contrary, the withdrawal or delivery of Deposited Securities will not be suspended by the Company or the Depositary except as would be permitted by Instruction I.A.(1) of the General Instructions to the Form F-6 Registration Statement, as amended from time to time, under the Securities Act.

(23) Certain Rights of the Depositary; Limitations. Subject to the further terms and provisions of this Article (23), the Depositary, its Affiliates and their agents, on their own behalf, may own and deal in any class of securities of the Company and its affiliates and in ADSs. The Depositary may issue ADSs against evidence of rights to receive Shares from the Company, any agent of the Company or any custodian, registrar, transfer agent, clearing agency or other entity involved in ownership or transaction records in respect of the Shares. Such evidence of rights shall consist of written blanket or specific guarantees of ownership of Shares furnished on behalf of the holder thereof. In its capacity as Depositary, the Depositary may (i) issue ADSs prior to the receipt of Shares (each such transaction a "Pre-Release Transaction) pursuant to Section 2.3 of the Deposit Agreement and (ii) deliver Shares upon the receipt and cancellation of ADSs that were issued in a Pre-Release Transaction, but for which Shares may not have been received. The Depositary may receive ADSs in lieu of Shares under (i) above and receive Shares in lieu of ADSs under (ii) above. Each such Pre-Release Transaction will be (a) subject to a written agreement whereby the person or entity (the "Applicant") to whom ADSs or Shares are to be Delivered (1) represents that at the time of the Pre-Release Transaction the Applicant or its customer owns the Shares or ADSs that are to be Delivered by the Applicant under such Pre-Release Transaction, (2) agrees to indicate the Depositary as owner of such Shares or ADSs in its records and to hold such Shares or ADSs in trust for the Depositary until such Shares or ADSs are delivered to the Depositary or the Custodian, (3) unconditionally guarantees to deliver to the Depositary or the Custodian, as applicable, such Shares or ADSs and (4) agrees to any additional restrictions or requirements that the Depositary deems appropriate; (b) at all times fully collateralized with cash, U.S. government securities or such other collateral as the Depositary deems appropriate; (c) terminable by the Depositary on not more than five (5) Business Days' notice; and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The Depositary will normally limit the number of ADSs and Shares involved in such Pre-Release Transactions at any one time to thirty percent (30%) of the ADSs outstanding (without giving effect to ADSs outstanding under (i) above), provided, however, that the Depositary reserves the right to disregard such limit from time to time as it deems appropriate. The Depositary may also set limits with respect to the number of ADSs and Shares involved in Pre-Release Transactions with any one person on a case by case basis as it deems appropriate. The Depositary may retain for its own account any compensation received by it in conjunction with the foregoing. Collateral provided pursuant to (b) above, but not earnings thereon, shall be held for the benefit of the Holders (other than the Applicant).

(24) Ownership Restrictions. Holders and Beneficial Owners shall comply with any limitations on ownership of Shares under the Articles of Incorporation of the Company or applicable United Kingdom law as if they held the number of Shares their ADSs represent. The Company shall inform the Holders, Beneficial Owners and the Depositary of any limitations on ownership of Shares that the Holders and Beneficial Owners may be subject to by reason of the number of American Depositary Shares held under the constituent documents of the Company, or applicable English law, as such restrictions may be in force from time to time.

Notwithstanding any provision of the Deposit Agreement or of this ADR and without limiting the foregoing, by being a Holder of an ADR, each such Holder agrees to provide such information as the Company may request in a disclosure notice (a "Disclosure Notice") given pursuant to the United Kingdom Companies Act 2006 (as amended from time to time and including any statutory modification or re-enactment thereof, the "Companies Act") or the Articles of Association of the Company. By accepting or holding this ADR, each Holder acknowledges that it understands that failure to comply with a Disclosure Notice may result in the imposition of sanctions against the holder of the Shares in respect of which the non-complying person is or was, or appears to be or has been, interested as provided in the Companies Act and the Articles of Association which currently include, the withdrawal of the voting rights of such Shares and the imposition of restrictions on the rights to receive dividends on and to transfer such Shares. In addition, by accepting or holding this ADR each Holder agrees to comply with the provisions of the Companies Act with regard to the notification to the Company of interests in Shares, which currently provide, inter alia, that any Holder who is or becomes directly or indirectly interested (within the meaning of the Companies Act) in 3% or more of the outstanding Shares, or is aware that another person for whom it holds such ADRs is so interested, must within two Business Days after becoming so interested or so aware (and thereafter in certain circumstances upon any change to the particulars previously notified) notify the Company as required by the Companies Act. After the relevant threshold is exceeded, similar notifications must be made in whole respect of whole percentage figure increases or decreases, rounded down to the nearest whole number.

(25) Waiver. EACH PARTY TO THE DEPOSIT AGREEMENT INCLUDING, FOR AVOIDANCE OF DOUBT, EACH HOLDER AND BENEFICIAL OWNER AND/OR HOLDER OF INTERESTS IN ADRS) HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING AGAINST THE DEPOSITARY AND/OR THE COMPANY DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THE SHARES OR OTHER DEPOSITED SECURITIES, THE ADSs OR THE ADRs, THE DEPOSIT AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREIN OR THEREIN, OR THE BREACH HEREOF OR THEREOF (WHETHER BASED ON CONTRACT, TORT, COMMON LAW OR ANY OTHER THEORY).

(ASSIGNMENT AND TRANSFER SIGNATURE LINES)

FOR VALUE RECEIVED, the undersigned Holder hereby sell(s), assign(s) and transfer(s) unto _____ whose taxpayer identification number is _____ and whose address including postal zip code is _____, the within Receipt and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney-in-fact to transfer said Receipt on the books of the Depositary with full power of substitution in the premises.

Dated:

Name: _____

By:

Title:

NOTICE: The signature of the Holder to this assignment must correspond with the name as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatsoever.

If the endorsement be executed by an attorney, executor, administrator, trustee or guardian, the person executing the endorsement must give his/her full title in such capacity and proper evidence of authority to act in such capacity, if not on file with the Depositary, must be forwarded with this Receipt.

SIGNATURE GUARANTEED

_____

EXCLUSIVE LICENSE AGREEMENT

Made and effective in Jerusalem this 27 day of November 2002 (hereinafter the **"Effective Date").**

BETWEEN:

YISSUM RESEARCH DEVELOPMENT COMPANY OF THE HEBREW UNIVERSITY OF JERUSALEM
High Tech Park, Edmund Safra Campus, POB 39135, Givat Ram Jerusalem 91390, Israel (hereinafter referred to as "YISSUM");

AND BETWEEN:

MORRIA BIOPHARMA CEUTICAL, INC
having an office located at Tib street 1, Jerusalem 95450, Israel (hereinafter referred to as "the COMPANY").

WHEREAS, YISSUM is the owner of certain rights, title and interest in and to the Licensed Technology (as later defined herein);

WHEREAS, YISSUM is willing to grant and COMPANY desires to receive an exclusive worldwide license with rights to grant sublicenses and sub-sublicenses under the Licensed Technology.

WHEREAS, the parties have entered into a Founders Agreement concurrently herewith pursuant to which YISSUM owns a certain percentage of shares of COMPANY.

NOW, THEREFORE, for and in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, YISSUM and COMPANY (hereinafter individually as a "Party"; and collectively as the "Parties") hereto expressly agree as follows:

SECTION 1

Recitals and Definitions

The recitals hereto constitute an integral part hereof.

In this Agreement, unless otherwise required or indicated by the context, the singular shall include the plural and vice-versa, and the masculine gender shall include all other genders.

In this agreement the following expressions shall have the meanings appearing alongside them, unless the context otherwise requires.

1.1 "Affiliates" shall mean any corporation, partnership, or other entity which at any time during the term of this Agreement directly or through one or more intermediaries Controls or is Controlled by or is under common Control with a party to this Agreement, but only for so long as the relationship exists. A corporation or other entity shall no longer be an Affiliate when through loss, divestment, dilution or other reduction of ownership, the requisite Control no longer exists.

1.2 **"Control"** or "Controls" or "Controlled" shall mean: i) in the case of a corporation, ownership or control, directly or indirectly, of more than fifty percent (50%) of the shares of stock entitled to vote for the election of directors; **or** ii) in the case of an entity other than a corporation, ownership or control, directly or indirectly, of more than fifty percent (50%) of the assets of such entity.

1.3 "Field" shall mean use of lipid conjugates for the treatment of disease.

1.4 **"Licensed Materials"** shall mean materials and compounds relating to the subject matter of the Licensed Technology, and the materials and compounds described and disclosed in the patent application.

1.5 **"Licensed Process"** shall mean any process which is covered by any Patents in the country in which any such process is used.

1.6 **"Licensed Product"** shall mean any product that:

i) is covered by any Patents in the country in which any such product or any pail thereof is made, used or sold; or

ii) is manufactured by using a process or is employed to practice a process which is covered by any Patents in the country in which any such process is used or in which such product or part thereof is used or sold.

1.7 **"Licensed Technology"** shall mean the Patents, Licensed Materials, Licensed Process, Licensed Product; and any technology, trade secrets, intellectual property, methods, processes, know-how, show-how, data, information, inventions, improvements, or results relating to the Patents and Licensed Materials.

1.8 The term "Net Sales" shall mean the amount billed by COMPANY, Affiliates or distributors to third parties, which are not Sublicensees, for Licensed Products, less:

i) discounts allowed in amounts customary in the trade for quantity purchases, cash payments, prompt payments, wholesalers and distributors;

ii) sales, tariff duties and/or use taxes directly imposed and with reference to particular sales, including VAT;

iii) outbound transportation prepaid or allowed, amounts allowed or credited on returns, export licenses, import duties, value added tax, and prepaid freight.

No deductions shall be made for commissions paid to individuals whether they be with independent sales agencies or regularly employed by COMPANY and on its payroll, or for cost of collections. Net Sales shall occur when a Licensed Product or Licensed Process shall be invoiced. If Licensed Products or Licensed Process shall be distributed, sold or invoiced for a discounted price substantially lower than customary in the trade or if Licensed Products shall be distributed at no cost to Affiliates, Net Sales shall be based on the customary amount billed for such Licensed Products.

1.9 **"Patents"** shall mean, the patents and patent applications set forth on **Appendix 1,** together with any and all patent applications that may in the future be filed or granted on the intellectual property whether in the United States of America or any other country, including any and all substitutions for and divisions, continuations, continuation-in- part, provisionals, and non-provisionals, renewals, reissues, any foreign patent applications and divisional or national phase applications which claim priority of any application which issued into one of the patent applications set forth in **Appendix 2.**

1.10 **"Sublicensee(s)"** shall mean any third party to whom the COMPANY has granted sublicenses and sub-sublicenses pursuant to this Agreement,

1.11 **"Sublicensing Revenue"** shall mean all cash, sublicensing or sub-sublicensing fees, and running royalties paid to COMPANY by Sublicensee(s) in consideration for the granting of rights to the Patents and/or the Licensed Technology and in connection therewith, excluding any payments or reimbursements for expenses directly attributable to the conduct of clinical development and/or trials by the COMPANY.

1.12 **"First Commercial Sale[5]"** means in each country, the date the Licensed Product is first sold, marketed, or publicly made available for sale. Licensed Product for use, distributed or used for clinical trial purposes shall not be considered sold, marketed or made publicly available for sale and shall not constitute first commercial sale.

1.13 **"Valid Claim"** shall mean (a) a claim of an issued patent which has not expired and which has not been held revoked, invalid or unenforceable by decision of a court or other governmental agency of competent jurisdiction, unappealable or unappealed with the time allowed for appeal having expired, and which has not been admitted to be invalid through reissue or disclaimer or otherwise; or (b) any claim of a pending patent application, which i) was filed in good faith; and ii) has not been pending for more than four (4) years.

SECTION 2

Grant

2.1 YISSUM hereby grants to COMPANY an exclusive, worldwide right and license, with the rights to sublicense and to sub-sublicense, to the Licensed Technology to make, have made, use, market, sell, have sold, offer to sell, import, license, and distribute, the Licensed Technology in the Field.

2.2 COMPANY shall have the right to enter into a sublicense and sub-sublicense agreements with respect to the Licensed Technology, subject to YISSUM's prior written consent, such consent not to be unreasonably withheld. If Yissum shall not respond within fifteen (15) business days of any written notice by the COMPANY of a proposed sub-license or sub-sublicense, including all material terms and conditions thereof, YISSUM shall be deemed to have given consent to such sublicense or sub-sublicense, as the case may be. All sublicenses and sub-sublicenses granted by COMPANY hereunder shall be subject to this Agreement in all respects. Each such sublicense and sub-sublicense agreement shall include a requirement that the Sublicensee or sub-Sublicensee as the case may be, use its best efforts to bring the subject matter of the sublicense or sub-sublicense as the case may be, into commercial use. Upon termination of this Agreement, each Sublicensee's or sub- Sublicensee's as the case may be, rights under any sublicense or sub-sublicense agreement shall also terminate. No sublicense or sub-sublicense shall relieve COMPANY of any of its obligations under this Agreement. COMPANY shall forward to YISSUM a complete copy of each sublicense 01- sub-sublicense agreement as the case may be (including, without limitation, all amendments and addenda) granted hereunder [1]within thirty (30) days after execution of such agreement by the parties thereto. Any act or omission of the Sublicensee or sub-Sublicensee which is not promptly remedied by the COMPANY and which would have constituted a breach of this Agreement by the COMPANY had it been an act or omission by the COMPANY, shall constitute a breach of this Agreement.

SECTION 3

Diligence

3.1 COMPANY shall use its commercially reasonable best efforts to develop and commercialize Licensed Products through a commercially reasonable program for exploitation of the Patents. In the event that COMPANY shall cease to actively engage or promote the development and commercialization of Licensed Products for a continuous period of 30 days, YISSUM shall at its sole discretion, be entitled to terminate this Agreement, subject to prior notice.

SECTION 4

Consideration and Reporting

4 . 1 For the rights, privileges and license granted hereunder, COMPANY shall pay royalties to YISSUM in the manner hereinafter provided ("Royalties") until this Agreement shall expire or be terminated. COMPANY shall pay to YISSUM:

a) In the event the COMPANY, or an Affiliate of COMPANY (in which such Affiliate shall be bound by the terms and conditions as set forth herein), sells Licensed Product, COMPANY shall pay YISSUM a royalty of four percent (4%) of Net Sales.

b) in the event .the COMPANY receives Sublicensing Revenue for sublicensing or sub-sublicensing the Licensed Technology to a third party, the COMPANY shall pay YISSUM a royalty of eighteen percent (18.0%) of Sublicensing Revenue received.

4 . 2 Upon completion of the first round of equity financing by the COMPANY, the COMPANY shall reimburse YISSUM for all previous documented expenses and costs of YISSUM relating to the filing, maintenance and prosecution of the Patents.

4 . 3 Thirty days after the end of each calendar quarter (January 1, April 1, etc.) commencing from the date of the First Commercial Sale of the Product or the date a sub- license is granted, whichever occurs first, the COMPANY shall furnish YISSUM with a quarterly report (herein "Periodic Report") detailing the total sales effected during the Reporting Period and the total Royalties due to YISSUM hi respect of that period.

4.4 The Periodic Reports shall contain full particulars of all sales made by the COMPANY and/or Sub-Licensees and/or sub-Sublicensees and all of the proceeds obtained by the COMPANY in respect of granting sublicenses and sub-Sublicenses pursuant to section 2.2 above, including sales broken down according to countries, a breakdown of the number of Licensed Products sold, discounts, returns, the currency in which the sales were made, invoice date and all other relevant information enabling the Royalties payable according to section 4.1 above to be calculated. The Periodic Reports shall also specify any Net Sales to an Affiliate and shall set forth full details thereof.

4.5 Within 45 days from the date prescribed for the submission of each Periodic Report, the COMPANY shall pay the Royalties and amounts due to YISSUM in accordance with the Periodic Report.

4.6 The value of each sale shall be computed on the date of sale in US Dollars based on the rates published in the Wall Street Journal. The Royalties shall be computed and paid in US dollars. Payment of Value Added Tax (if charged) shall be added to each payment in accordance with the statutory rate in force at such time. In event that the COMPANY is prohibited under applicable foreign currency laws to transact in US Dollars, payment shall be made in New Israeli shekels according to the representative rate of exchange prevailing on the date of payment. All payments required to be made in accordance with the provisions of this Agreement shall be free and clear of any taxes or withholding of any kind. Any sum of money due to YISSUM hereunder which is not duly paid shall bear interest from the due date of payment until the actual date of payment at the maximum rate of default interest prevaling at Bank Leumi in respect of US dollar lines of credit.

4.7 The COMPANY shall keep full and correct books of accounts in accordance with General Accepted Accounting Procedures as required by International Accounting Standards enabling the Royalties to be calculated. The COMPANY shall procure that Sub-Licensees and sub-Sublicensees, if any, also keep such books of accounts as aforesaid. The COMPANY shall submit to YISSUM a report authorized by a certified public accountant containing all the particulars mentioned in section 4.3 above in respect of each Periodic Report detailing the Royalties and Sublicensing Revenues due to it in respect of the period covered by the Periodic Report. An annual report, authorized by a certified public accountant, shall be submitted at the end of each year, the first year for the purposes of this section commencing on the date of the First Commercial Sale, or the date a Sub-License is granted, whichever occurs first.

4.8 YISSUM and its authorized representatives may examine the COMPANY'S and Sub-Licensees' and sub-Sublicensee's books of accounts and any report or information relating to the manufacture and marketing of the Licensed Product in order to verify the calculation of the Royalties and Sublicensing Revenue and the accuracy of the information given to YISSUM in the aforegoing reports. If an error greater than 5.0% in the reports of the COMPANY will be found, the COMPANY will bear the full cost of the examination.

4.9 The provisions of this section are fundamental terms of the Agreement and the breach thereof shall constitute a fundamental breach of the Agreement.

SECTION 5

Development and Commercialization

5.1 The COMPANY undertakes, at its own expense, to use its commercially reasonable best efforts to carry out the development work necessary to develop the Licensed Product. A breach of this provision shall be deemed to be a fundamental breach of this Agreement.

5.2 The COMPANY shall give YISSUM written notice of the First Commercial Sale of the Product within 30 days thereof. This provision is a fundamental term of the Agreement.

SECTION 6

Ownership

6. All rights in the Know-How, the Research, and the Research Results shall be solely owned by Yissum, and the Company shall hold the rights granted pursuant to the License as trustee for Yissum and make use of them solely in accordance with the terms of this Agreement.

Patents

7.1 COMPANY shall assume full responsibility and conduct of patent prosecution and maintenance of the Patents and will be responsible for preparing, filing, prosecuting and maintaining all patents and shall use patent counsel of its own choice, subject to the approval of YISSUM (not to be unreasonably withheld), at COMPANY'S own expense. COMPANY agrees to pay all costs, incident to the United States and foreign applications, patents and like protection, including all costs incurred for filing, prosecution, issuance and maintenance fees as well as any costs incurred in filing continuations, continuations-in-part, divisional or related applications and any re-examination or reissue proceedings. COMPANY shall file and maintain patent applications corresponding to the Licensed Technology in such countries as COMPANY in its sole discretion shall select but shall notify and consult with YISSUM as to those countries where it shall not file and maintain patent applications.

7.2 COMPANY agrees to keep YISSUM informed, of filing and prosecutions pursuant to this Section 7 including submitting to YISSUM copies of all official actions, applications, continuations, re-xaminations, re-issues, divisionals or like proceedings and responses thereto. COMPANY shall consult with YISSUM regarding any abandonment of the prosecution of patents application within the Patents.

7.3 Each and every patent application as aforesaid shall be registered exclusively in the name of YISSUM at the COMPANY'S sole expense.

7.4 In the event that COMPANY decides not to continue prosecution of a patent application to issuance or maintain any patent application or patent on technology within the Patents in a certain jurisdiction, COMPANY shall timely notify YISSUM in writing in order that YISSUM may continue said prosecution or maintenance of such patent applications at its option and at its own expense in such jurisdiction. In the event that the COMPANY shall elect not to file or prosecute or discontinue or abandon the filing, prosecution or maintenance of Patents in certain countries and YISSUM shall do so at its expense, then the License shall no longer be applicable in such countries. If COMPANY fails to notify YISSUM in sufficient time for YISSUM to assume the cost, COMPANY shall be considered in default of this Agreement.

7.5 COMPANY and all its Sublicensees and sub-Sublicensees shall mark all products covered by Patents with patent numbers in accordance with the statutory requirements in the country(ies) of manufacture, use, and sale, and pending the issue of any patents.

7.6 The COMPANY undertakes to act forthwith at its own expense to provide full protection against a third party's infringement of the Patents and/or the patents and/or any other right therein and forthwith to advise YISSUM upon learning of the infringement. The COMPANY shall give YISSUM immediate notice of any approach made to it by a patent examiner and/or attorney in connection with the subject matter of this Agreement. The COMPANY shall only reply to such approaches after consultation with YISSUM and subject to its consent.

7.7 The COMPANY shall use its best efforts at its own expense to defend any action, claim or demand made by any entity in connection with rights in the Patent and/or patents and shall give notice to YISSUM immediately upon learning of any such action, claim or demand as aforesaid.

7.8 Any settlement, consent judgment or other voluntary final disposition of any action pursuant to section 7.7 above shall not be entered into without the prior written consent of YISSUM.

7.9 Subject to reimbursement of documented reasonable out-of- pocket expenses incurred by the COMPANY in relation to any legal action contemplated under the provisions of section 7.7 above, any award in favor of YISSUM and/or the COMPANY resulting from such legal action shall be divided equally between the COMPANY and YISSUM. Any recovery of damages by COMPANY for each such suit shall be applied first in satisfaction of any unreimbursed documented reasonable expenses and legal fees of COMPANY relating to such suit.

7.10 The obligation of the COMPANY to notify YISSUM as stated in this section 7 are fundamental terms of this Agreement. A breach thereof shall constitute a fundamental breach of the Agreement, and YISSUM, at its sole discretion, shall have the right to terminate the Agreement immediately under terms and conditions as stated in section 11,

SECTION 7

Confidentiality

8.1 The COMPANY warrants and undertakes that during the term of this Agreement and subsequent thereto, it shall maintain full and absolute confidentiality and shall also be liable for its employees and/or representatives and/or persons acting on its behalf maintaining absolute confidentiality concerning inter alia any and all information, details and data which is in and/or comes to its knowledge and/or that of its employees, representatives and/or any person acting on its behalf directly or indirectly relating to the Licensed Technology. The COMPANY undertakes not to convey or disclose anything in connection with the aforegoing to any entity.

8.2 The obligation contained in this section shall not apply to information which is in the public domain as at the date hereof or to information which hereafter comes into the public domain, unless the COMPANY breaches its obligations pursuant to this Agreement as a result thereof the information comes into the public domain.

8.3 Notwithstanding Section 8.1, the COMPANY may disclose details and information to its employees and Sublicensees, as necessary for the performance of its obligations pursuant to this Agreement, provided that it procures that its employees and Sublicensees execute a confidentiality agreement, in the form attached hereto as Appendix 4.

8.4 Without prejudice to the aforegoing, the COMPANY shall not mention the Hebrew University's and/or YISSUM's name, unless required by law, in any manner or for any purpose in connection with this Agreement, the subject of the research or any matter relating to the Licensed Technology without obtaining YISSUM's prior written consent.

8.5 YISSUM shall procure that its researchers, employees and/or any other person connected with it with regard to the Licensed Technology execute the confidentiality agreement in the form annexed hereto as Append 3.

8.6 As a precondition to any sub-license, the COMPANY shall ensure that the Sublicensee procures that the employees and persons engaged thereby execute a confidentiality agreement in the form annexed hereto as Appendix 3.

8.7 The breach of this section, by any person or entity other than YISSUM or the COMPANY shall not be deemed a breach of the Agreement, if YISSUM or the COMPANY prove that they took all reasonable steps to avoid the breach.

8.8 The end or termination of this Agreement shall not release the parties from their obligations pursuant to this section.

8.9 The provisions of this section are fundamental provisions of the Agreement. Their breach shall constitute a fundamental breach of the Agreement, and YISSUM, at its sole discretion, shall have the right to terminate the Agreement immediately.

SECTION 8

Publications

9.1 YISSUM shall ensure that no publications in writing, in scientific journals or orally at scientific conventions relating to the Licensed Technology, which are subject to the terms and conditions of this Agreement, are published by it or its researchers.

9.2 Dr. Saul Yedgar agrees not to disclose or divulge to any other person, party, or entity the confidential information or any information and material of the COMPANY, unless authorized by COMPANY, which authorization shall not be unreasonably withheld.

SECTION 9

Liability and Indemnity

10.1 YISSUM expressly disclaims any and all implied or express warranties and makes no express or implied warranties of merchantability or fitness for any particular purpose of the Licensed Technology.

10.2 The COMPANY shall be liable for any loss, injury and/or damage whatsoever caused to its employees and/or any person acting on its behalf and/or to the employees of YISSUM and/or any person acting on its behalf and/or to any third party by reason of the COMPANY's acts and/or omissions pursuant to this Agreement and/or by reason of any use made of the Licensed Technology by the COMPANY and/or any third party whatsoever.

10.3 The COMPANY undertakes to compensate, indemnify, defend and hold harmless YISSUM and/or any person acting on its behalf and/or any of its employees and/or representatives and/or the University (herein referred to as "Indemnitees") against any liability including product liability, damage, loss or expenses including reasonable legal fees and litigation expenses incurred by or imposed upon the Indemnitees by reason of its acts and/or omissions and/or which derive from its use, development, manufacture, marketing, sale and/or sub-licensing and/or sub-sublicensing of the Licensed Product, or Licensed Technology.

10.4 The COMPANY shall obtain prior to the commencement of clinical trials by the COMPANY and/or on behalf or at the request of the COMPANY and prior to the First Commercial Sale, comprehensive general liability insurance which shall provide:

(i) Product liability coverage,

(ii) Contractual liability coverage for the COMPANY's indemnification under this Agreement and in particular as stated in section 10.3 and

(iii) Name YISSUM as an additional insured.

All required insurance will be at the COMPANY's sole cost and expense.

10.5 The COMPANY shall provide YISSUM with written evidence of such insurance upon request of YISSUM. The COMPANY shall provide YISSUM with written notice at least fifteen days prior to the cancellation, non-renewal or material change in such insurance; if the COMPANY does not obtain replacement insurance providing comparable coverage within such fifteen day period, YISSUM shall have the right to terminate this Agreement effective at the end of such fifteen day period without notice or any additional waiting periods.

10.6 The COMPANY shall maintain comprehensive general liability insurance beyond the expiration or termination of this Agreement during the period that a Licensed Product relating to and/or developed pursuant to this Agreement is being commercially distributed or sold by the COMPANY and/or Sub-Licensee.

10.7 YISSUM represents and warrants that to the best of its actual knowledge: (i) it has the full power to enter into this Agreement, to carry out its obligations under this Agreement, and to grant the rights granted to COMPANY herein; (ii) it has not previously granted and shall not grant to any third party any rights which are inconsistent with the rights granted to COMPANY herein; (iii) it has the rights, title, and interest in and to the Patents, as et out in Appendix 2; and (iv) no consent, approval or authorization of any other party is required.

10.8 COMPANY represents that: i) it has full coiporate power and authority to enter into this Agreement and carry out all the provisions of this Agreement; ii) it is authorized to execute this Agreement 011 its behalf; iii) the person executing this Agreement is duly authorized to do so; and iv) no consent, approval or authorization of any other party is required.

SECTION 10

Termination of the Agreement

11.1 Unless earlier terminated, as hereinafter provided, the term of this Agreement shall be for the longer of twenty (20) years or the term of any patent or patent application having a Valid Claim covering the Patents.

11.2 In the event of default or failure by COMPANY to perform any of the terms, covenants or provisions of this Agreement, COMPANY shall have thirty (30) days after the giving of written notice of such default by YISSUM to correct such default, but in the event that such default or breach cannot be rectified, YISSUM may terminate this Agreement with immediate effect. If a default capable of being rectified is not corrected within the said thirty (30) day period, YISSUM shall have the right, at its option, to cancel and terminate this Agreement at any time thereafter.

11.3 YISSUM shall have the right, at its option, to cancel and terminate this Agreement in the event that COMPANY shall become involved in insolvency, bankruptcy, liquidation, winding-up or receivership proceedings or in the event that an attachment is placed on assets of the COMPANY affecting the operation of its business. The COMPANY shall immediately notify YISSUM upon commencement of any bankruptcy, insolvency, liquidation, winding-up or receivership proceedings or the placing of an attachment on its assets.

11.4 In the event of termination of this Agreement for any reason whatsoever, the license shall terminate and all rights to the Patents and Licensed Technology shall revert to YISSUM and the COMPANY may make no further use thereof. Notwithstanding the aforesaid, the end or termination of this Agreement shall not release the COMPANY from its obligation to carry out any financial or other obligation which it was liable to perform prior to the Agreement's end or termination.

11.5 Upon termination of this Agreement for any reason, nothing herein shall be construed to release either party from any obligation that matured prior to the effective date of such termination; and Sections 1 and 8-15 shall survive any such termination.

11.6 No termination of this Agreement shall constitute a termination or a waiver of any rights of either Party against the other Party accruing at or prior to the time of such termination.

11.7 COMPANY shall have the right to terminate this Agreement at any time on three (3) months notice to YISSUM, and upon payment of all amounts due YISSUM through the effective date of the termination.

SECTION 11

Law

12.1 The provisions of this Agreement and anything else concerning the relationship between the parties in connection with the subject matter of this Agreement shall be governed by Israeli law. The parties hereby submit to the exclusive jurisdiction of the appropriate courts in Jerusalem.

12.2 Notwithstanding the above, the COMPANY hereby agrees that, in the event that no treaty exists upholding the enforceability of temporary orders issued by Israeli courts in the foreign jurisdiction in which YISSUM may require such an order to be upheld, YISSUM may, at its own discretion, elect the place of jurisdiction for the obtaining of writs against the COMPANY.

12.3 The COMPANY undertakes not to object to the enforcement against it of writs issued by any aforesaid jurisdiction under such circumstances.

SECTION 12

Arbitration

13.1 All differences and disputes arising between the parties in connection with the Agreement and/or its interpretation and/or its performance and/or breach, shall be referred for the decision of a single arbitrator, who shall be appointed by agreement between the parties.

13.2 Should the parties not reach agreement as to the arbitrator's identity, the arbitrator shall be appointed by the Chairman of the Israeli Bar Association on the application of either of the parties.

13.3 The arbitration shall be held in Israel. The arbitrator shall not be bound by the civil procedure regulations and laws of evidence but shall be bound by the substantive law of Israel and be liable to give grounds for his decision.

13.4 The arbitrator's decision shall be final and shall bind the parties.

13.5 The execution of this Agreement shall constitute the execution of an arbitration deed.

SECTION 13

Miscellaneous

14.1 This Agreement shall be binding upon and shall inure to the benefit of YISSUM and its assigns and successors in interest, and shall be binding upon and shall inure to the benefit of COMPANY and its assigns and successors to all or substantially all of its assets or business to which this Agreement relates, but shall not otherwise be assignable or assigned by COMPANY without prior written approval by YISSUM being first obtained, which approval shall not be unreasonably withheld.

14.2 If any provision of this Agreement shall be declared by a court of competent jurisdiction to be invalid, illegal or incapable of being enforced in whole or in part, the remaining conditions and provisions or portions thereof shall nevertheless remain in full force and effect and enforceable to the extent they are valid, legal and enforceable, and no provision shall be deemed dependent upon any other covenant or provision unless so expressed herein.

14.3 All Parties hereby agree that neither Party intends to violate any public policy, statutory or common law, rule, regulation, treaty or decision of any government agency or executive body thereof of any country or community or association of countries; that if any word, sentence, paragraph or clause or combination thereof of this Agreement is found, by a court or executive body with judicial powers having jurisdiction over this Agreement or any of its Parties hereto, in a final unappealed order to be in violation of any such provision in any country or community or association of countries, such words, sentences, paragraphs or clauses or combination shall be inoperative in such country or community or association of countries, and the remainder of this Agreement shall remain binding upon the Parties hereto.

14.4 The Parties covenant and agree that if a Party fails or neglects for any reason to take advantage of any of the terms provided for the termination of this Agreement or if a Party, having the right to declare this Agreement terminated, shall fail to do so, any such failure or neglect by such Party shall not be a waiver or be deemed or be construed to be a waiver of any cause for the termination of this Agreement subsequently arising, or as a waiver of any of the terms, covenants or conditions of this Agreement or of the performance thereof. None of the terms, covenants and conditions of this Agreement may be waived by a Party except by its written consent.

14.5 This Agreement contains the entire agreement and understanding of the parties with respect to the subject matter hereof, supersedes any prior agreements and understandings with respect thereto and cannot be modified, amended or waived, in whole or in part, except in writing signed by the party to be charged. Any such purported modification, amendment, or waiver shall be null and void. A discharge of the terms of this Agreement shall not be deemed valid unless by full performance of the parties hereto or by writing signed by the parties hereto. A waiver by YISSUM of any breach by COMPANY of any provision or condition of this Agreement to be performed by COMPANY shall not be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time.

14.6 Each party shall bear its own legal expenses involved in the making of this Agreement.

14.7 The headings to the sections in this agreement are for the sake of convenience only and shall not serve in the Agreement's interpretation.

14.8 The COMPANY shall disclose to YISSUM any existing agreement and/or arrangement or relationship of any land between it and employees of YISSUM and/or the Hebrew University of Jerusalem with respect to the Licensed Technology and in connection therewith and shall not enter into any agreement or arrangement with any employees of YISSUM and/or the Hebrew University of Jerusalem, as aforesaid, without the prior written consent of YISSUM.

14.9 The appendixes annexed hereto constitute an integral pail hereof and shall be read jointly with its terms and provisions.

SECTION 14

Notices

15.1 All notices and communications pursuant to this Agreement shall be made in writing and sent by registered mail to or served at the following addresses:

YISSUM RESEARCH DEVELOPMENT COMPANY
High Tech Park, Edmund Safra Campus,
POB 39135, Givat Ram Jerusalem 91390, Israel

MORRIA BIOPH ARM A CEUTIC AL,
INC. 1 Taib St., Jerusalem 95405, Israel

with a copy to Mark Cohen, Adv.
Eitan, Pearl, Latzer & Cohen-Zedek
Gav Yam 2, Shenkar street 7
Herzelia Pituach, Israel

or such other address furnished in writing by one party to the other. Any notice sent as aforesaid shall be deemed to have been received seven days after being posted by registered mail

IN WITNESS WHEREOF, the Parties hereto have executed and delivered this Agreement in multiple originals by their duly authorized officers and representatives on the respective dates shown below, but effective as of the Effective Date. The undersigned representative of YISSUM is authorized to execute this Agreement on its behalf and bind YISSUM to the terms and conditions set forth.

YISSUM RESEARCH DEVELOPMENT COMPANY	MORRIA BIOPHARMACEUTICAL INC.
By: /s/ AVI BARAK	By: /s / SAUL YEDGAR
Name:	Name:
Title:	Title:
Date: November 26 2002	Date: Nov 27 2002
By: /s/ REUVEN RON	By: /s/ YUVAL COEHN
Name:	Name:
Title: VP MARKETING LIFE SCIENCE &MEDICINE	Title: PRESIDENT
Date: November 26 2002	Date: Nov 27 2002

1, Saul Yedgar, acknowledge that I have read this Agreement in its entirety and that I shall use reasonable efforts to uphold my individual obligations and responsibilities as set forth herein:

By: /s/ SAUL YEDGAR Date: Nov 27 2002

Signature

APPENDIX 1

Patent No./ Patent Application	Issue Date/Filing Date	Named Inventors	Title	Serial Number
EPLC P-2507-AU Yissum No. 2510	10-Jan-01	Saul Yedgar	Use of lipid conjugates in the treatment of disease	
EPLC P-2507-CA Yissum No. 2510	10-Jan-01	Saul Yedgar	Use of lipid conjugates in the treatment of disease	
EPLC P-2507-EP Yissum No. 2510	10-Jan01-	Saul Yedgar	Use of lipid conjugates in the treatment of disease	01900237.7
EPLC P-2507-IL Yissum No. 2510	10-Jan-01	Saul Yedgar	Use of lipid conjugates in the treatment of disease	150628
EPLC P-2507-JP Yissum No. 2510	10-Jan-01	Saul Yedgar	Use of lipid conjugates in the treatment of disease	2001-551427
EPLC P-2507-PC Yissum No. 2510	10-Jan-01	Saul Yedgar'	Use of lipid conjugates in the treatment of disease	PCT/IL01/00023
EPLC P-2507-US Yissum No. 2510	10-Jan-01	Saul Yedgar	Use of lipid conjugates in the treatment of disease	09/756,765
EPLC P-2507-US1 Yissum No. 2510		Saul Yedgar	Use of lipid conjugates in the treatment of disease	
EPLC P-2507-USP Yissum No. 2510	10-Jan00-	Saul Yedgar	Use of lipid conjugates in the treatment of disease	60/174,907
EPLC P-2507-USP1 Yissum No. 2510	10-Jan-00	Saul Yedgar	Use of lipid conjugates in the treatment of disease	60/174,905

APPENDIX 2

I, the undersigned _____, do hereby declare that I have knowledge of research on the subject _ _____and that it is funded by _____.

1. I do hereby undertake to keep secret and to do all in my power to prevent unauthorized disclosure of all information brought to my knowledge regarding the above research. I do further hereby consent to refrain from making public any work, report of work, or any other information concerning the above project, or to present in any other manner any work, report or information in writing and/or orally, without prior permission from YISSUM and_____This undertaking does not include information already disclosed in publication generally in the public domain, and under the contract dated between YISSUM and_____.

2. It is hereby agreed that the undertaking of section I above does not apply to these dissertations presented by candidates for Masters and Doctoral Degrees, to internal referee committees of the University, who will themselves ensure that such information is not received by unauthorized bodies.

3. In addition to all the above, I do also undertake to fully observe the instructions of the University administrative authorities as published by The Hebrew University of Jerusalem (Order No. 15-001 and 15-011).

4. I do hereby undertake to keep all the above secret, and not to transfer to any person or persons, at any time, any information, in any way connected with the above subject without receiving the written permission of both YISSUM and_____

Signature

Date

Form No.

Israel I.D. Card/Passport Number

CONFIDENTIAL

Morria Biopharmaceuticals Plc
(Company no. 5252842)
Registered in England

London Office
53 Davies street
Mayfair
London W1K 5JH
Tel: +44 (0)207 152 6341
Fax: +44 (0) 207 152 6342
Email: info@morria.com

Registered Office Address
Thames House
Portsmouth Road
Esher
Surrey
KT10 9AD

March, 4, 2012

Via E-Mail
Mr. Trachtenberg
YISSUM Research and Development Company of the
Hebrew University of Jerusalem
P.O. Box 39135 Jerusalem 91390

RE: **Updated Appendix 1 of the Exclusive License Agreement between Morria Biopharmaceuticals Inc. and Yissum**

Dear Mr. Trachtenberg,

According to section 7.2 to the Exclusive License Agreement between Yissum Research and Development Company of the Hebrew University of Jerusalem ("**Yissum**"), and Morria Biopharmaceuticals ("**Morria**") executed on November 27, 2002 (the "**Agreement**"), please find attached an updated Appendix 1, which is herby incorporated into the Agreement.

Furthermore, please update your records, as to the notice address of Morria, as defined in section 15.1 of the Agreement to:

Morria Biopharmaceuticals Plc
Thames House
Portsmouth Road
Esher
Surrey
KT10 9AD

With a copy to:

Mark S. Cohen
Pearl Cohen Zedek Latzer, LLP
1500 Broadway, 12th Floor
New York, NY 10036

We will continue to update Yissum with all future patent filing by Morria, according to the Agreement.

Please sign and return the letter, acknowledging receipt of this Update letter.

Yours sincerely,

Daniel Intract

cc: Mark Cohen, Executive Chairman

The undersigned confirms receipt of the Update Letter.

_____
YISSUM
Research and Development Company of the Hebrew University of Jerusalem
By: _____
Date: March ___, 2012

Appendix 1

Morria Patent Schedule

US Granted Patents

PCZL Ref. No.	Application # / Patent No.	Assignee	Filing Date	Priority Date	Status	Inventor/s	Claimed
P-2507-US	09/756,765 Patent No. 7,034,006	YISSUM RESEARCH DEVELOPMENT COMPANY OF THE HEBREW UNIVERSITY OF JERUSALEM	10-Jan-2001	10-Jan-2000	Patented	YEDGAR, Saul; SHOSEYOV, David; GOLOMB, Gershon; REICH, Reuven; GINSBURG, Isaac; HIGAZI, Abd-al-Roof; LIGUMSKI, Moshe; KRIMSKY, Miron; OJCIUS, David; YARD, Benito Antonio; van der WOUDE, Fokko Johannes; SCHNITZER, Edit	Phosphatidylethanolamine glycosaminoglycan conjugates, including HyPE.
P-2507-US1	10/627,981 Patent No. 7,101,859	YISSUM RESEARCH DEVELOPMENT COMPANY OF THE HEBREW UNIVERSITY OF JERUSALEM	28-July-2003	10-Jan-2000	Patented	YEDGAR, Saul; KRIMSKY, Miron; BECK, Grietje; YARD, Benito Antonio; van der WOUDE, Fokko Johannes	Methods of treating sepsis with MFAIDs, including with HyPE.

PCZL Ref. No.	Application # / Patent No.	Assignee	Filing Date	Priority Date	Status	Inventor/s	Claimed
P-2507-US2	10/790,182 Patent No. 7,141,552	YISSUM RESEARCH DEVELOPMENT COMPANY OF THE HEBREW UNIVERSITY OF JERUSALEM	02-Mar-2004	10-Jan-2000	Patented	YEDGAR, Saul; LIGUMSKI, Moshe; KRIMSKY, Miron	Methods of treating intestinal diseases with MFAIDs.
P-2507-US4	10/989,606; Patent No. 7,811,999	YISSUM RESEARCH DEVELOPMENT COMPANY OF THE HEBREW UNIVERSITY OF JERUSALEM	17-Nov-2004	10-Jan-2000	Patented	YEDGAR, Saul; SHOSEYOV, David	Methods of treating obstructive respiratory diseases with glycosaminoglycan conjugates with phosphatidylethanolamine or phosphatidylserine.
P-2507-US5	10/952,496 Patent No. 7,393,938	YISSUM RESEARCH DEVELOPMENT COMPANY OF THE HEBREW UNIVERSITY OF JERUSALEM	29-Sep-2004	10-Jan-2000	Patented	YEDGAR, Saul	Phosphatidylserine glycosaminoglycan conjugates.

PCZL Ref. No.	Application # / Patent No.	Assignee	Filing Date	Priority Date	Status	Inventor/s	Claimed
P-2507-US6	10/989,607 Patent No. 7,772,196	YISSUM RESEARCH DEVELOPMENT COMPANY OF THE HEBREW UNIVERSITY OF JERUSALEM	17-Nov-2004	10-Jan-2000	Patented	YEDGAR, Saul	Methods of treating a dermatological condition with phosphatidylethanolamine glycosaminoglycan conjugates, including HyPE.
P-2507-US7	11/220,965 Patent No. 7,504,384	YISSUM RESEARCH DEVELOPMENT COMPANY OF THE HEBREW UNIVERSITY OF JERUSALEM	08-Sep-2005	10-Jan-2000	Patented	YEDGAR, Saul; OJCIUS, David	Methods of treating infections with phosphatidylethanolamine glycosaminoglycan conjugates, including HyPE.
P-2507-US9	11/285,375 Patent No. 8,076,312	YISSUM RESEARCH DEVELOPMENT COMPANY OF THE HEBREW UNIVERSITY OF JERUSALEM	23-Nov-2005	10-Jan-2000	Patented	YEDGAR, Saul	Methods of treating asthma, COPD and allergic rhinitis with phosphatidylethanolamine glycosaminoglycan conjugates, including HyPE.

PCZL Ref. No.	Application # / Patent No.	Assignee	Filing Date	Priority Date	Status	Inventor/s	Claimed
P-2507-US16	11/475,240 Patent No. 7,608,598	YISSUM RESEARCH DEVELOPMENT COMPANY OF THE HEBREW UNIVERSITY OF JERUSALEM	27-June-2006	10-Jan-2000	Patented	YEDGAR, Saul	Methods of treating conjuctivitis with phosphatidylethanolamine glycosaminoglycan conjugates, including HyPE.
P-2507-US19	12/010,315 Patent No. 7,893,226	YISSUM RESEARCH DEVELOPMENT COMPANY OF THE HEBREW UNIVERSITY OF JERUSALEM	23-Jan-2008	10-Jan-2000	Patented	YEDGAR, Saul	Methods of manufacturing MFAIDs.

US Pending Patent Applications

PCZL Ref. No.	Application #	Filing Date	Priority Date	Status	Inventor/s	Claimed
P-2507-US3	10/919,523	17-Aug-2004	10-Jan-2000	Pending	YEDGAR, Saul	Methods of treating nervous system disorders with phosphatidylethanolamine glycosaminoglycan conjugates
P-2507-US8	11/524,519	21-Sep-2006	10-Jan-2000	Pending	YEDGAR, Saul; KRIMSKY, Miron; INGBER, Arie	Methods of treating a dermatological condition with MFAIDs.
P-2507-US17	11/598,812	14-Nov-2006	10-Jan-2000	Pending	YEDGAR, Saul; LIGUMSKI, Moshe; KRIMSKY, Miron	Methods of treating Crohn's disease and ulcerative colitis with MFAIDs, including HyPE.
P-2507-US15	11/822,423	05-July-2007	10-Jan-2000	Pending	YEDGAR, Saul	Methods of treating neoplasias or cancers with MFAIDs.
P-2507-US20	12/406,130	18-Mar-2009	10-Jan-2001	Pending	YEDGAR, Saul	Methods of inhibiting angiogenisis or diseases associated with angiogenesis using MFAIDs
P-2507-US22	12/605,887	26-Oct-2009	10-Jan-2000	Pending	YEDGAR, Saul	Methods of treating conjuctivitis with MFAIDs.
P-2507-US23	12/820,161	22-June-2010	10-Jan-2000	Pending	YEDGAR, Saul	Methods of treating a dermatological condition with phosphatidylserine glycosaminoglycan conjugates.
P-2507-US24	13/031,990	22-Feb-2011	10-Jan-2000	Pending	YEDGAR, Saul	MFAID compounds.
P-8131-US	11/496,728	01-Aug-2006	03-Aug-2005	Pending	YEDGAR, Saul; PRINCE, Alice	Methods of treating cystic fibrosis with MFAIDs.

PCZL Ref. No.	Application #	Filing Date	Priority Date	Status	Inventor/s	Claimed
P-8653-US	11/716,015	09-Mar-2007	09-Mar-2006	Pending	YEDGAR, Saul	Catheters and stents coated with MFAIDs.
P-8967-US	11/984,224	14-Nov-2007	14-Nov-2006	Pending	YEDGAR, Saul; COHEN, Yuval	A contact lens comprising a phosphatidylethanolamine glycosaminoglycan conjugate.
P-8967-US1	11/984,223	14-Nov-2007	14-Nov-2006	Pending	YEDGAR, Saul; COHEN, Yuval	Methods of treating eye diseases and disorders with MFAIDs.
P-71126-US	12/997,014	09-Dec-2010	11-May-2009	Pending	YEDGAR, Saul; COHEN, Yuval; BONDI, Joseph V.	Low molecular weight phospholipid-glycosaminoglycan conjugate compositions.
P-73006-US	12/463,792	11-May-2009	29-Sep-2004	Pending	YEDGAR, Saul	Methods of treating cancers and disorders associated with matrix metalloproteinases using MFAIDs.
P-75622-US	13/283,020	27-Oct-2011	17-Nov-2005	Pending	YEDGAR, Saul	Methods of treating chronic rhinosinusitis or nasal polyps with MFAIDs.
P-75630-US	13/316,592	12-Dec-2011	17-Nov-2005	Pending	YEDGAR, Saul	Methods of treating allergic rhinitis with MFAIDs.
P-74830-USP	61/485,192	12-May-2011	12-May-2001	Pending	YEDGAR, Saul	Liposomes comprising a lipid bilayer and a polymer conjugated lipid and methods of treating diseases (including obstructive pulmonary diseases and cystic fibrosis) using the liposomes.

Rest of the World Granted Patents

PCZL Ref. No.	Country	Application # / Patent No	Filing Date	Priority Date	Status	Inventor/s	Claimed
P-2507-AU	Australia	23935/01 Patent No. 785017	10-Jan-2001	10-Jan-2000	Patented	YEDGAR, Saul; SHOSEYOV, David; GOLOMB, Gershon; REICH, Reuven; GINSBURG, Isaac; HIGAZI, Abd-al-Roof; LIGUMSKI, Moshe; KRIMSKY, Miron; OJCIUS, David; YARD, Benito Antonio; van der WOUDE, Fokko Johannes; SCHNITZER, Edit	1. Glycosaminoglycan MFAIDs. 2. Use of Glycosaminoglycan MFAIDs to treat asthma, COPD and dermatologic conditions.
P-2507-CA	Canada	2,397,016	10-Jan-2001	10-Jan-2000	Patented	YEDGAR, Saul; SHOSEYOV, David; GOLOMB, Gershon; REICH, Reuven; GINSBURG, Isaac; HIGAZI, Abd-al-Roof; LIGUMSKI, Moshe; KRIMSKY, Miron; OJCIUS, David; YARD, Benito Antonio; van der WOUDE, Fokko Johannes; SCHNITZER, Edit	1. Phosphotidylethanolamine glycosaminoglycan conjugates. 2. Use of Glycosaminoglycan MFAIDs to treat asthma, COPD and dermatologic conditions.

PCZL Ref. No.	Country	Application # / Patent No	Filing Date	Priority Date	Status	Inventor/s	Claimed
P-2507-IL	Israel	150628	10-Jan-2001	10-Jan-2000	Patented	YEDGAR, Saul; SHOSEYOV, David; GOLOMB, Gershon; REICH, Reuven; GINSBURG, Isaac; HIGAZI, Abd-al-Roof; LIGUMSKI, Moshe; KRIMSKY, Miron; OJCIUS, David; YARD, Benito Antonio; van der WOUDE, Fokko Johannes; SCHNITZER, Edit	Phosphotidylethanolamine glycosaminoglycan conjugates.
P-2507-JP	Japan	2001-551427 4,782,966	10-Jan-2001	10-Jan-2000	Patented	YEDGAR, Saul; SHOSEYOV, David; GOLOMB, Gershon; REICH, Reuven; GINSBURG, Isaac; HIGAZI, Abd-al-Roof; LIGUMSKI, Moshe; KRIMSKY, Miron; OJCIUS, David; YARD, Benito Antonio; van der WOUDE, Fokko Johannes; SCHNITZER, Edit	1. Phosphotidylethanolamine glycosaminoglycan conjugates. 2. Use of phosphotidylethanolamine glycosaminoglycan conjugates to treat asthma, obstructive respiratory diseases, dermatologic conditions or intestinal diseases.

PCZL Ref. No.	Country	Application # / Patent No	Filing Date	Priority Date	Status	Inventor/s	Claimed
P-2507-AU2	Australia	2005218545	02-Mar-2005	2-Mar-2004	Patented	YEDGAR, Saul	1. MFAID compounds. 2. Use of MFAID compounds to treat sepsis, an intestinal disease, a CNS disease or disorder, an obstructive respiratory disease or a dermatologic condition.
P-2507-AU3	Australia	2005305456	17-Nov-2005	17-Nov-2004	Patented	YEDGAR, Saul	Use of MFAIDs to treat asthma, allergic rhinitis, or COPD.
P-2507-EA3	Eurasia	200701077 Patent No. 012138	17-Nov-2005	17-Nov-2004	Patented	YEDGAR, Saul	Use of MFAIDs to treat asthma, allergic rhinitis, or COPD.
P-2507-CN3	China	200580046771.3 Patent No. ZL200580046771.3	17-Nov-2005	17-Nov-2004	Patented	YEDGAR, Saul	Use of phospholipid-ethanolamine-glycosaminoglycan conjugates to treat asthma, COPD or allergic rhinitis.

Rest of the World Pending Patent Applications

PCZL Ref. No.	Country	Application #	Filing Date	Priority Date	Status	Inventor/s	Claimed
P-2507-EP	Europe	01900237.7	10-Jan-2001	10-Jan-2000	Pending	YEDGAR, Saul; SHOSEYOV, David; GOLOMB, Gershon; REICH, Reuven; GINSBURG, Isaac; HIGAZI, Abd-al-Roof; LIGUMSKI, Moshe; KRIMSKY, Miron; OJCIUS, David; YARD, Benito Antonio; van der WOUDE, Fokko Johannes; SCHNITZER, Edit	1. MFAID compounds. 2. The Use of MFAIDs to treat a variety of diseases.
P-2507-JP4	Japan	2011-105921	11-May-2011	10-Jan-2001	Pending	YEDGAR, Saul; SHOSEYOV, David; GOLOMB, Gershon; REICH, Reuven; GINSBURG, Isaac; HIGAZI, Abd-al-Roof; LIGUMSKI, Moshe; KRIMSKY, Miron; OJCIUS, David; YARD, Benito Antonio; van der WOUDE, Fokko Johannes; SCHNITZER, Edit	Divisional of 2507-JP 1. MFAID compounds. 2. The Use of MFAIDs to treat a variety of diseases and disorders.

PCZL Ref. No.	Country	Application #	Filing Date	Priority Date	Status	Inventor/s	Claimed
P-2507-AU4	Australia	2011201154	15-Mar-2011	2-Mar-2005	Pending	YEDGAR, Saul	Divisional of 2507-AU2 1. MFAID compounds. 2. Use of MFAID compounds to a variety of diseases and disorders.
P-2507-AU5	Australia	2011213739	18-Aug-2011	17-Nov-2004	Pending	YEDGAR, Saul	Divisional of 2507-AU3 Use of MFAIDs to treat asthma, allergic rhinitis, or COPD.
P-2507-CA2	Canada	2558416	02-Mar-2005	2-Mar-2004	Pending	YEDGAR, Saul	1. MFAID compounds. 2. The Use of MFAIDs to treat a variety of diseases and disorders.
P-2507-EP2	Europe	05724186.1	02-Mar-2005	2-Mar-2004	Pending	YEDGAR, Saul	1. MFAID compounds. 2. The Use of MFAIDs to treat a variety of diseases and disorders.
P-2507-HK	Hong Kong	07109751.3	07-Sep-2007	2-Mar-2004	Pending	YEDGAR, Saul	Same as P-2507-EP2
P-2507-JP2	Japan	2007-501901	02-Mar-2005	2-Mar-2005	Pending	YEDGAR, Saul	1. MFAID compounds. 2. The Use of MFAIDs to treat a variety of diseases and disorders.
P-2507-CA3	Canada	2587883	17-Nov-2005	17-Nov-2004	Pending	YEDGAR, Saul	Use of MFAIDs to treat asthma, allergic rhinitis, or COPD.

PCZL Ref. No.	Country	Application #	Filing Date	Priority Date	Status	Inventor/s	Claimed
P-2507-EP3	Europe	05808267.8	17-Nov-2005	17-Nov-2004	Pending	YEDGAR, Saul	Compounds for use of MFAIDs to treat or prevent asthma, allergic rhinitis, or COPD.
P-2507-IL3	Israel	183227	17-Nov-2005	17-Nov-2004	Pending	YEDGAR, Saul	Use of phosphotidylethanolamine glycosaminoglycan conjugates to treat or reduce the symptoms of asthma or COPD.
P-2507-IL5	Israel	212214	07-Apr-2011	17-Nov-2004	Pending	YEDGAR, Saul	Divisional of P-2507-IL3 Use of MFAIDs to treat or prevent allergic rhinitis.
P-2507-IL6	Israel	212215	07-Apr-2011	17-Nov-2004	Pending	YEDGAR, Saul	Divisional of P-2507-IL3 Use of MFAIDs to treat or prevent COPD.
P-2507-JP3	Japan	2007-542507	17-Nov-2005	17-Nov-2004	Pending	YEDGAR, Saul	Use of MFAIDs to treat asthma or allergic rhinitis.
P-2507-JP5	Japan	2011-199088	13-Sep-2011	2-Mar-2004	Pending	YEDGAR, Saul	Divisional of P-2507-JP3 Use of MFAIDs to treat asthma, allergic rhinitis, or COPD.
P-2507-JP6	Japan	2011-255723	24-Nov-2011	17-Nov-2004	Pending	YEDGAR, Saul	Divisional of P-2507-JP2 1. MFAID compounds. 2. The Use of MFAIDs to treat a variety of diseases and disorders.
P-2507-MX3	Mexico	MX/a/2007/005975	17-Nov-2005	17-Nov-2004	Allowed	YEDGAR, Saul	Use of MFAIDs to treat asthma, allergic rhinitis, or COPD.
P-8131-AU	Australia	2006278657	01-Aug-2006	03-Aug-2005	Pending	YEDGAR, Saul; PRINCE, Alice	Use of MFAIDs to treat cystic fibrosis.

PCZL Ref. No.	Country	Application #	Filing Date	Priority Date	Status	Inventor/s	Claimed
P-8131-CA	Canada	2617484	01-Aug-2006	03-Aug-2005	Pending	PRINCE, Alice; YEDGAR, Saul	Use of MFAIDs to treat cystic fibrosis.
P-8131-CN	China	200680000037016.3	01-Aug-2006	03-Aug-2005	Pending	YEDGAR, Saul; PRINCE, Alice; COHEN, Yuval	Use of MFAIDs to treat cystic fibrosis.
P-8131-EA	Eurasia	200800489	01-Aug-2006	03-Aug-2005	Pending	PRINCE, Alice; YEDGAR, Saul	Use of MFAIDs to treat cystic fibrosis.
P-8131-EP	Europe	EP06800600.6	01-Aug-2006	03-Aug-2005	Pending	PRINCE, Alice; YEDGAR, Saul; COHEN, Yuval	Use of MFAIDs to treat cystic fibrosis.
P-8131-IL	Israel	189171	01-Aug-2006	03-Aug-2005	Pending	PRINCE, Alice; YEDGAR, Saul	Use of MFAIDs to treat cystic fibrosis.
P-8131-JP	Japan	2008525110	01-Aug-2006	03-Aug-2005	Pending	PRINCE, Alice; YEDGAR, Saul	Use of MFAIDs to treat cystic fibrosis.
P-8131-KR	Korea	10-2008-7005229	01-Aug-2006	03-Aug-2005	Pending	YEDGAR, Saul; PRINCE, Alice	Use of MFAIDs to treat cystic fibrosis.
P-8131-MX	Mexico	MX/a2008/001639	01-Aug-2006	03-Aug-2005	Pending	PRINCE, Alice; YEDGAR, Saul	Use of MFAIDs to treat cystic fibrosis.
P-8653-AU	Australia	2007224324	11-Mar-2007	09-Mar-2006	Pending	YEDGAR, Saul	Catheters and stents coated with MFAIDs.
P-8653-CA	Canada	2645079	11-Mar-2007	09-Mar-2006	Pending	YEDGAR, Saul	Catheters and stents coated with MFAIDs.
P-8653-CN	China	200780016485.1	11-Mar-2007	09-Mar-2006	Pending	YEDGAR, Saul	Catheters and stents coated with MFAIDs.

PCZL Ref. No.	Country	Application #	Filing Date	Priority Date	Status	Inventor/s	Claimed
P-8653-IL	Israel	193979	11-Mar-2007	09-Mar-2006	Pending	YEDGAR, Saul	Catheters and stents coated with MFAIDs.
P-8967-AU	Australia	2007320737	14-Nov-2007	14-Nov-2006	Pending	YEDGAR, Saul; COHEN, Yuval	A contact lens comprising MFAIDs.
P-8967-EP	Europe	07827381.0	14-Nov-2007	14-Nov-2006	Pending	YEDGAR, Saul; COHEN, Yuval	A contact lens comprising MFAIDs.
P-8967-AU1	Australia	2007320736	14-Nov-2007	14-Nov-2006	Pending	YEDGAR, Saul; COHEN, Yuval	1. Use of MFAIDs to treat eye disorders. 2. Contact lens solutions comprising MFAIDs.
P-8967-CA1	Canada	2705785	14-Nov-2007	14-Nov-2006	Pending	YEDGAR, Saul; COHEN, Yuval	1. Use of MFAIDs to treat eye disorders. 2. Contact lens solutions comprising MFAIDs.
P-8967-CN1	China	200780049831.6	14-Nov-2007	14-Nov-2006	Pending	YEDGAR, Saul; COHEN, Yuval	1. Use of MFAIDs to treat eye disorders. 2. Contact lens solutions comprising MFAIDs.
P-8967-EP1	Europe	07827380.2	14-Nov-2007	14-Nov-2006	Pending	YEDGAR, Saul; COHEN, Yuval	1. Use of MFAIDs to treat eye disorders. 2. Contact lens solutions comprising MFAIDs.
P-71126-AU	Australia	Not yet known	11-May-2010	11-May-2009	Pending	YEDGAR, Saul; COHEN, Yuval; BONDI, Joseph V.	Low molecular weight phospholipid-glycosaminoglycan conjugate compositions.
P-71126-CA	Canada	2,761,590	11-May-2010	11-May-2009	Pending	YEDGAR, Saul; COHEN, Yuval; BONDI, Joseph V.	Low molecular weight phospholipid-glycosaminoglycan conjugate compositions.

PCZL Ref. No.	Country	Application #	Filing Date	Priority Date	Status	Inventor/s	Claimed
P-71126-CN	China	Not yet known	11-May-2010	11-May-2009	Pending	YEDGAR, Saul; COHEN, Yuval; BONDI, Joseph V.	Low molecular weight phospholipid-glycosaminoglycan conjugate compositions.
P-71126-EP	Europe	10775366.7	11-May-2010	11-May-2009	Pending	YEDGAR, Saul; COHEN, Yuval; BONDI, Joseph V.	Low molecular weight phospholipid-glycosaminoglycan conjugate compositions.
P-71126-IL	Israel	216203	11-May-2010	11-May-2009	Pending	YEDGAR, Saul; COHEN, Yuval; BONDI, Joseph V.	Low molecular weight phospholipid-glycosaminoglycan conjugate compositions.
P-71126-JP	Japan	Not yet known	11-May-2010	11-May-2009	Pending	YEDGAR, Saul; COHEN, Yuval; BONDI, Joseph V.	Low molecular weight phospholipid-glycosaminoglycan conjugate compositions.
P-73006-AU	Australia	2010247105	11-May-2010	11-May-2009	Pending	YEDGAR, Saul	Methods of treating cancers and disorders associated with matrix metalloproteinases using phosphatidylethanolamine glycosaminoglycan conjugates or phosphatidylserine glycosaminoglycan conjugates.
P-73006-CA	Canada	2,761,605	11-May-2010	11-May-2009	Pending	YEDGAR, Saul	Methods of treating cancers and disorders associated with matrix metalloproteinases using phosphatidylethanolamine glycosaminoglycan conjugates or phosphatidylserine glycosaminoglycan conjugates.

PCZL Ref. No.	Country	Application #	Filing Date	Priority Date	Status	Inventor/s	Claimed
P-73006-CN	China	Not yet known	11-May-2010	11-May-2009	Pending	YEDGAR, Saul	Methods of treating cancers and disorders associated with matrix metalloproteinases using phosphatidylethanolamine glycosaminoglycan conjugates or phosphatidylserine glycosaminoglycan conjugates.
P-73006-EP	Europe	10774611.7	11-May-2010	11-May-2009	Pending	YEDGAR, Saul	Methods of treating cancers and disorders associated with matrix metalloproteinases using phosphatidylethanolamine glycosaminoglycan conjugates or phosphatidylserine glycosaminoglycan conjugates.
P-73006-IL	Israel	216205	11-May-2010	11-May-2009	Pending	YEDGAR, Saul	Methods of treating cancers and disorders associated with matrix metalloproteinases using phosphatidylethanolamine glycosaminoglycan conjugates or phosphatidylserine glycosaminoglycan conjugates.
P-73006-JP	Japan	Not yet known	11-May-2010	11-May-2009	Pending	YEDGAR, Saul	Methods of treating cancers and disorders associated with matrix metalloproteinases using phosphatidylethanolamine glycosaminoglycan conjugates or phosphatidylserine glycosaminoglycan conjugates.

Yissum Research Development Company
of the Hebrew University of Jerusalem HI
Tech Park, Edmond J. Safra Campus
Givat Ram, PO Box 3S13S Jerusalem
91390, Israel

Re: Agreement for the Rendering of Services Between Morria and Yissum

1. Morria Biopharmaceuticals, 53 Davies Street Mayfair London W1K5JH, (hereinafter "the Company") hereby requests that the following laboratory services as set forth in Appendix A attached hereto performed via Yissum. As detailed in the addendum to this document which constitutes an inseparable part of the Agreement (hereinafter "Services").

2. The Services are to be performed in accordance with, the time schedule enclosed with this letter, which shall be understood as an integral part of this document

3. The Services will be performed by or under the control and supervision of Dr. Saul Yedgar (hereinafter "the Researcher"). Yissum and Researcher agree to provide such Services. Researcher shall not and will not co-mingle any funds, data, information, results and/or materials, resulting from a grant from another party, entity or person with the funds, data, information, results and/or materials resulting from the grant of Morria provided in Paragraph 5 below.

4. The scientific report and all reports, information, data, materials, and methods that will be generated as a result of the Services rendered will be presented directly to the Company at the earliest possible date by Dr. Yedgar

5. In consideration for provision of the Services, the Company shall be obligated to pay the total sum of up to USD 90,000, to Yissum, which shall be paid on the following dates; .
   i. USD 40,000. - within one month of signing this contract
   ii. USD 30,000. - by November 1st, 2005
   iii. USD 20,000 - 20,000.′ an February 1st, 2006

   So as to remove all doubt, the Company hereby states that Yissum is not expected to present any financial report and that the expenses incurred in rendering the Services shall be Yissum's responsibility alone.

6. Any compositions, data, intellectual property, inventions, information, improvements, know-how, materials, methods, patents, patent applications, processes, results, and/or technology that are conceived and/or developed, result from, or arise under the Services ("Service Agreement Results") shall be owned by Yissum, Yissum hereby grants the Company a worldwide exclusive, license and right, to the Service Agreement Results, with the right to sublicense, under the same terms and conditions as set forth, in the Exclusive License Agreement between the parties dated the 27lh day of November 2002 (the "Exclusive License Agreement"), and to make, have made, use, have used, sell, have sold, import, license, and distribute any product resulting from the Service Agreement Results covered by a Valid Claim (as defined in the License Agreement).

7. All terms and conditions of the Exclusive License Agreement shall apply to this Agreement, and the exclusive license of the Service Agreement Results in Paragraph 6.

8. So as to remove all doubt, the Company hereby states that Yissum's and/or the Company's relationship with the Researchers shall not be that of employer-employee, but that of requester-independent contractor.

9. In all cases in which a dispute shall arise between the Company and Yissum regarding the Services, a single arbitrator shall be chosen with the agreement of both sides and shall be called upon to decide, and if such an agreement is not achieved, an arbitrator shall be appointed at the request of either party by the President of the Bar Association, Jerusalem branch.

10. The Company shall not make any use of any kind of the name of the Researcher(s) or Yissum or the Hebrew University without the prior written consent of Yissum, which shall not be unreasonably withheld.

11. Signature by an authorized representative of Yissum on this copy of the document shall constitute Yissum's approval and agreement to all that is written herein.

Yissum hereby agrees and approves:

Name: /s/ AVI BARAK /s/REUVEN RON Date: June 20, 2005

Title:
Yissum Research Development Company
of the Hebrew University of Jerusalem

Morria Biopharmaceuticals, Plc.
/s/ YUVAL COHEN
Yuval Cohen June 9th 2005
Managing Director

Researcher's Agreement:
I the undersigned, Prof. Saul Yedgar, of the Hebrew University, have reviewed, am familiar with and agree to all of the above terms and conditions, thereby undertake to fully cooperate with Yissum in order to ensure its ability to fulfill its obligations hereunder, as set forth herein.

/s/ Saul Yedgar
Date signed; June 9, 2005

Yissum Research Development Company
of the Hebrew University of Jerusalem
Edmond Safra Campus,
Givat Ram, POB 39335
Jerusalem 91390
Israel

Re: Extension of Agreement for rendering of Services

We do hereby refer to **the Agreement for the Rendering of Services dated as of June 20, 2005** ("**Service Agreement**") and the License Agreement dated November 27, 2002, (the "**License Agreement**") by and between Yissum Research Development Company 0f the Hebrew University of Jerusalem ('Yissum") and Morria Biopharmaceuticals ("**the Company**").
Unless the context otherwise requires, all capitalized terms used herein shall have the meaning ascribed to them in the Service Agreement.
The Company docs hereby request that that Yissum performs the additional tasks and activities set forth on Appendix B hereto ("Additional Services"). All of such Additional Services shall be included as Services under the Service Agreement, and shall be performed in accordance with the timetable set forth on Appendix B hereto. In consideration, Morria shall pay to Yissum an additional amount, **of $30,000 (plus VAT)** (the "Additional Service Fee") **payable within seven days of the signing of this Letter of Extension**.
All terms and conditions as set out in the Service Agreement shall apply *mutatis mutandis* in respect of the Additional Service Fee and the Additional Services.
Your signature on this copy of the document shall constitute your approval and agreement to all that is written herein.

Yours sincerely,

MORRIA BIOPHARMACEUTICALS PLC.

/s/ YUVAL COHEN

By: Yuval Cohen — Date: June 19, 2006

Title: CEO

We hereby agree and approve:
/s/ ELENA CANETTI

By: Elena Canetti, VP Scientific Services — Date: June 4, 2006
Yissum

/s/ NAVA SWERSKY SOFER
By: Nava Swersky Sofer, CEO
Yissum — Date:

Yissum Research Development Company

of the Hebrew University of Jerusalem

Edmond Safra Campus,

Givat Ram, POB 39135

Jerusalem 91390

Israel

Re: Second Extension of Agreement for rendering of Services

We do hereby refer to the Agreement for the Rendering of Services dated as of June 20, 2005 (the **"Service Agreement")** and the extension thereto dated as of June 2006 **("Extension of Agreement for Rendering of Services")** (jointly with the Services Agreement, the **"Extended Service Agreement")** and the License Agreement dated November 27th, 2002 (the **"License Agreement")** all executed by and between Yissum Research Development Company of the Hebrew University of Jerusalem **("Yissum")** and Morria Biopharmaceuticals, Inc. (the **"Company").**

Unless the context otherwise requires, all capitalized terms used herein shall have the meaning ascribed to them in the Service Agreement.

The Company does hereby request that, further to Yissum tasks and services pursuant to the Extended Service Agreement, Yissum performs the additional tasks and services set forth on Appendix A hereto (the **"Additional Services").** All of such Additional Services shall be included in the scope of the definition of Services under the Service Agreement, and shall be performed in accordance with the timetable set forth on Appendix A hereto. In consideration, the Company shall pay Yissum an additional amount, of $ 40,500 (plus VAT) (the **"Additional Service Fee")** payable within seven days of the signing of this Letter of Extension.

All terms and conditions as set out in the Service Agreement shall apply *mutatis mutandis* in respect of the Additional Service Fee and the Additional Services as defined under this Second Extension of Agreement for Rendering of Services, including without limitation, the extension of the right and license to the Company of the Service Agreement Results, such to include the Additional Services (as defined herein).

Your signature on this copy of the document shall constitute your approval and agreement to all that is written herein.

Yours sincerely,

MORRIA BIOPHARMACEUTICALS PLC.
/s/ YUVAL COHEN

By: Yuval Cohen, Managing Director, Morria

We hereby agree and approve:
/s/ ELENA CANETTI

By: Elena Canetti, VP Scientific Services, Yissum Date: December 19, 2006

/s/ NAVA SWERSKY SOFER

By: Nava Swersky Sofer, CEO, Yissum Date: December 19, 2006

APPENDIX A

Research Program for Morria Biopharmaceuticals Plc

Proposed by Prof. Saul Yedgar of
the Hebrew University Medical School, Jerusalem

Aim: Development of analytical methods for characterization of MFAIDs and their stability.

Scope

1. **Monitoring of HyPE temporal stability** in different solvents, including 0.lmM and 0.2 mM NaN03, PBS, Na Glutarate, NaCitrate, following filter-sterilization, and storing at room temperature and 4°C, using

   A. Visocisty (Ostwald capillary viscometers).

   B. Dynamic light scattering (DSL), which will also be used for analyzing the size distribution of HyPE population into multi-molecular organizations, and its changes during the storage period.

2. **Testing of validation methods for HyPE concentration in solutions:**

   HyPE solutions, at a wide range of concentrations, will be prepared by the conventional method of dissolving weighted amounts in solvents, using three analytical balances. The solutions will be subjected to determination by other physico-chemical methods, in order to prepare corresponding standard curves.
   Method to be examined:
   Viscosity.

   Colorimetric determination of Optical density (spectrophotometry), Dynamic light Scattering.

   Density determination by Sound velocity or pycnometry, Elemental analysis.

3. Testing of MFAID candidates for their potential in treating inflammatory conditions (*inter alia* IBD Alzheimer, ALS, cystic fibrosis, arthritis, cancer, stenosis/restenosis, atherosclerosis, Malaria).

Duration: 6 months with report to Morria upon request and at the end of period.
Budget: $40,500 total (including overhead).

Yissum Research Development Company
of the Hebrew University of Jerusalem
Edmond Safra Campus,
Givat Ram, POB 39135
Jerusalem 91390
Israel

Re: Third Extension of Agreement for rendering of Services

We do hereby refer to the Agreement for the Rendering of Services dated as of June 20, 2005 (the **"Service Agreement")** and the extension thereto dated as of June, 20 2006 **("Extension of Agreement for Rendering of Services")** (jointly with the Services Agreement, the **"Extended Service Agreement")** and the second extension thereto dated as of December 19, 2006 **("Second Extension of Agreement for Rendering of Services")** and the License Agreement dated November 27th, 2002 (the **"License Agreement")** all executed by and between Yissum Research Development Company of the Hebrew University of Jerusalem **("Yissum")** and Morria Biopharmaceuticals, Inc. (the **"Company").**

Unless the context otherwise requires, all capitalized terms used herein shall have the meaning ascribed to them in the Service Agreement.

The Company does hereby request that, further to Yissum tasks and services pursuant to the Extended Service Agreement and the Second Extended Service Agreement, and fully completed and performed by Yissum, Yissum performs the additional tasks and services set forth on Appendix A hereto (the **"Additional Services").** All of such Additional Services shall be included in the scope of the definition of Services under the Service Agreement, and shall be performed in accordance with the timetable set forth on Appendix A hereto. In consideration, the Company shall pay Yissum an additional amount, of $ 90,000 (plus VAT) (the **"Additional Service Fee")** payable in quarterly payments from the signing of this Letter of Extension and according to the following schedule:

i. $ 22,500 plus VAT within fourteen (14) days of signing this Agreement.
ii. $ 22,500 plus VAT on September 15, 2007.
iii. $ 22,500 plus VAT on December 18, 2007 and
iv. $ 22,500 plus VAT on March 15, 2008.

All terms and conditions as set out in the Service Agreement shall apply *mutatis mutandis* in respect of the Additional Service Fee and the Additional Services as defined under this Third Extension of Agreement for Rendering of Services, including without limitation, the extension of the right and license to the Company of the Service Agreement Results, such to include the Additional Services (as defined herein).

Your signature on this copy of the document shall constitute your approval and agreement to all that is written herein.

Yours sincerely,

MORRIA BIOPHARMACEUTICALS PLC.

/s/ YUVAL COHEN

By: Yuval Cohen — Date: June 10, 2007

Title: Managing Director, Morria

/YISSUM STAMP/

We hereby agree and approve:

/s/ ELENA CANETTI

By: Elena Canetti — Date: June 10, 2007
Title: VP Scientific Services Yissum

/s/ NAVA SWERSKY SOFER

By: Nava Swersky Sofer — Date: June 17, 2007
Title: CEO Yissum

APPENDIX A

Research Program for Morria Biopharmaceuticals Plc

Proposed by Prof. Saul Yedgar of the Dept of Biochemistry, Hebrew University Medical School, Jerusalem

Aim

Exploring mechanisms of inflammatory processes and the therapeutic potential of MFAIDs in *in vitro* and *in vivo* models.

Scope

1. Exploration of inflammatory mechanisms and their control in *in vitro* and *in vivo* experimental systems.

2. Testing of MFAID candidates for their potential in treating inflammatory/allergic conditions: IBD, cancer, asthma, skin inflammation, eye inflammation, wound healing, viral infections and CNS.

3. Continuing the chemical characterization and optimization of MFAIDs.

4. Setting up new *in vivo* and *in vitro* models for testing MFAIDs on inflammatory/allergic diseases.

Outcomes

- Data on efficacy of various MFAIDs in the above-mentioned disease fields.
- Optimization of selected MFAID synthesis,

Research Period: 12 months.

Budget: up to **$90,000** total (including overhead) to be paid in quarterly payments.

To:
Yissum Research Development Company
of the Hebrew University of Jerusalem
Edmond Safra Campus,
Givat Ram, POB 39135
Jerusalem 91390
Israel

Re: Fourth Extension of Agreement for rendering of Services

We do hereby refer to the Agreement for the Rendering of Services dated as of June 20, 2005 (the "Service Agreement") and the extension thereto dated as of June, 20 2006 ("Extension of Agreement for Rendering of Services") and the second extension thereto dated as of December 19, 2006 ("Second Extension of Agreement for Rendering of Services ")and the third extension thereto dated as of June 17, 2007 (collectively, the "Extended Service Agreements") and the License Agreement dated November 27th, 2002 (the "License Agreement") all executed by and between Yissum Research Development Company of the Hebrew University of Jerusalem ("Yissum") and Morria Biopharmaceuticals, Inc. (the "Company").

Unless the context otherwise requires, all capitalized terms used herein shall have the meaning ascribed to them **in** the Service Agreement.

The Company does hereby request that, further to Yissum tasks and services pursuant to the Extended Service Agreements, and fully completed and performed by Yissum,Yissum performs the additional tasks and services set forth on Appendix A hereto (the "Additional Services"). All of such Additional Services shall be included in the scope of the definition of Services under the Service Agreement, and shall be performed in accordance with the timetable set forth on Appendix A hereto. In consideration, the Company shall pay Yissum an additional amount including overhead, of $ 60,000 (all inclusive) (the "Additional Service Fee"). The Additional Service Fee is payable as follows: in quarterly payments starting from June 1, 2008 and ending on June 1, 2009 according to the following schedule:

i. $ 10,000 within fourteen (14) days of signing this Agreement.
ii. $ 15,000 on September 1, 2008.
iii. $ 15,000 on December 1, 2008 and
iv. $ 20,000 on March 1, 2009.

All terms and conditions as set out in the Service Agreement shall apply *mutatis mutandis* in respect of the Additional Service Fee and the Additional Services as defined under this Fourth Extension of Agreement for Rendering of Services, including without limitation, the extension of the right and license to the Company of the Service Agreement Results, such to include the Additional Services (as defined herein).

Your Signature on this copy of the document shall constitute your approval and agreement to all that is written herein.

MORRIA BIOPHARMACEUTICALS PLC.
/s/ YUVAL COHEN
By: Yuval Cohen Date: June 2, 2008

Title: President

We hereby agree and approve:
/s/ ELENA CANETTI

By: Elena Canetti Date: June, 2 2008
Title: VP Scientific Services Yissum

/s/ NAVA SWERSKY SOFER
By: Nava Swersky Sofer Date: June, 2 2008
Title: CEO Yissum

APPENDIX A

May 4th, 2008

Research Program for Morria Biopharmaceuticals Plc

Proposed by Prof. Saul Yedgar of the Dept of Biochemistry, Hebrew University Medical School, Jerusalem

Aim

Exploring mechanisms of inflammatory processes and the therapeutic potential of MFAIDs in *in vitro* and *in vivo* models.

Scope

Exploration of inflammatory mechanisms and their control in *in vitro* and *in vivo* experimental systems.

Testing of MFAID candidates for their potential in treating inflammatory /allergic conditions: intestinal inflammation (IBD), osteoarthritis, cancer, asthma, skin inflammation, eye inflammation, viral infections and CNS and the like.

Continuing the chemical characterization and optimization of MFAIDs.

Setting up new *in vivo* and *in vitro* models for testing MFAIDs on inflammatory/allergic diseases.

Outcomes

- Data on efficacy of various MFAIDs in the above-mentioned disease fields.
- Optimization of selected MFAID synthesis,

Research Period: 12 months: June 1st, 2008 - June 30th, 2009.

Budget: $60,000.- (including overhead) to be paid in quarterly payments.

/Morria letter head/

Date: February 22, 2011

To:
Yissum Research Development Company
of the Hebrew University of Jerusalem
Edmond Safra Campus,
Givat Ram, POB 39135
Jerusalem 91390
Israel

Re: Fifth Extension of Agreement for Rendering of Services

We do hereby refer to the Agreement for the Rendering of Services dated as of June 20, 2005 (the **"Service Agreement");** the extension thereto dated as of June, 20 2006 (the **"Extension of Agreement for Rendering of Services");** the second extension thereto dated as of December 19, 2006 (the **"Second Extension of Agreement for Rendering of Services");** the third extension thereto dated as of June 17, 2007; and the fourth extension thereto dated May 6, 2008 (the **"Fourth Extension of Agreement for Rendering of Services")** (collectively, the **"Extended Service Agreements")** (all executed by and between Yissum Research Development Company of the Hebrew University of Jerusalem **("Yissum")** and Morria Biopharmaceuticals, PLC, a UK company (the **"Company"),** and the License Agreement dated November 27th, 2002 (the **"License Agreement"),** executed by and between Yissum Research Development Company of the Hebrew University of Jerusalem **("Yissum")** and Morria Biopharmaceuticals, Inc. **("Morria Inc."),** which License Agreement was sublicensed to the Company, in accordance with our consent and confirmation.

Unless the context otherwise requires, all capitalized terms used in this Fifth Extension of Agreement for rendering of Services **("Fifth Extension")** shall have the meaning ascribed to them in the Service Agreement.

The Company does hereby request that, further to Yissum tasks and services pursuant to the Service Agreement and Extended Service Agreements, to be fully completed and performed by Yissum in the laboratory and under the supervision of Dr. Saul Yedgar, Yissum shall perform under this Fifth Extension the additional tasks and services set forth in Appendix A and B hereto, as may be amended by the Company from time to time, upon written notice by the Company at its sole and exclusive discretion (the **"Additional Services").** All of such Additional Services shall be included in the scope of the definition of Services under the Service Agreement, and shall be performed in accordance with Appendix A and B hereto.

In consideration for performance of the Additional Services, the Company shall pay Yissum an amount of $70,000 (plus overhead) per year, depending on the work requested by the Company to be done at the sole and exclusive option of the Company during each of the following five years (the **"Additional Service Fee"),** together with VAT at the applicable rate and against a duly issued receipt.

The Additional Service Fee shall be payable in semi annual payments, with the first payment made upon the initiation in writing by the Company of the Additional Services.

Notwithstanding, the Extended Service Agreements and the Additional Services shall heretofore remain valid and in force, unless terminated by either Party, by a thirty (30) days prior written notice at such Party's election. Upon termination, the Company shall have no further obligations under the Extended Services Agreements, except for payment of any outstanding portion of the Service Fee and/or the Additional Service Fee, with respect to Services or Additional Services rendered through the effective date of the termination, together with any irrevocable commitments that are set forth in the Additional Services at the time of the termination notice was delivered. Notwithstanding anything to the contrary herein, all obligations relating to confidentiality, non-use, intellectual property, and indemnification shall survive termination of the Extended Services Agreements and the Additional Services.

The Company and Yissum recognize that the Company intends to list its shares on the Tel Aviv Stock Exchange, and therefore be subject to the Israeli Securities Law, 5728-1968 and other laws and regulations thereunder; the Company's engagement pursuant to this extension letter may be subject to various approvals by the Company's organs as prescribed by law. A failure to obtain such an approval will cause this extension letter to be void. In such an event, neither the Company nor Yissum shall have any claim towards each other. Notwithstanding, Yissum hereby gives its consent to any disclosure made by the Company with respect to the Extended Services Agreements and/or the License Agreement as required by applicable Securities Laws and Regulations, for the Company to comply with its obligation as a public and/or reporting company.

Except as otherwise stated herein, all terms, conditions, and rights as set out in the Service Agreement shall apply *mutatis mutandis* in respect of the Additional Services and the Additional Service Fee as defined under this Fifth Extension, including without limitation, the extension of the right and license to the Company of the Service Agreement Results, such to include the Additional Services (as defined herein).

Authorized Signatories: Signature by at least two authorized representatives of Yissum on this Agreement shall constitute Yissum's approval and agreement to all that is written herein. The Company warrants that the person or persons signing this agreement is/are authorized to bind the Company.

Morria Biopharmaceuticals Ltd.

53 Davies street
Mayfair Edmond
London W1K5JH

By: /s/ YUVAL COHEN

Name: Yuval Cohen

Title: President

Date: 28 FEB , 2011

Yissum Research Development Company of the

Hebrew University Jerusalem Ltd.
Hi-Tech Park, Edmond J. Safra Campus,
Givat Ram, P.O.B 39135 Jerusalem 91390, Israel

By: /s/ SHOSHI KEYNAN

Name: Shoshi Keynan

Title: VP Licensing Pharmaceuticals

Date

/s/ YAACOV MICHLIN
President and CEO

Appendix A

Research Program for Morria Biopharmaceuticals Plc

Proposed by Prof. Saul Yedgar.

Dept of Biochemistry, Hebrew University Medical School, Jerusalem

Aim: Exploring mechanisms of inflammatory processes and the therapeutic potential of MFAIDs, composed of Glycosaminoglycans (GAG)-Lipid conjugates in *in vitro* and *in vivo* models.

Scope

1. Exploration of inflammatory mechanisms and their control in *in vitro* and *in vivo* experimental systems.
2. Testing of MFAID candidates for their potential in treating inflammatory/allergic conditions, *inter alia* IBD, neurodegenerative disease, cystic fibrosis arthritis, cancer, re-stenosis, atherosclerosis, asthma, skin inflammations, eye inflammations, viral infections, and others.
3. Testing the use of MFAID for the formation of stealth mixed lipid nano-liposomes (NL), for slow release and targeted delivery for drugs, in the treatment of cancer and inflamed/ infected/damaged organs and tissues.
4. Continuing the chemical optimization of MFAIDs, and developing derivatives thereof.
5. Setting up new *in vivo* and *in vitro* models for testing MFAIDs on the conditions above and related conditions.

Outcomes

Data on efficacy of various MFAIDs in the above applications.

Optimization of selected MFAID synthesis, and production of improved derivatives and variants

Appendix B

Research Program for Morria Biopharmaceuticals Plc Proposed by Prof.

Saul Yedgar.

Dept of Biochemistry, Hebrew University Medical School, Jerusalem

Aim: Exploring and testing the use of non-GAG polymer-conjugated lipids (PCL), for the formation of stealth mixed lipid nano-liposomes (NL), for slow release and targeted delivery of drugs, in the treatment of cancer and inflamed/ infected/damaged organs and tissues

Scope

Developing and testing PCL candidates for formation of stealth mixed lipid nano- liposomes (NL), for slow release and targeted delivery for drugs, in the treatment of cancer and inflamed/ infected/damaged organs and tissues.

Outcomes

Data on efficacy of various PCL in the above applications.

Optimization of selected PCL synthesis, and production of improved candidates riants

2007

EXECUTIVE SERVICE AGREEMENT

MORRIA BIOPHARMACEUTICALS PLC

and

Yuval Cohen

Contents

DATE:

PARTIES:

(1) **MORRIA BIOPHARMACEUTICALS PLC** (company number 5252842) whose registered office is at 53 Davies street, Mayfair, London W1K5JH ("**Company" or "Morria"**); and (2) Yuval Cohen _____ (**Executive**).

1. Definitions and interpretation

The definitions and interpretative provisions in Schedule 1 apply to this agreement.

2. Appointment

2.1 The Company will employ the Executive as President of Morria Biopharmaceuticals Plc and subject to the terms and conditions specified in this agreement.

3. Duration of the Employment

3.1 The Employment will commence on June 1, 2007 and, subject to clause 16 , continue until terminated by either party giving to the other not less than three months' notice in writing.

3.2 The Employment will automatically terminate at latest at the end of the month in which the Executive reaches the age of 65 unless it is extended by agreement between the parties. If the parties agree to so extend the Employment this will not affect the normal retiring age for employees of the Company which remains as 65.

3.3 For the purpose of ERA 1996 the Executive's period of continuous employment will begin on June 1, 2007. The Employment is not continuous with any previous employment.

3.4 The Executive represents and warrants that he is not bound by or subject to any court order agreement arrangement or undertaking which in any way restricts or prohibits him from entering into this agreement or from performing his duties under this agreement.

4. Scope of the Employment

4.1 The Executive shall have the power and authority to take (or authorize other officers, employees or agents of the Company to take) all actions on behalf of the Company that are within the ordinary course of business of the Company as directed by the Chief Executive Officer, Board of Directors, or Chairman of the Board of Directors of the Company, unless the Chairman of the Board of the Company, or Board of Directors shall have previously restricted (specifically or generally) such power and authority of the President of the Company.

4.1.1 The President shall be responsible for providing the scientific and technical leadership necessary to help define, to prioritize, and to manage the company's discovery and pre-clinical programs to set the stage for defining the company's future. The highest priority will be to help successfully translate research into new products. The President shall actively lead and participate in strategic planning of the Company; actively assist in seeking product and/or technology alliances with appropriate pharmaceutical or manufacture company partners to enhance/expedite the development and commercialization of the company's assets; represent the company internally and externally in the scientific, and business communities; and assist in establishing and maintaining collaborations with academia and industry partners.

4.1.2 devote to his duties the time, attention and skill as may reasonably be required for the satisfactory performance of the Project.

4.1.3 faithfully and diligently perform such duties and exercise such powers consistent with his position as may from time to time be assigned to or vested in him by the Chief Executive Office, Chairman of Board of Morria; and Board of Directors of Morria;

4.1.4 obey the reasonable and lawful directions of the Chief Executive Office, Chairman of Board of Morria; and Board of Directors of Morria or anyone duly authorised by it;

4.1.5 comply with all the Company's rules regulations policies and procedures from time to time in force;

4.1.6 use best endeavours to promote and protect the interests of Morria and future growth; and

4.1.7 keep the Chief Executive Office , and Chairman of Board of Morria at all times promptly and fully informed, in writing if so requested, of his conduct of the business of Morria as the Chief Executive Office or Chairman may require.

4.2 The Executive must not, without the prior consent of the Board:

4.2.1 on behalf of the Company, incur any capital expenditure in excess of any sum authorised from time to time by the Board;

4.2.2 on behalf of the Company, enter into any commitment contract or arrangement with authorization from the Chief Executive Office, Chairman of Board of Morria, or the Board of Directors of Morria and which is outside the normal course of its business or of an unusual onerous or long term nature or outside the scope of his normal duties; or

4.2.3 employ any person on terms that:

4.2.3.1 they will receive remuneration at an annual rate in excess of £30,000 (thirty thousand pounds); or

4.2.3.2 the termination of any such employment will require more than three months' notice.

5. Hours and place of work

5.1 The Executive will work such hours as are necessary for the proper performance of his duties as defined by the Project.

5.2 The Company may require the Executive to work from another location as it may reasonably request of the Executive.

5.3 Subject to clause 5.3 or as agreed otherwise if the Executive's principal place of work is changed to a location which is outside reasonable commuting distance from his base in the UK the Company will consult with the Executive on the effects upon him of any such change and will endeavour to take into account any concerns raised by the Executive.

5.4 The Executive may be required to work and undertake travel inside and outside the United Kingdom as the Company may reasonably require and as may be necessary for the proper performance of the Executive's duties.

6. Remuneration and benefits

6.1 The Company will pay to the Executive a gross Salary of _____ **[add in dollars amounts]** ($_____) per annum for the first 12 months of his employment and thereafter clause 6.2 shall apply. The Executive's Salary will accrue from day to day and be payable by equal monthly instalments in arrears on the last day of each calendar month by credit transfer to a bank or building society account nominated by the Executive. The Salary will be subject to deductions for income tax and National Insurance contributions or such other tax as required by law.

6.2 The Board may review the Executive's Salary annually. The Company is not obliged to increase the Salary following any review.

6.3 The Executive's Salary is inclusive of any fees receivable by the Executive as a director of the Company.

6.4 The Executive will be entitled to participate in any schemes or arrangement established by the Company subject to the Executive meeting the eligibility requirements of such Schemes and the provision of any benefits will be subject to the rules of the schemes.

6.5 The Executive will receive certain options under the Employment Stock Option Plan.

6.6 The Executive will fully indemnify the Company against all fines, penalties and costs imposed on the Company as the result of the Executive using a hand-held mobile telephone unlawfully whilst driving a vehicle in the course of duties. The Company may recoup from the Executive the amounts of any such fines, penalties and costs by deducting such amounts from any salary or other payments due to the Executive.

6.7 Any benefits provided by the Company to the Executive or the Executive's family which are not expressly referred to in this agreement will be regarded as ex gratia and at the sole discretion of the Company and will not form part of the Employment.

7. Deductions

For the purposes of ERA 1996, the Executive authorises the Company to deduct from his remuneration under this agreement any sums due from him to the Company including, but not limited to, any overpayments of Salary, loans or advances made to him by the Company, any fines incurred by the Executive and paid by the Company, any unauthorised expenses, the cost of repairing any damage or loss to the Company's property caused by him and any losses suffered by the Company as a result of any negligence or breach of duty by the Executive.

8. Expenses

8.1 The Company will reimburse the Executive on a monthly basis for all expenses reasonably incurred by him in the proper performance of his duties, subject to the Executive providing such receipts or other evidence as the Company may require.

8.2 If the Executive is issued with a Company credit card it is issued on condition that he:

8.2.1 takes good care of it and immediately reports any loss of it to the Board;

8.2.2 uses the card only for the purposes of the business of the Company in accordance with any Company policy; and

8.2.3 returns the card immediately to the Company on request.

11. Pension

No provision for retirement or death in service benefits will be made by the Company for the Executive but if the Company provides access to a stakeholder pension scheme pursuant to the Welfare Reform and Pensions Act 1999 full details will be provided on request. There is no contracting-out certificate in force under the Pension Schemes Act 1993 in respect of the Employment.

12. Restrictions on other activities by the Executive

12.1 During the Employment the Executive must not directly be involved in any activity which the Company considers may be, or become, competitive and/or harmful to the interest of the Company or of any Group Company or which might adversely affect the performance of the Executive's duties under the Employment.

12.2 The Executive must not, except with the prior sanction of a resolution of the Board, be directly or indirectly employed engaged or interested in any other business or undertaking. This restriction does not prohibit the holding by the Executive, either directly or through nominees, of investments dealt on any Recognised Investment Exchange if not more than three per cent. of the issued shares or other securities of any class of any one company are so held.

12.3 The Executive must comply with:

12.3.1 every rule of law and the rules and regulations of any Recognised Investment Exchange applicable to the Company; and

12.3.2 every regulation of the Company for the time being in force in relation to dealings in shares or other securities of the Company or any Group Company.

12.4 The Executive must not, and will procure so far as he is able that his spouse infant children and other connected persons, within the meaning of section 346 Companies Act 1985, will not, deal or become or cease to be interested, within the meaning set out in part 1 schedule XIII Companies Act 1985, in any securities of the Company, except in accordance with the then current code for securities transactions by directors of the Company.

12.5 Subject to any regulations issued by the Company, the Executive may not receive or obtain directly or indirectly any discount rebate or commission (**Benefit**) in respect of any sale or purchase of goods effected or other business transacted, whether or not by him by or on behalf of the Company or any Group Company. If the Executive, or any firm or company in which he is interested, obtains a Benefit he must account to the Company or the relevant Group Company for it or a due proportion of the Benefit received by such company or firm having regard to the extent of the Executive's interest in it.

13. Confidential Information and Company documents

13.1 The Executive must not either during the Employment, except in the proper performance of his duties, and subject to the Company's disclosure of information policy or at any time after the termination of the Employment:

13.1.1 Divulge, disclose, or communicate to any person any Confidential Information;

13.1.2 use or assist a third party to use any Confidential Information for his own purposes or for any purposes other than those of the Company or any Group Company; or

13.1.3 permit or cause any unauthorised disclosure of any Confidential Information through any failure on his part to exercise due care and diligence.

13.2 The restrictions in clause 13.1 do not apply to:

13.2.1 any disclosure required for the proper performance of the Executive's duties during the Employment or as authorised by the Board;

13.2.2 any disclosure made to any person authorised by the Company to possess the relevant information;

13.2.3 any information which becomes available to the public generally otherwise than through the default of the Executive.

13.3 All information, data, materials, compositions, notes, memoranda records lists of customers and suppliers and employees correspondence documents computer and other discs and tapes data listings codes designs and drawings and other documents and material whatsoever in the Executive's possession or control and whether or not made or created by the Executive, relating to the business of the Company or any Group Company and any copies of them:

13.3.1 are and remain the property of the Company or the relevant Group Company;

13.3.2 will be handed over by the Executive to the Company or to the relevant Group Company on demand and, in any event, immediately on the termination of the Employment and the Executive will certify that all such property has been so handed over; and

13.3.3 will on demand and, in any event, immediately on the termination of the Employment be permanently deleted from any PC system in his possession or under his control.

14. Data protection

The Executive confirms that the Company may collect hold process and transfer, both electronically and manually, Employment Related Personal Data for the purposes of administering the Employment, the Company's administration, management of its staff and its business and to comply with applicable procedures laws and regulations for the transfer storage and processing by the Company of such the Employment Related Personal Data outside the European Economic Area, in particular to and in the United States of America and any other country in which the Company has offices. Additionally, the Executive explicitly consents to the Company collecting holding processing and transferring, both electronically and manually, Employment Related Sensitive Personal Data for the purposes of compiling and disclosing statistics in connection with the Company's equal opportunities programme.

15. Inventions and other intellectual property

15.1 The parties foresee that the Executive may make inventions or create other intellectual property in the course of the Employment. In this respect the Executive has a special responsibility to further the interests of the Company and the Group.

15.2 In relation to each and every conception, improvement, invention or discovery which relates directly or indirectly to the business of the Company or any Group Company (**Company Invention**) which the Executive, jointly or alone, makes at any time during the Employment, he will:

15.2.1 promptly disclose full details, including information, know how, technology, data, materials, any documents, drawings models, or other embodiments of the Company Invention; and

15.2.2 assign and will assign all Inventions to the Company, and all information, data, technology, conceptions, know how, to the Company. At Company's request and expense, do all things necessary or desirable to enable the Company or its nominee to exploit the Company Invention for commercial purposes and to secure patent or other appropriate forms of protection for it anywhere in the world. Decisions as to the patenting and exploitation of any Company Invention are at the sole discretion of the Company.

15.2.3 To the extent that he owns or will own the rights in relation to any Company Invention, assigns to the Company by way of future assignments all such rights.

15.3 In relation to each and every copyright work including, but not limited to any source code and object code for software, domain name, database or design which relates either directly or indirectly to the business of the Company or any Group Company (**Copyright Work**) which the Executive, jointly or alone, originates, conceives, writes or makes at any time during the period of his Employment the Executive:

15.3.1 will promptly disclose such Copyright Work, including any documents, drawings, models or other embodiments of the Copyright Work, to the Company. Any Copyright Work made wholly outside the Executive's normal working hours which is wholly unconnected with the Employment or, directly or indirectly, the business of the Company or any Group Company is excluded from the ambit of clause 15.3;

15.3.2 to the extent that he owns or will own the rights in any Copyright Work, assigns to the Company by way of future assignment all copyright, database rights, design rights and other proprietary rights, if any, throughout the world in the Copyright Work including the right to register, at the Company's absolute discretion, any such rights in the Copyright Work; and

15.3.3 irrevocably and unconditionally waives in favour of the Company any and all moral rights conferred on him by chapter IV of part I of the Copyright Designs and Patents Act 1988 in relation to any such Copyright Work.

15.4 The Executive, at the request and expense of the Company, will do all things necessary or desirable to substantiate the rights of the Company to each and every Company Invention or Copyright Work and permit the Company, which the Executive irrevocably appoints as his attorney for this purpose, to execute documents, to use his name and to do all things which may be necessary or desirable for the Company to obtain for itself or its nominee the full benefit of each and every Company Invention or Copyright Work. A certificate in writing signed by any director or the secretary of the Company that any instrument or act falls within the authority conferred by clause 15.4 will be conclusive evidence to that effect so far as any third party is concerned.

15.5 Nothing in clause 15 will be construed as restricting the rights of the Executive or the Company under sections 39 to 43 Patents Act 1977.

16. Termination

16.1 The Employment may be terminated for any reason by the Company, Chief Executive Office, or Chairman of Board of Morria by not less than two months' notice in writing given at any time.

16.2 The Employment may be terminated immediately by the Company if the Executive:

16.2.1 commits any serious breach or repeats or continues, after warning, any material breach of his obligations;

16.2.2 is guilty of conduct tending to bring himself or the Company or any Group Company into disrepute;

16.2.3 becomes bankrupt or has an interim order made against him under the Insolvency Act 1986 or compounded with his creditors generally;

16.2.4 is disqualified from being a director by reason of any order made under the Company Directors Disqualification Act 1986 or any other enactment;

16.2.5 is indicted or convicted of an offence under any statutory enactment or regulation relating to insider dealing or is in breach of the code on directors' dealings in listed securities adopted from time to time by the Company or any Group Company;

16.2.6 commits any breach of clauses 12 , 13 or 15;

16.2.7 is indicted or convicted of any criminal offence, other than a minor motoring offence that does not prevent the Executive performing his duties;

16.2.8 fails to perform or is, in the reasonable opinion of the Board, incapable of properly performing his duties under this agreement, if the Executive has been given due warning by the Company of his poor performance or incapability and has failed within the specified period to meet the required standard; or

16.2.9 without reasonable cause wilfully neglects or refuses to discharge his duties or to attend to the business of the Company and or any Group Company.

16.3 If the Company becomes entitled to terminate the Employment pursuant to clause 16.2 , it may, but without prejudice to its right subsequently to terminate the Employment on the same or any other ground, suspend the Executive either on full pay or without payment of salary for so long as it thinks fit.

16.4 The Company reserves the right, at its absolute discretion, to terminate the Employment immediately or with less notice than required by clause 3.1 and to give the Executive pay in lieu of any such notice of termination and he will forfeit any entitlement to any bonus payments due for payment following the termination of his employment.

16.5 During any period of notice of termination not exceeding three months, whether given by the Company, the Company is under no obligation to assign any duties to the Executive. The Company may exclude the Executive from any of its premises and require him not to contact any customers, suppliers or employees and/or to resign from any office held in the Company or Group Company**.**

16.6 If the Employment is terminated by either party, whether wrongfully or not, the Salary payable during any notice period, or payment made in lieu of notice, will not include any Salary increases that the Executive may have been awarded under clause 6.1 or otherwise.

16.7 During any period of notice of termination not exceeding three months, whether given by the Company or the Executive, the Company may assign to the Executive such other duties as the Company determines in its absolute discretion.

16.8 On the termination of the Employment, however arising, or on either party serving notice of termination the Executive will:

16.8.1 at the request of the Company, resign from office and all offices held by him in the Company. Such resignation will be without prejudice to any claims which the Executive may have against the Company arising out of the termination of the Employment; and

16.8.2 immediately deliver to the Company any document, computers, materials, motor car and all car keys, credit cards and other property of or relating to the business of the Company which may be in his possession or under his control.

16.9 If the Executive fails to comply with his obligations under clause 16.8 the Company is irrevocably authorised to appoint some person in his name and on his behalf to sign any documents and do any things necessary to give effect to those provisions.

16.10 If the Executive is offered but unreasonably refuses to agree to the transfer of this agreement by way of novation to a company which has acquired or agreed to acquire the whole or substantially the whole of the undertaking and assets or the equity share capital of the Company, the Executive will have no claim against the Company in respect of the termination of the Employment by reason of:

16.10.1 the subsequent voluntary winding-up of the Company; or

16.10.2 the disclaimer of this agreement by the Company within one month after such acquisition.

16.11 If within 15 months from the date the Employment commences (i) the Executive's employment terminates for a reason set out herein in clause 16.2; or (ii) the Executive serves notice that he wishes to resign, the Executive agrees that fifty percent (50%) of his then outstanding options (whether vested or not), which were granted to him under and pursuant to the Employment Stock Option Plan of the Company (the "ESOP") shall expire immediately and all interests and rights of the Executive in and to the same shall terminate. For avoidance of any doubt, it is hereby agreed that, in the event of a conflict between the terms and conditions of the Option Agreement and the provisions of this clause, the latter shall govern and prevail.

16.12 Any delay by the Company in exercising its rights of termination under clause 16 will not constitute a waiver of them.

17. Post termination covenants

17.1 The Executive undertakes with the Company that he will not during the Restricted Period without the prior written consent of the Company, such consent not to be unreasonably withheld, whether by himself, through his employees or agents or otherwise and whether on his own behalf or on behalf of any other person, directly or indirectly:

17.1.1 in competition with the Company, within the Restricted Area, be employed, engaged or otherwise interested in the business of researching into developing manufacturing distributing selling supplying or otherwise dealing with Restricted Goods or Restricted Services. This prohibition does not apply to the holding, directly or through nominees, of investments dealt on any Recognised Investment Exchange if the holding does not exceed three per cent. of the issued shares or other securities of any class of any one company;

17.1.2 in competition with the Company**,** solicit business from or canvass any Customer or Prospective Customer if such solicitation or canvassing is in respect of Restricted Goods or Restricted Services;

17.1.3 in competition with the Company, accept orders for Restricted Goods or Restricted Services from any Customer or Prospective Customer;

17.1.4 discourage any Supplier or Prospective Supplier from conducting or continuing to conduct business with the Company on the best terms available to the Company;

17.1.5 solicit or induce or endeavour to solicit or induce any person who on the date of termination of the Employment was a director or manager of the Company with whom the Executive had dealings during the Employment to cease working for or providing services to the Company, whether or not any such person would as a consequence commit a breach of contract; or

17.1.6 employ or otherwise engage in the business of researching into developing manufacturing distributing selling supplying or otherwise dealing with Restricted Goods or Restricted Services any person who was during the 12 months preceding the date of termination of the Employment employed or otherwise engaged by the Company and who by reason of such employment or engagement is in possession of any Confidential Information or who has acquired influence over Customers and Prospective Customers. References to the Executive in the definitions of Customer and Prospective Customer are to be replaced by references to the relevant employee for the purposes of the interpretation of clause 17.1.6.

17.2 The Executive must not induce procure or assist any other person firm corporation or organisation to do anything which if done by the Executive would be a breach of any of the provisions of clause 17.1.

17.3 In clause 17.1 references to acting directly or indirectly include, without prejudice to the generality of that expression, references to acting alone jointly with on behalf of by means of or by the agency of any other persons.

17.4 The obligations undertaken by the Executive pursuant to clause 17, constitute a separate and distinct covenant with respect to the Company and the invalidity or unenforceability of any such covenant will not affect the validity or enforceability of the covenants in favour of the Company.

17.5 The Executive undertakes with the Company that he will not at any time after the termination of the Employment in the course of carrying on any trade or business, claim represent or otherwise indicate any present association with the Company or for the purpose of carrying on or retaining any business or custom, claim represent or otherwise indicate any past association with the Company to its detriment.

17.6 While the restrictions in clause 17, on which the Executive has had the opportunity to take independent advice, are considered by the parties to be reasonable in all the circumstances, if any such restrictions, by themselves, or taken together, are adjudged to go beyond what is reasonable in all the circumstances for the protection of the legitimate interests of the Company but would be adjudged reasonable if part or parts of the wording were deleted, the relevant restriction or restrictions will apply with such deletions as may be necessary to make it or them valid and effective.

18. Grievance procedure

If the Executive wishes to obtain redress of any grievance relating to the Employment or is dissatisfied with any reprimand, suspension or other disciplinary step taken by the Company, he must apply in writing in the first instance to the chairman of the Board, setting out the nature and details of any such grievance or dissatisfaction. The grievance procedure does not form part of your contract of employment.

19. Disciplinary procedures

The Executive's employment is subject to the same standards of conduct as other employees but the Company's disciplinary procedure will be varied to the extent that it will reflect the seniority of the Executive's position. The disciplinary procedure is available from the Company Secretary and does not form part of the contract of employment.

20. Notices

20.1 Any notice or other document to be given under this agreement must be in writing and either delivered personally to the Executive or to the secretary of the Company, or sent by first class post or other fast postal service or by facsimile transmission to the Company at its registered office for the time being or to the Executive at his last known place of residence.

20.2 Any such notice will unless the contrary is proved, be deemed served when in the ordinary course of the means of transmission it would first be received by the addressee in normal business hours. In proving such service it will be sufficient to prove that the notice was addressed properly and posted or that the facsimile transmission was despatched.

21. Former service agreements

21.1 This agreement is in substitution for any previous agreements or arrangements, whether written oral or implied, relating to the employment of the Executive, which are deemed to have been terminated by mutual consent.

22. Choice of law, submission to jurisdiction and address for service

22.1 This agreement will be governed by and interpreted in accordance with English law.

22.2 The parties submit to the jurisdiction of the English courts but this agreement may be enforced by the Company in any court of competent jurisdiction.

23. General

23.1 This agreement constitutes the written statement of the terms of the Employment provided in compliance with part 1 of ERA 1996.

23.2 There are no collective agreements in place in respect of the Employment.

23.3 Except where expressly stated nothing in this agreement will create any enforceable rights for any third party.

23.4 The Executive has taken his own independent legal advice on this agreement.

Schedule 1
Definitions and interpretations
(Clause 1)

1. The provisions of Schedule 1 apply to the interpretation of this agreement including the schedules.

2. The following words and expressions have the following meanings:

Benefit	as defined in clause 12.5
Board	the board of directors for the time being of the Company and including any committee of the board of directors duly appointed by it.
Company Goods	any products, data, compositions, materials, information, results, equipment or machinery developed, manufactured, distributed or sold by the Company with which the duties of the Executive were concerned or for which he was responsible.
Company Invention	as defined in clause 15.2
Company Services	any services including but not limited to technical and product support technical advice and customer services supplied by the Company with which the duties of the Executive were concerned or for which he was responsible during the two years immediately preceding the date of termination of the Employment.
Confidential Information	any information, data, results, relating to the business, prospective business, technical processes, computer software, intellectual property rights or finances of the Company including, but not limited to, data, information comprising or containing details of suppliers and their terms of business, details of customers and their requirements, prices charged to and terms of business applicable to customers, marketing plans and sales forecasts, financial information results and forecasts, unless included in published audited accounts, any proposals relating to the acquisition or disposal of a company or business or any part of it or to any proposed expansion or contraction of activities, details of employees and officers and of the remuneration and other benefits paid to them, research activities, inventions, secret processes, designs, formulae and product lines, which comes into the Executive's possession by virtue of the Employment, and which the Company regards, or could reasonably be expected to regard, as confidential whether or not such information is reduced to a tangible form or marked in writing as "confidential", and any and all information which has been or may be derived or obtained from any such information.

Copyright Work	as defined in clause 15.3
Customer	any person to which the Company maintained a business relationship with, or distributed sold or supplied Company Goods or Company Services during the two years immediately preceding the date of termination of the Employment and with which, during such period: 1. the Executive had personal dealings in the course of the Employment; or 2. any employee of the Company who was under the direct or indirect supervision of the Executive had personal dealings in the course of that employee's employment,
Employment	the Executive's employment under this agreement.
Employment Related Personal Data	information which is personal to the Executive, including but not limited to demographic information (name and address etc.) information enabling the Company to make payments (salary bank account number deductions allowances etc.) information enabling access to benefits (details of family members required for insurance and pension purposes), information specifically regarding the Employment, (supervisor information, details of job title, the Company's personal development plans, performance rating and training plans etc.), and information enabling the Company to fulfil legal requirements (tax and National Insurance information etc.).

Employment Related Sensitive Personal Data	information relating to the Executive regarding racial and ethnic origin political opinions religious or other beliefs trade union membership health sexual orientation and criminal convictions**.**
ERA 1996	the Employment Rights Act 1996.
Prospective Customer	any person with which the Company had negotiations or discussions regarding the possible business relationship, or distribution, sale or supply of Company Goods or Company Services during the 12 months immediately preceding the date of termination of the Employment and with which during such period: 1. the Executive had personal dealings in the course of the Employment; or 2. any employee of the Company who was under the direct or indirect supervision of the Executive had personal dealings in the course of that employee's employment.
Prospective Supplier	any person with which the Company had negotiations or discussions regarding the possible business relationship with distribution, sale or supply of goods or services to the Company during the 12 months immediately preceding the Termination Date and with which during such period:

1. the Executive had personal dealings in the course of the Employment; or

2. any employee of the Company who was under the direct or indirect supervision of the Executive had personal dealings in the course of that employee's employment.

Recognised Investment Exchange an investment exchange in relation to which there is in force a recognition order made by the Financial Services Authority under the Financial Services and Markets Act 2001.

Regulations the Working Time Regulations 1998.

Restricted Area England, Scotland, Wales, Israel and the United States of America.

Restricted Goods Company Goods or goods of a similar kind.

Restricted Period the period of:

1. 6 months immediately following the date of termination of the Employment; or

2. 6 months immediately following the last date on which the Executive carried out duties assigned to him by the Company (if no duties have been assigned to the Executive during a period immediately preceding the date of termination of the Employment in accordance with clause 16.5

Restricted Services Company Services or services of a similar kind.

Salary the Executive's salary referred to in clause 6.1

Supplier any person which has supplied materials, goods or services to the Company during the two years immediately preceding the date of termination of the Employment and with which, during such period:

1. the Executive had personal dealings in the course of the Employment; or

2. any employee of the Company who was under the direct or indirect supervision of the Executive had personal dealings in the course of that employee's employment.

3. References to clauses and schedules are unless otherwise stated to clauses of and schedules to this agreement.

4. The headings to the clauses are for convenience only and will not affect the construction or interpretation of this agreement.

5. References to persons include bodies corporate unincorporated associations and partnerships.

6. References to writing include e-mail word processing typewriting printing lithography photography facsimile messages and other modes of reproducing words in a legible and non transitory form.

7. Words and expressions defined in or for the purpose of the Companies Act 1985 have the same meaning unless the context otherwise requires.

Signed as a deed but not delivered until the date
inserted on the front page of this document
by Morria Biopharmaceuticals Plc acting by
two directors or one director and
the secretary:

/s/ Mark Cohen
Director

Director/Secretary

Signed as a deed
but not delivered until the date
inserted on the front of this document by
Yuval Cohen
in the presence of:

Witness' signature:

Witness' name:

Address:

Occupation:

MORRIA BIOPHARMACEUTICALS PLC

May 10, 2012

Dr. Yuval Cohen
150 North 5th street
Apt 2C
Brooklyn NY
11211

Re: Executive Service Agreement

Dear Dr. Cohen:

Reference is hereby made to the Executive Service Agreement dated 2007, as amended by an amendment letter dated as of March 8, 2007 (as so amended, the "**Executive Agreement**"), between Morria Biopharmaceuticals Plc. (the "**Company**" or "**Morria Plc.**") and you. The Company has employed you in the position of President of the Company under the Executive Agreement.

The purpose of this letter is to amend the Executive Agreement as follows:

1. After clause 2.1 to the Executive Agreement, clause 2.2 shall be inserted stating that: "In addition to his other duties hereunder, the Executive shall serve as President of Morria Biopharmaceuticals Inc., a registered Delaware corporation ("**Morria Inc.**").

2. The first sentence of clause 6.1 shall be replaced by the coming sentence: "According to resolution no. 13 at the Shareholders' General Meeting, dated March 29, 2011, the Company will pay the Executive a gross Salary of one hundred and three thousand, seven hundred and thirty GBP (£GBP103,730) per annum, for both his positions, as President of Morria Plc. and President of Morria Inc. for the first 12 months of his employment, and thereafter clause 6.2 shall apply".

If you agree to these changes, please indicate your acceptance by signing and returning the attached copy of this letter to me. The changes will be deemed effective as of May 10, 2012.
If you have any questions, please do not hesitate to contact me.

Yours sincerely,

MORRIA BIOPHARMACEUTICALS PLC.

/s/ Mark Cohen
By: Mark Cohen
Executive Director

I agree that my contract shall be varied by the revised terms set out in this letter effective as of May 10, 2012.

/s/ Yuval Cohen
Name: Yuval Cohen
Date: May 10, 2012

[MORRIA BIOPHARAAACEUTICALS PLC]

Saul Yedgar

14 March 2007

Dear Mr. Yedgar

Your letter of appointment

The purpose of this letter is to amend clauses 4.1 and 6 of your letter of appointment with the company.

I set out below the proposed changes to your letter of appointment:

Clause 4.1 will be amended by adding the following after the first sentence thereof:

> "From and after the date hereof, you are entitled to be paid director's fees at the rate of £500 (five hundred pounds) per board/committee meeting payable in arrears after receipt of a VAT invoice."

The following is to be added as Clause 6.7:

> **"Non-compete**
>
> From and after the date hereof, you agree that for the period of six months following the termination of your appointment as a non-executive director of the Company you will not, without the consent of the Board, take up any role or be involved in or provide technical, commercial or professional advice to any business or organization either on your own behalf or jointly with or for any other person, firm or company which is competitive or likely to be competitive with the business of the Company being carried on at the termination of your appointment and with which you were actively involved during the six months prior to the termination of your appointment.
>
> For the purposes of clause 6.7, you are concerned in a business if:
>
> - you carry it on as principal or agent; or
> - you are a partner, director, employee, secondee, consultant or agent in, of or to any company, firm, organization or other entity which carries on the business; or

you have any direct or indirect financial interest (as shareholder or otherwise) in any company, firm, organization or other entity which carries on the business."

If you agree to these changes, please indicate your acceptance by signing and returning the attached copy of this letter to me by **March 14, 2007.** The changes will be deemed to take effect from the commencement of your employment.

If you have any questions, please do not hesitate to contact me.

Yours Sincerely
/s/ Mark Cohen

For and on behalf of Morria Biopharmaceuticals plc

I agree that my Contract shall be varied by the revised terms set out in this letter with effect from the commencement of my employment.

/s/ Saul Yedagr
14 March 2007

EXECUTIVE SERVICE AGREEMENT

MORRIA BIOPHARMACEUTICALS PLC

and

Dov Elefant

PARTIES:

(1) **MORRIA BIOPHARMACEUTICALS PLC** (company number 5252842) whose registered office is at 53 Davies street, Mayfair, London W1K5JH ("**Company" or "Morria"**); and (2) Dov Elefant having an address of1107 Cambridge Road, Teaneck, New Jersey 07666(**Executive"**).

1. Definitions and interpretation

The definitions and interpretative provisions in Schedule 1 apply to this agreement.

2. Appointment

2.1 The Company will employ the Executive as of January 11, 2012 ("Effective Date") as Chief Financial Officer of Morria Biopharmaceuticals Plc and subject to the terms and conditions specified in this agreement.

3. Duration of the Employment

3.1 The Employment will commence on the Effective Date and, subject to clause 14, continue until terminated by either party giving to the other not less than three months' notice in writing.

3.2 For the purpose of ERA 1996 the Executive's period of continuous employment will begin on the Effective Date and terminate on the third anniversary. The Employment is not continuous with any previous employment.

3.3 The Executive represents and warrants that he is not bound by or subject to any court order agreement arrangement or undertaking which in any way restricts or prohibits him from entering into this agreement or from performing his duties under this agreement.

4. Scope of the Employment

4.1 The Executive shall have the responsibility and power and authority to take (or authorize other officers, employees or agents of the Company to take) all actions on behalf of the Company that are within the ordinary course of business of the Company in his position as Chief Financial Officer and as directed by the Chief Executive Officer, Board of Directors, or Chairman of the Board of Directors of the Company, unless the Chairman of the Board of the Company, or Board of Directors shall have previously restricted (specifically or generally) such power and authority of the Chief Financial Officer("Services").

4.2 The scope of the Services shall be determined by the Company from time to time, according to the Company's needs.

4.2.1 devote to his duties the time, attention and skill as may reasonably be required for the satisfactory performance of the position.

/DE/

4.2.2 faithfully and diligently perform such duties and exercise such powers consistent with his position as may from time to time be assigned to or vested in him by the Chief Executive Office, Chairman of the Board of Morria; and Board of Directors of Morria;

4.2.3 obey the reasonable and lawful directions of the Chief Executive Office, Chairman of the Board of Morria; and Board of Directors of Morria or anyone duly authorised by it;

4.2.4 comply with all the Company's rules, regulations, policies and procedures from time to time in force;

4.2.5 use best endeavours to promote and protect the interests of Morria and future growth; and

4.2.6 keep the Chief Executive Office, President and Chairman of the Board of Morria at all times promptly and fully informed, in writing if so requested, of his conduct of the business of Morria as the Chief Executive Office or Chairman may require.

4.3 Specifically, but without limitation, the Executive shall have the responsibility of preparing the company for listing in the US ("Listing"):

4.3.1 Coordinate the financial regulatory filings in the United States and United Kingdom, and submissions of required official Forms to the US Securities Exchange Commission ("**SEC**"), prospectus preparations and all related required actions together with the external professionals to prepare the company to its Listing and registering the Company shares in the US;

4.3.2 Preparing quarterly and annual financial statements including the implementation, in accordance with the GAAP regulations and in cooperation with the Company's external accountants, for the purpose of preparing the prospectus and Company Audits;

4.3.3 Prepare tax filing and documents and coordinate with external accountants;

4.3.4 Preparing board of directors reports and other reports;

4.3.5 Acting as the company CFO;

4.3.6 Leading financing rounds;

4.3.7 Managing on-going bookkeeping & salaries;

4.3.8 Managing the Company's activity with banks and cash flow;

4.3.9 Participating in meetings of the board of directors of the Company, on a requested basis;

4.3.10 Preparing budget control and forecast;

4.3.11 Attending shareholder and investor meetings;

4.3.12 Delivering to Company not less than monthly electronic copies of all documentation, work sheets, records and other materials received or prepared and transmitted to Executive in respect of the services.

/DE/

4.4 It is hereby clarified that the list above is a non-exhaustive list. Executive acknowledges that Morria is a UK company and that its services include interaction with UK and US accountants, and other UK and US entities as may be required.

4.5 The Executive must not, without the prior consent of the Board:

4.5.1 on behalf of the Company, incur any capital expenditure in excess of any sum authorised from time to time by the Board;

4.5.2 on behalf of the Company, enter into any commitment contract or arrangement without authorization from the Chief Executive Office, Chairman of the Board of Morria, or the Board of Directors of Morria and which is outside the normal course of its business or of an unusual onerous or long term nature or outside the scope of his normal duties

5. Hours and place of work

5.1 The Executive will work full time for the Company and devote his full time, energy and attention to the Company. The Executive may not be employed in another employment or consulting position unless approved in advance by the Chairman of the Board of Morria.

5.2 The Executive will work such hours as are necessary for the proper performance of his duties as defined by the Project.

5.3 The Company may require the Executive to work from another location as it may reasonably request of the Executive.

5.4 The Executive may be required to work and undertake travel inside and outside the United Kingdom as the Company may reasonably require and as may be necessary for the proper performance of the Executive's duties.

6. Remuneration and benefits

6.1 The Company will pay to the Executive a gross Salary of twelve thousand five hundred **($12,500 USD) ("Salary) per month** of his employment and thereafter clause 6.3 shall apply. The Executive's Salary will accrue from day to day and be payable by equal monthly instalments in arrears on the last day of each calendar month by credit transfer to a bank or building society account nominated by the Executive. The Salary will be subject to deductions for income tax and National Insurance contributions or such other tax as required by law in the US and UK. The Salary for employment of part of a month shall be proportionate to the days the Executive was employed by the Company in such a month. Executive shall be responsible for paying all federal, state, local taxes or any such other taxes required by law; social security, and Medicare. Company shall provide a W-2 form to Executive.

/DE/

6.2 The Executive will be eligible to receive a discretionary annual performance based bonus based on performance standards determined by the Board of Directors. Individual performance objectives may include, but are not limited to: the achievement of the Company's financing goals, the initial Listing of the Company's stock on a US Exchange and timely and accurate filing of all regulatory filings.

6.3 The Board will review the Executive's Salary annually. The Company is not obliged to increase the Salary following any review.

6.4 The Executive will be entitled to participate in any benefit plans or arrangement established by the Company subject to the Executive meeting the eligibility requirements of such plans and the provision of any benefits will be subject to the rules of the schemes.

6.5 The Executive will receive 40,000 common shares under the Company's Employment Stock Option Plan. Executive options shall fully vest after 12 months from the date the Employment commences.

6.6 Any benefit plans provided by the Company to the Executive or the Executive's family which are not expressly referred to in this agreement will be regarded as ex gratia and at the sole discretion of the Company and will not form part of the Employment.

7. Deductions: For the purposes of ERA 1996, the Executive authorises the Company to deduct from his remuneration under this agreement any sums due from him to the Company including, but not limited to, any overpayments of Salary, loans or advances made to him by the Company, any fines incurred by the Executive and paid by the Company, any unauthorised expenses, the cost of repairing any damage or loss to the Company's property caused by him and any losses suffered by the Company as a result of any negligence or breach of duty by the Executive.

8. Expenses

8.1 The Company will reimburse the Executive on a monthly basis for all expenses reasonably incurred by him in the proper performance of his duties, subject to the Executive providing such receipts or other evidence as the Company may require.

8.2 If the Executive is issued with a Company credit card it is issued on condition that he:

8.2.1 takes good care of it and immediately reports any loss of it to the Chief Executive Officer or Chairman of the Board;

8.2.2 uses the card only for the purposes of the business of the Company in accordance with any Company policy; and

8.2.3 returns the card immediately to the Company on request.

/DE/

9. Pension

No provision for retirement or death in service benefits will be made by the Company for the Executive but if the Company provides access to a stakeholder pension scheme pursuant to the Welfare Reform and Pensions Act 1999 full details will be provided on request. There is no contracting-out certificate in force under the Pension Schemes Act 1993 in respect of the Employment.

10. Restrictions on other activities by the Executive

10.1 During the Employment the Executive must not directly be involved in any activity which the Company considers may be, or become, competitive and/or harmful to the interest of the Company or of any Group Company or which might adversely affect the performance of the Executive's duties under the Employment.

10.2 The Executive must not, except with the prior approval of the Board, be employed in any other business or undertaking. This restriction does not prohibit the holding by the Executive, either directly or through nominees, of investments dealt on any Recognised Investment Exchange if not more than three percent of the issued shares or other securities of any class of any one company are so held.

10.3 The Executive must comply with:

10.3.1 every rule of law and the rules and regulations of any Recognised Investment Exchange applicable to the Company; and

10.3.2 every regulation of the Company for the time being in force in relation to dealings in shares or other securities of the Company or any Group Company.

10.4 The Executive must not, and will procure so far as he is able that his spouse, infant children and other connected persons, within the meaning of section 346 Companies Act 1985, will not, deal or become or cease to be interested, within the meaning set out in part 1 schedule XIII Companies Act 1985, in any securities of the Company, except in accordance with the then current code for securities transactions by directors of the Company.

10.5 Subject to any regulations issued by the Company, the Executive may not receive or obtain directly or indirectly any discount rebate or commission (**Benefit**) in respect of any sale or purchase of goods effected or other business transacted, whether or not by him by or on behalf of the Company or any Group Company. If the Executive, or any firm or company in which he is interested, obtains a Benefit he must account to the Company or the relevant Group Company for it or a due proportion of the Benefit received by such company or firm having regard to the extent of the Executive's interest in it.

/DE/

11. Confidential Information and Company documents

11.1 The Executive must not either during the Employment, except in the proper performance of his duties, and subject to the Company's disclosure of information policy or at any time after the termination of the Employment:

11.1.1 Divulge, disclose, transfer, or communicate to any person any Confidential Information;

11.1.2 use or assist a third party to use any Confidential Information for his own purposes or for any purposes other than those of the Company or any Group Company; or

11.1.3 permit or cause any unauthorised disclosure of any Confidential Information through any failure on his part to exercise due care and diligence.

11.2 The restrictions in clause 11.1 do not apply to:

11.2.1 any disclosure required for the proper performance of the Executive's duties during the Employment or as authorised by the Board;

11.2.2 any disclosure made to any person authorised by the Company to possess the relevant information;

11.2.3 any information or knowledge that was known to the Executive prior to the commencement date of this agreement; or

11.2.4 any information which becomes available to the public generally otherwise than through the default of the Executive.

11.3 All information, data, materials, compositions, notes, memoranda records lists of customers and suppliers, employees correspondence documents, computer and other discs and tapes, data listings, codes, designs and drawings and other documents and material whatsoever in the Executive's possession or control and whether or not made or created by the Executive, relating to the business of the Company or any Group Company and any copies of them:

11.3.1 are and remain the property of the Company or the relevant Group Company;

11.3.2 will be handed over by the Executive to the Company or to the relevant Group Company on demand and, in any event, immediately on the termination of the Employment and the Executive will certify that all such property has been so handed over; and

/DE/

11.3.3 will on demand and, in any event, immediately on the termination of the Employment be permanently deleted from any PC system in his possession or under his control.

12. Data protection

The Executive confirms that the Company may collect, hold, process and transfer, both electronically and manually, Employment Related Personal Data for the purposes of administering the Employment, the Company's administration, management of its staff and its business and to comply with applicable procedures laws and regulations for the transfer storage and processing by the Company of such the Employment Related Personal Data outside the European Economic Area, in particular to and in the United States of America and any other country in which the Company has offices. Additionally, the Executive explicitly consents to the Company collecting, holding, processing and transferring, both electronically and manually, Employment Related Sensitive Personal Data for the purposes of compiling and disclosing statistics in connection with the Company's equal opportunities programme.

13. Inventions and other intellectual property

13.1 The parties foresee that the Executive may make inventions or create other intellectual property in the course of the Employment. In this respect the Executive has a special responsibility to further the interests of the Company and the Group.

13.2 In relation to each and every conception, improvement, invention or discovery which relates directly or indirectly to the business of the Company (**Company Invention**) which the Executive, jointly or alone, makes at any time during the Employment, he will:

13.2.1 promptly disclose full details, including information, know how, technology, data, materials, any documents, drawings models, or other embodiments of the Company Invention; and

13.2.2 assign and will assign all Inventions to the Company, and all information, data, technology, conceptions, know how, to the Company. At Company's request and expense, do all things necessary or desirable to enable the Company or its nominee to exploit the Company Invention for commercial purposes and to secure patent or other appropriate forms of protection for it anywhere in the world. Decisions as to the patenting and exploitation of any Company Invention are at the sole discretion of the Company.

13.2.3 To the extent that he owns or will own the rights in relation to any Company Invention, assigns to the Company by way of future assignments all such rights.

/DE/

13.3 In relation to each and every copyright work including, but not limited to, any source code and object code for software, domain name, database or design which relates either directly or indirectly to the business of the Company or any Group Company (**Copyright Work**) which the Executive, jointly or alone, originates, conceives, writes or makes at any time during the period of his Employment the Executive:

13.3.1 will promptly disclose such Copyright Work, including any documents, drawings, models or other embodiments of the Copyright Work, to the Company. Any Copyright Work made wholly outside the Executive's normal working hours which is wholly unconnected with the Employment or, directly or indirectly, the business of the Company or any Group Company is excluded from the ambit of clause 13.3;

13.3.2 to the extent that he owns or will own the rights in any Copyright Work, assigns to the Company by way of future assignment all copyright, database rights, design rights and other proprietary rights, if any, throughout the world in the Copyright Work including the right to register, at the Company's absolute discretion, any such rights in the Copyright Work; and

13.3.3 irrevocably and unconditionally waives in favour of the Company any and all moral rights conferred on him by chapter IV of part I of the Copyright Designs and Patents Act 1988 in relation to any such Copyright Work.

13.4 The Executive, at the request and expense of the Company, will do all things necessary or desirable to substantiate the rights of the Company to each and every Company Invention or Copyright Work and permit the Company, which the Executive irrevocably appoints as his attorney for this purpose, to execute documents, to use his name and to do all things which may be necessary or desirable for the Company to obtain for itself or its nominee the full benefit of each and every Company Invention or Copyright Work. A certificate in writing signed by any director or the secretary of the Company that any instrument or act falls within the authority conferred by clause 13.4 will be conclusive evidence to that effect so far as any third party is concerned.

13.5 Nothing in clause 13 will be construed as restricting the rights of the Executive or the Company under sections 39 to 43 Patents Act 1977.

14. Termination

14.1 The Employment may be terminated for any reason by the Company, Chief Executive Office, or Chairman of Board of Morria by not less than threemonths' notice in writing given at any time.

/DE/

14.2 The Employment may be terminated immediately by the Company if the Executive:

14.2.1 commits any serious breach or repeats or continues, after warning, any material breach of his obligations;

14.2.2 is guilty of conduct tending to bring himself or the Company or any Group Company into disrepute;

14.2.3 becomes bankrupt or has an interim order made against him under the Insolvency Act 1986 or compounded with his creditors generally;

14.2.4 is indicted or convicted of an offence under any statutory enactment or regulation relating to insider dealing or is in breach of the code on directors' dealings in listed securities adopted from time to time by the Company or any Group Company;

14.2.5 commits any breach of clauses 10, 11 or 13;

14.2.6 is indicted or convicted of any criminal offence, other than a minor motoring offence that does not prevent the Executive performing his duties;

14.2.7 fails to perform or is, in the reasonable opinion of the Board, incapable of properly performing his duties under this agreement, if the Executive has been given due warning by the Company of his poor performance or incapability and has failed within the specified period to meet the required standard; or

14.2.8 without reasonable cause wilfully neglects or refuses to discharge his duties or to attend to the business of the Company and or any Group Company.

14.3 If the Company becomes entitled to terminate the Employment pursuant to clause 14.2, it may, but without prejudice to its right subsequently to terminate the Employment on the same or any other ground, suspend the Executive either on full pay or without payment of salary.

14.4 The Company reserves the right, at its absolute discretion, to terminate the Employment immediately or with less notice than required by clause 3.1 and to give the Executive pay in lieu of any such notice of termination and he will forfeit any entitlement to any bonus payments due for payment following the termination of his employment that has not yet vested.

/DE/

14.5 During any period of notice of termination not exceeding three months, whether given by the Company, the Company is under no obligation to assign any duties to the Executive. The Company may exclude the Executive from any of its premises and require him not to contact any customers, suppliers or employees and/or to resign from any office held in the Company or Group Company.

14.6 If the Employment is terminated by either party, whether wrongfully or not, the Salary payable during any notice period, or payment made in lieu of notice, will not include any Salary increases that the Executive may have been awarded under clause 6.1 or otherwise.

14.7 During any period of notice of termination not exceeding three months, whether given by the Company or the Executive, the Company may assign to the Executive such other duties as the Company determines in its absolute discretion.

14.8 On the termination of the Employment, however arising, or on either party serving notice of termination the Executive will:

14.8.1 at the request of the Company, resign from office and all offices held by him in the Company. Such resignation will be without prejudice to any claims which the Executive may have against the Company arising out of the termination of the Employment; and

14.8.2 immediately deliver to the Company any document, computers, materials, motor car and all car keys, credit cards and other property of or relating to the business of the Company which may be in his possession or under his control.

14.9 If the Executive fails to comply with his obligations under clause 14.8 the Company is irrevocably authorised to appoint some person in his name and on his behalf to sign any documents and do any things necessary to give effect to those provisions.

14.10 If the Executive is offered but unreasonably refuses to agree to the transfer of this agreement by way of novation to a company which has acquired or agreed to acquire the whole or substantially the whole of the undertaking and assets or the equity share capital of the Company, the Executive will have no claim against the Company in respect of the termination of the Employment by reason of:

14.10.1 the subsequent voluntary winding-up of the Company; or

14.10.2 the disclaimer of this agreement by the Company within one month after such acquisition.

/DE/

14.11 If the Executive is not offered the transfer of this agreement by way of novation to a company which has acquired or agreed to acquire the whole or substantially the whole of the undertaking and assets or the equity share capital of the Company, the Executive shall receive Salary and fully-paid benefits in effect at that time for a period of 6 months and all outstanding options shall immediately vest and the expiration of such options shall be 12 months.

14.12 If within 24 months from the date the Employment commences (i) the Executive's employment terminates for a reason set out herein in clause 14.2; or (ii) the Executive serves notice that he wishes to resign, the Executive agrees that any of his then unvested outstanding options, which were granted to him under and pursuant to the Employment Stock Option Plan of the Company (the "ESOP") shall expire immediately and all interests and rights of the Executive in and to the same shall terminate. Executive options shall fully vest after 12 months from the date the Employment commences. For avoidance of any doubt, it is hereby agreed that, in the event of a conflict between the terms and conditions of the Option Agreement and the provisions of this clause, the latter shall govern and prevail.

14.13 Any delay by the Company in exercising its rights of termination under clause 14 will not constitute a waiver of them.

15. Post termination covenants

15.1 The Executive undertakes with the Company that he will not during the Restricted Period without the prior written consent of the Company, such consent not to be unreasonably withheld, whether by himself, through his employees or agents or otherwise and whether on his own behalf or on behalf of any other person, directly or indirectly:

15.1.1 in competition with the Company, within the Restricted Area, be employed, engaged or otherwise interested in the business of researching into, developing, manufacturing, distributing, selling, supplying or otherwise dealing with Restricted Goods or Restricted Services. This prohibition does not apply to the holding, directly or through nominees, of investments dealt on any Recognised Investment Exchange if the holding does not exceed three percent of the issued shares or other securities of any class of any one company;

15.1.2 in competition with the Company**,** solicit business from or canvass any Customer or Prospective Customer if such solicitation or canvassing is in respect of Restricted Goods or Restricted Services;

/DE/

15.1.3 in competition with the Company, accept orders for Restricted Goods or Restricted Services from any Customer or Prospective Customer;

15.1.4 discourage any Supplier or Prospective Supplier from conducting or continuing to conduct business with the Company on the best terms available to the Company;

15.1.5 solicit or induce or endeavour to solicit or induce any person who on the date of termination of the Employment was a director or manager of the Company with whom the Executive had dealings during the Employment to cease working for or providing services to the Company, whether or not any such person would as a consequence commit a breach of contract; or

15.1.6 employ or otherwise engage in the business of researching into developing, manufacturing, distributing, selling, supplying or otherwise dealing with Restricted Goods or Restricted Services any person who was during the 12 months preceding the date of termination of the Employment employed or otherwise engaged by the Company and who by reason of such employment or engagement is in possession of any Confidential Information or who has acquired influence over Customers and Prospective Customers. References to the Executive in the definitions of Customer and Prospective Customer are to be replaced by references to the relevant employee for the purposes of the interpretation of clause 15.1.6.

15.2 The Executive must not induce procure or assist any other person, firm, corporation or organisation to do anything which if done by the Executive would be a breach of any of the provisions of clause 15.1.

15.3 In clause 15.1 references to acting directly or indirectly include, without prejudice to the generality of that expression, references to acting alone jointly with on behalf of by means of or by the agency of any other persons.

15.4 The obligations undertaken by the Executive pursuant to clause 15 constitute a separate and distinct covenant with respect to the Company and the invalidity or unenforceability of any such covenant will not affect the validity or enforceability of the covenants in favour of the Company.

/DE/

15.5 The Executive undertakes with the Company that he will not at any time after the termination of the Employment in the course of carrying on any trade or business, claim represent or otherwise indicate any present association with the Company or for the purpose of carrying on or retaining any business or custom, claim, represent or otherwise indicate any past association with the Company to its detriment.

15.6 While the restrictions in clause 15, on which the Executive has had the opportunity to take independent advice, are considered by the parties to be reasonable in all the circumstances, if any such restrictions, by themselves, or taken together, are adjudged to go beyond what is reasonable in all the circumstances for the protection of the legitimate interests of the Company but would be adjudged reasonable if part or parts of the wording were deleted, the relevant restriction or restrictions will apply with such deletions as may be necessary to make it or them valid and effective.

16. Grievance procedure

If the Executive wishes to obtain redress of any grievance relating to the Employment or is dissatisfied with any reprimand, suspension or other disciplinary step taken by the Company, he must apply in writing in the first instance to the Chairman of the Board, setting out the nature and details of any such grievance or dissatisfaction. The grievance procedure does not form part of your contract of employment.

17. Disciplinary procedures

The Executive's employment is subject to the same standards of conduct as other employees but the Company's disciplinary procedure will be varied to the extent that it will reflect the seniority of the Executive's position. The disciplinary procedure is available from the Company Secretary and does not form part of the contract of employment.

18. Notices

18.1 Any notice or other document to be given under this agreement must be in writing and either delivered personally to the Executive or to the secretary of the Company, or sent by first class post or other fast postal service or by facsimile transmission to the Company at its registered office for the time being or to the Executive at his last known place of residence.

/DE/

18.2 Any such notice will unless the contrary is proved, be deemed served when in the ordinary course of the means of transmission it would first be received by the addressee in normal business hours. In proving such service it will be sufficient to prove that the notice was addressed properly and posted or that the facsimile transmission was despatched.

19. Former service agreements

19.1 This agreement is in substitution for any previous agreements or arrangements, whether written oral or implied, relating to the employment of the Executive, which are deemed to have been terminated by mutual consent.

20. Choice of law, submission to jurisdiction and address for service

20.1 This agreement will be governed by and interpreted in accordance with English law.

20.2 The parties submit to the jurisdiction of the English courts but this agreement may be enforced by the Company in any court of competent jurisdiction.

21. General

21.1 This agreement constitutes the written statement of the terms of the Employment provided in compliance with part 1 of ERA 1996.

21.2 There are no collective agreements in place in respect of the Employment.

21.3 Except where expressly stated nothing in this agreement will create any enforceable rights for any third party.

21.4 The Executive has taken his own independent legal advice on this agreement

/DE/

Schedule 1
Definitions and interpretations
(Clause 1)

1. The provisions of Schedule 1 apply to the interpretation of this agreement including the schedules.

2. The following words and expressions have the following meanings:

Benefit	as defined in clause 10.5.
Board	the board of directors for the time being of the Company and including any committee of the board of directors duly appointed by it.
Company Goods	any products, data, compositions, materials, information, results, equipment or machinery developed, manufactured, distributed or sold by the Company with which the duties of the Executive were concerned or for which he was responsible.
Company Invention	as defined in clause 13.2.
Company Services	any services including, but not limited to, technical and product support, technical advice and customer services supplied by the Company with which the duties of the Executive were concerned or for which he was responsible during the two years immediately preceding the date of termination of the Employment.
Confidential Information	any information, data, results, relating to the business, prospective business, technical processes, computer software, intellectual property rights or finances of the Company including, but not limited to, data, information comprising or containing details of suppliers and their terms of business, details of customers and their requirements, prices charged to and terms of business applicable to customers, marketing plans and sales forecasts, financial information results and forecasts, unless included in published audited accounts, any proposals relating to the acquisition or disposal of a company or business or any part of it or to any proposed expansion or contraction of activities, details of employees and officers and of the remuneration and other benefits paid to them, research activities, inventions, secret processes, designs, formulae and product lines, which comes into the Executive's possession by virtue of the Employment, and which the Company regards, or could reasonably be expected to regard, as confidential whether or not such information is reduced to a tangible form or marked in writing as "confidential", and any and all information which has been or may be derived or obtained from any such information.

Copyright Work	as defined in clause 13.3.
Customer	any person to which the Company maintained a business relationship with, or distributed, sold or supplied Company Goods or Company Services during the two years immediately preceding the date of termination of the Employment and with which, during such period: 1. the Executive had personal dealings in the course of the Employment; or 2. any employee of the Company who was under the direct or indirect supervision of the Executive had personal dealings in the course of that employee's employment,
Employment	the Executive's employment under this agreement.
Employment Related Personal Data	information which is personal to the Executive, including but not limited to demographic information (name and address etc.) information enabling the Company to make payments (salary, bank account number, deductions, allowances etc.) information enabling access to benefits (details of family members required for insurance and pension purposes), information specifically regarding the Employment, (supervisor information, details of job title, the Company's personal development plans, performance rating and training plans etc.), and information enabling the Company to fulfil legal requirements (tax and National Insurance information etc.).

Employment Related Sensitive Personal Data	information relating to the Executive regarding racial and ethnic origin, political opinions, religious or other beliefs, trade union membership, health, sexual orientation and criminal convictions**.**
ERA 1996	the Employment Rights Act 1996.
Prospective Customer	any person with which the Company had negotiations or discussions regarding the possible business relationship, or distribution, sale or supply of Company Goods or Company Services during the 12 months immediately preceding the date of termination of the Employment and with which during such period: 1. the Executive had personal dealings in the course of the Employment; or 2. any employee of the Company who was under the direct or indirect supervision of the Executive had personal dealings in the course of that employee's employment.
Prospective Supplier	any person with which the Company had negotiations or discussions regarding the possible business relationship with distribution, sale or supply of goods or services to the Company during the 12 months immediately preceding the Termination Date and with which during such period: 1. the Executive had personal dealings in the course of the Employment; or

2. any employee of the Company who was under the direct or indirect supervision of the Executive had personal dealings in the course of that employee's employment.

Recognised Investment Exchange — an investment exchange in relation to which there is in force a recognition order made by the Financial Services Authority under the Financial Services and Markets Act 2001. The OTC, AMEX and NASDQ are considered a Recognized Investment Exchange.

Regulations — the Working Time Regulations 1998.

Restricted Area — England, Scotland, Wales, Israel and the United States of America.

Restricted Goods — Company Goods or goods of a similar kind.

Restricted Period — the period of:

1. 6 months immediately following the date of termination of the Employment; or

2. 6 months immediately following the last date on which the Executive carried out duties assigned to him by the Company (if no duties have been assigned to the Executive during a period immediately preceding the date of termination of the Employment in accordance with clause 14.5).

Restricted Services — Company Services or services of a similar kind relating to anti-inflammatory agents or compounds or methods.

Salary — the Executive's salary referred to in clause 6.1.

Supplier any person which has supplied materials, goods or services to the Company during the two years immediately preceding the date of termination of the Employment and with which, during such period:

1. the Executive had personal dealings in the course of the Employment; or

2. any employee of the Company who was under the direct or indirect supervision of the Executive had personal dealings in the course of that employee's employment.

3. References to persons include bodies, corporate, unincorporated associations and partnerships.

4. References to writing include e-mail, word processing, typewriting, printing, lithography, photography, facsimile messages and other modes of reproducing words in a legible and non transitory form.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the 24th day of February 2012.

MORRIA Biopharmaceuticals, Plc

By: /s/ Yuval Cohen

Name: Yuval Cohen

President

By: /s/ Mark Cohen

Name: Mark Cohen

Executive Chairman

Dov Elefant

By: /s/ Dov Elefant

CONSULTING AGREEMENT

THIS AGREEMENT (the "**Agreement**") dated December 15, 2010 ("**Effective Date**") is made by and between Morria Biopharmaceuticals, Plc., whose address is 53 Davies Street, Mayfaire, London (the "**Company**"); and AGH Associates having an address of 190 East 72 nd Street Suite 32C, New York, NY 10021 (the "**Consultant**").

The Company wishes to retain the Consultant in a consulting capacity and the Consultant desires to perform such consulting services. Accordingly, the parties agree as follows:

1. **Services**.

1.1 The Services under this contract shall be performed solely by Alan Harris in his personal capacity on behalf of AGH Associates. Alan Harris shall have the title of Medical Consultant, and agrees to be presented at meetings, on documentation, and on the Company web sites as the Medical Consultant of Company.

1.2 The Consultant will: 1) review the Company's draft clinical trial report from its Phase II allergic rhinitis study and other documents or information relating to the Company's allergic rhinitis/respiratory program; 2) revise and draft the full clinical trial report from its Phase II allergic rhinitis study; 3) review and/or revise and /or prepare the protocol for the allergen chamber study; 4) participate in discussions and meetings regarding he Company's allergic rhinitis program; 5) advise the Company on its clinical development of its allergic rhinitis program or other programs; and 6) advise the Company on regulatory path and strategy (the "**Field of Interest**").

1.3 Consultant will provide the Services to be provided in 1.1 subject to reasonable professional availability ("**Consulting Time**"). Consultation may be sought by the Company over the telephone, in person, at the Company's offices or another reasonable location or through written correspondence, and will involve reviewing activities, meetings, and developments in the Field of Interest.

2. Cash Compensation. The Consultant will be paid a fee of $350.00 USD per hour, provided that each such hour shall be authorized by the Company in advance. The Consultant shall give the Company an invoice at the end of each calendar month, which include the number of hours, be they whole, or portions of an hour, worked and other pertinent information. Payment shall occur no later than thirty (30) days' following receipt by the Company of an invoice issued by the Consultant or at the end of the month wherein the Company received such invoice, whichever is later. The Consultant shall provide the Company with a receipt following the payment being made. A detailed accounting of Consulting Time, including date, time and service provided, should be forwarded to the Company. Payment will be made at the per diem rate as defined above for all Consulting Time. Reasonable expenses of the Consultant incurred at the request of the Company (including travel expenses incurred in connection with Company related business in accordance with the Company's travel policy) will be reimbursed promptly by the Company, subject to customary verification and prior written approval.

/Yuval Cohen/
/Alan Harris/

3. Term.

3.1 The term of this Agreement will begin on the Effective Date of this Agreement and will end on the first anniversary of this Agreement (the "**Term**"). The Term may be renewed for successive one-year periods provided both parties provide written agreement. This Agreement may be terminated by either party for any reason at any time by giving thirty (30) days' prior written notice to the other party, during which the Consultant shall continue, upon the Company's sole discretion, to provide the Consulting Services. The Agreement shall terminate immediately upon the Company's notice on such election, but the Company will pay the Consultant any outstanding fees invoiced prior to such notice.

3.2 On termination of this Agreement for any reason whatsoever, and before the Company pays the Consultant the final payment, the Consultant undertakes: (1) to return and have the Consultant return to the Company the Confidential Information and all documents, drawings, magnetic media, letters, reports and all other documents belonging to the Company and/or related to the Company's activities and/or to the Consulting Services; and to return any equipment and/or other property of the Company; (2) to erase, at the Company's offices and in the presence of the Company's representative, all information relating to the Company or its activities which exists in the Consultant's computers and/or Consultant's personal computer(s); (3) to assist and have the Consultant assist in the transferring of the position, matters and documents under the Consultant's supervision to whomever the Company shall determine. If the Company's equipment shall be returned damaged, the Company shall have the right to set off the costs of such damages from the payment due to the Consultant

4. Certain Other Contracts.

4.1 The Consultant will not disclose to the Company any information that the Consultant is obligated to keep secret pursuant to an existing confidentiality agreement with a third party, and nothing in this Agreement will impose any obligation on the Consultant to the contrary.

4.2 The consulting work performed hereunder will not be conducted on time that is required to be devoted to any other third party. The Consultant shall not use the funding, resources and facilities of any other third party to perform consulting work hereunder and shall not perform the consulting work hereunder in any manner that would give any third party rights to the product of such work.

4.3 The Consultant has disclosed and, during the Term, will disclose to the Company any conflicts between this Agreement and any other agreements binding the Consultant.

5 . Exclusive Services During the Term. Subject to written waivers that may be provided by the Company upon request, which shall not be unreasonably withheld, the Consultant agrees that during the Term of this Agreement he will not directly or indirectly (i) provide any services in the Field of Interest for lipid based products to any other business or commercial entity, (ii) participate in the formation of any business or commercial entity in the Field of Interest for lipid based products, or (iii) solicit or hire away any employee or consultant of the Company during the Term and for twelve (12) months thereafter.

/Yuval Cohen/
/Alan Harris/

6. The term "Confidential Information" shall mean any and all confidential and/or proprietary knowledge, materials, data or information of the Company and its affiliates. By way of illustration but not limitation, " Confidential Information" includes (a) samples, materials, compounds, methods, procedures and formulations, products, processes, ideas, know-how, trade secrets, drawings, inventions, intellectual property, improvements, formulas, equations, developmental or experimental work, research or clinical data, discoveries, developments, designs, techniques, instruments, devices, computer software and hardware (collectively, "Inventions"); and (b) information regarding research, development, regulatory, results, studies, data, new service offerings or products, marketing and selling, business plans, business methods, budgets, finances, licensing, collaboration and development arrangements, prices and costs, buying habits and practices, contact and mailing lists and databases, vendors, customers and clients, and potential business opportunities; and (c) information regarding the names, addresses, identities, skills and compensation of employees, independent contractors and consultants of the Company and its affiliates and (d) any other information regarding the Company, its affiliates and their businesses that the Company and its affiliates treat in a confidential manner and is not readily available to the public and any results, materials, processes, and information resulting from or derived from the use of or based on or from (a), (b), (c) and/or (d).

7. Inventions Discovered by the Consultant While Performing Services Hereunder.

7.1 The Consultant will promptly and fully disclose to the Company any and all **Invention** made, conceived, developed, or first reduced to practice by the Consultant, either alone or jointly with others, while performing services hereunder. The Consultant hereby assigns to the Company and will assign all of his right, title and interest in and to any such Inventions. The Consultant will execute any documents necessary to perfect the assignment of such Inventions to the Company and to enable the Company to apply for, obtain, and enforce patents or copyrights in any and all countries on such Inventions. The Consultant hereby irrevocably designates the Secretary of the Company as his agent and attorney-in-fact to execute and file any such document and to do all lawful acts necessary to apply for and obtain patents and copyrights, and to enforce the Company's rights under this paragraph. This Section 6 will survive the termination of this Agreement.

7.2 Any and all knowledge, materials, data or information of the Company and its affiliates and any resulting or derivative data, information, materials, or know how therefrom, shall be solely owned by the Company and the Company shall have the sole and exclusive right, title, and interest in and to all such confidential and/or proprietary knowledge, materials, data or information of the Company and its affiliates. Consultant shall have no rights or interest in any such materials, data, and information.

8. **Confidentiality**.

8.1 The Consultant agrees that the Confidential Information will be used by the Consultant only in connection with consulting activities hereunder, and will not be used, transferred, conveyed, disclosed for any other purpose or to any other person or entity.

8.2 The Consultant agrees not to disclose, directly or indirectly, the Confidential Information to any third person or entity, other than representatives or agents of the Company. The Consultant will treat all such information under the Services and in Section 6 and 7 as confidential and proprietary property of the Company. Any information which is in the public domain such information shall not be considered confidential under this agreement.

8.3 The Consultant agrees to keep and maintain adequate and current records (in the form of notes, sketches, drawings and in any other form that may be required by the Company) of all proprietary and Confidential Information developed by Consultant which records shall be available to and remain the sole property of the Company at all times. The Consultant shall continue to be bound by the terms of the confidentiality and non-use provisions contained in this Section 7 for a period of five years after the termination of this Agreement.

/Yuval Cohen/
/Alan Harris/

9. Use of Name. It is understood that the name of the Consultant and Consultant's affiliation with the Institution will appear in disclosure documents required by securities laws, and in other regulatory and administrative filings in the ordinary course of the Company's business. The above described uses will be deemed to be non-commercial uses. The name of the Consultant or the Institution will not be used for any commercial purpose without the Consultant's consent.

10. No Conflict: Valid and Binding. The Consultant represents that neither the execution of this Agreement nor the performance of the Consultant's obligations under this Agreement will result in a violation or breach of any other agreement by which the Consultant is bound. The Company represents that this Agreement has been duly authorized and executed and is a valid and legally binding obligation of the Company, subject to no conflicting agreements.

11. Notices. Any notice provided under this Agreement shall be in writing and shall be deemed to have been effectively given (i) upon receipt when delivered personally, (ii) one day after sending when sent by private express mail service (such as Federal Express), or (iii) 5 days after sending when sent by regular mail to the following address:

In the case of the Company:

Mark Cohen
Pearl Cohen Zedek Latzer, LLP
1500 Broadway, 12th Floor
New York, NY 10036
Fax: 646 878 0801
Email: markc@pczlaw.com

In the case of the Consultant:

AGH Associates
Attention: Alan Harris
_____
_____
Facsimile: _____
Email:_____

or to other such address as may have been designated by the Company or the Consultant by notice to the other given as provided herein.

12. Independent Contractor. Withholding. The Consultant will at all times be an independent contractor, and as such will not have authority to bind the Company. Consultant will not act as an agent nor shall he be deemed to be an employee of the Company for the purposes of any employee benefit program, unemployment benefits, or otherwise. The Consultant recognizes that no amount will be withheld from his compensation for payment of any federal, state, or local taxes and that the Consultant has sole responsibility to pay such taxes, if any, and file such returns as shall be required by applicable laws and regulations.

/Yuval Cohen/
/Alan Harris/

13. Assignment. Due to the personal nature of the services to be rendered by the Consultant, the Consultant may not assign this Agreement. The Company may assign all rights and liabilities under this Agreement to a subsidiary or an affiliate or to a successor to all or a substantial part of its business and assets without the consent of the Consultant. Subject to the foregoing, this Agreement will inure to the benefit of and be binding upon each of the heirs, assigns and successors of the respective parties.

14. Severability. If any provision of this Agreement shall be declared invalid, illegal or unenforceable, such provision shall be severed and the remaining provisions shall continue in full force and effect.

15. Remedies. The Consultant acknowledges that the Company would have no adequate remedy at law to enforce. In the event of a violation by the Consultant of such Sections, the Company shall have the right to obtain injunctive or other similar relief, as well as any other relevant damages, without the requirement of posting bond or other similar measures.

16. Governing Law; Entire Agreement; Amendment. This Agreement shall be governed by the substantive laws of New York and under the exclusive jurisdiction of the New York courts.

/Yuval Cohen/
/Alan Harris/

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Morria Biopharmaceuticals, Plc.	CONSULTANT:
By: /s/ Yuval Cohen	By: /s/ Alan Harris
Name: Yuval Cohen	Name: Alan Harris
Title: President	Title: President AGH Associates INC

EXECUTIVE SERVICE AGREEMENT

MORRIA BIOPHARMACEUTICALS PLC

and

Alan Harris

PARTIES:

(1) **MORRIA BIOPHARMACEUTICALS PLC** (company number 5252842) whose registered office is at 53 Davies street, Mayfair, London W1K5JH ("**Company" or "Morria"**); and (2) Alan Harris having an address of _____(**Executive"**).

1. Definitions and interpretation

The definitions and interpretative provisions in Schedule 1 apply to this agreement.

2. Appointment

2.1 The Company will employ the Executive as of July 1, 2012 ("Effective Date") as Chief Medical Officer of Morria Biopharmaceuticals Plc and subject to the terms and conditions specified in this agreement.

3. Duration of the Employment

3.1 The Employment will commence on the Effective Date and, subject to clause 14, continue until terminated by either party giving to the other not less than six months' notice in writing.

3.2 For the purpose of ERA 1996 the Executive's period of continuous employment will begin on the Effective Date and terminate on the third anniversary. The Employment is not continuous with any previous employment.

3.3 The Executive represents and warrants that he is not bound by or subject to any agreement, relationship, or court order agreement arrangement or undertaking which in any way restricts or prohibits him from entering into this agreement or from performing his duties under this agreement.

4. Scope of the Employment

4.1 The Executive shall have the responsibility and power and authority to take (or authorize other officers, employees or agents of the Company to take) all actions on behalf of the Company that are within the ordinary course of business of the Company in his position as Chief Medical Officer and as directed by the Chief Executive Officer, Board of Directors, or Chairman of the Board of Directors of the Company, unless the Chairman of the Board of the Company, or Board of Directors shall have previously restricted (specifically or generally) such power and authority of the Chief Medical Officer("Services").

4.2 The scope of the Services shall be determined by the Company from time to time, according to the Company's needs.

4.2.1 devote to his duties the time, attention and skill as may reasonably be required for the satisfactory performance of the position.

4.2.2 faithfully and diligently perform such duties and exercise such powers consistent with his position as may from time to time be assigned to or vested in him by the Chief Executive Office, Chairman of the Board of Morria; and Board of Directors of Morria;

4.2.3 obey the reasonable and lawful directions of the Chief Executive Office, Chairman of the Board of Morria; and Board of Directors of Morria or anyone duly authorised by it;

4.2.4 comply with all the Company's rules, regulations, policies and procedures from time to time in force;

4.2.5 use best endeavours to promote and protect the interests of Morria and future growth; and

4.2.6 keep the Chief Executive Office, President and Chairman of the Board of Morria at all times promptly and fully informed, in writing if so requested, of his conduct of the business of Morria as the Chief Executive Office or Chairman may require.

4.3 Specifically, but without limitation, the Executive shall have the responsibility of: general supervision and control over, and responsibility for, the Company's pre-clinical and clinical development activities; regulatory development , planning, and filings; and company clinical presentations and development plan and startegy. In addition to Executive's primary duties, Executive shall perform such other services and discharge such other duties and responsibilities, as may be prescribed by the Chief Executive Officer and/or Board of Directors from time to time.

4.3.1 Manage and all aspects of drug development of Morria drug development and clinical operations including pre-clinical pharmacology and toxicology, Phases 1-3 clinical development and clinical trials, development and commercialization of Morria's technology related to the treatment of inflammatory diseases;

4.3.2 Design, draft, execute, report: toxicology, pharmacology and Phase 1–3 clinical trials;

4.3.3 Work with third party clinical sites, contract researches and organizations, and advisors, and consultants;

4.3.4 Draft, develop, strategize for, prepare, and submit regulatory applications and present at regulatory meetings;

4.3.5 Establish a strong relationship and credibility with biotechnology analysts and numerous health care fund managers;

4.3.6 Establish and participate in industry collaborations. Licensing partners, and relationships;

4.3.7 Present development updates in conference calls in and meeting with the investor, and shareholder, and potential investors; and

4.3.8 Help build shareholder value through investor meetings and presentations.

4.4 It is hereby clarified that the list above is a non-exhaustive list. Executive acknowledges that Morria is a UK company and that its services include interaction with US and European regulatory authorities may be required.

4.5 The Executive must not, without the prior consent of the Board:

4.5.1 on behalf of the Company, incur any capital expenditure in excess of any sum authorised from time to time by the Board;

4.5.2 on behalf of the Company, enter into any commitment contract or arrangement without authorization from the Chief Executive Office, Chairman of the Board of Morria, or the Board of Directors of Morria and which is outside the normal course of its business or of an unusual onerous or long term nature or outside the scope of his normal duties

5. Hours and place of work

5.1 The Executive will work full time for the Company and devote his full time, energy and attention to the Company. The Executive may not be employed in another employment or consulting position unless approved in advance by the Chairman of the Board of Morria. Executive may continue to consult for AGH Associates and Somtherapeutics, Inc.

5.2 The Executive will work such hours as are necessary for the proper performance of his duties as defined by the Project.

5.3 Executive shall work from New York City, New York.

5.4 The Executive may be required to work and undertake travel as the Company may reasonably require and as may be necessary for the proper performance of the Executive's duties.

6. Remuneration and benefits

6.1 The Company shall pay Executive a base salary at the annualized rate of Two Hundred and Forty Thousand US Dollars ($240,000.00 USD) (the ***"Base Salary"***), less payroll deductions and all required withholdings, payable in regular periodic payments in accordance with the Company's normal payroll practices. The Base Salary shall be prorated for any partial year of employment on the basis of a 365-day fiscal year. Until the Company has closed a financing of privately issued securities to be no less than $15,000,000 USD (the "Private Placement"), Executive shall be paid Ten Thousand USD Dollars ($10,000.00 USD) each month. From the period commencing on the Effective Date and ending on the closing of the Private Placement, Executive will be at 50% full time employment (FTE) and receive 50% of the Base Salary; and upon closing the Private Placement, Executive shall be 100% FTE and receive 100% of the Base Salary.

6.2 **Annual Milestone Bonus.** At the sole discretion of the Board of Directors or the compensation committee of the Board (the "***Compensation Committee***"), following each calendar year of employment Executive shall be eligible to receive an additional cash bonus of up to twenty-five percent (25%) of the Base Salary (the "***Annual Milestone Bonus***"), based on Executive's attainment of certain clinical development, and/or business milestones (the "***Milestones***") to be established annually by the Board or the Compensation Committee. The determination of whether Executive has met the Milestones, and if so, the bonus amount (if any) that will be paid, shall be determined by the Board or the Compensation Committee in its sole and absolute discretion. Executive must remain employed by the Company through and including the Milestones in order to be eligible to earn or receive any Annual Milestone Bonus for that year. Any Annual Milestone Bonuses shall be paid in cash as either single lump-sum payments or in instalments over a period not to exceed 6 months, as determined by the Board or the Compensation Committee. Executive shall also be entitled to any other bonuses at the sole discretion of the Board.

6.3 Executive's compensation will be reviewed at least on an annual basis and the Base Salary may be increased from time to time in the Company's sole discretion The Board will review the Executive's Salary annually. The Company is not obliged to increase the Salary following any review.

6.4 **Stock Options.** Subject to approval by the Board and subject to the terms of the Company's 2007 Stock Incentive Plan (the *"**Plan**"*), Executive will be granted, effective as of the later of the Effective Date or the date of Board approval, an option to purchase Sixty Thousand (60,000) shares of the Company's Common Stock (the "***Option***"). On each anniversary of the effective grant date of the Option, one-third of the shares subject to the Option shall vest, subject to Executive's continued employment with the Company on each such vesting date. The Option will be governed by the Plan and shall be granted pursuant to a separate stock option grant notice and stock option agreement. The exercise price per share of the Option will be equal to the fair market value of a single share of Common Stock on the effective date of the grant as determined in good faith by the Board.

6.5 All of Executive's compensation shall be subject to customary withholding taxes and any other employment taxes as are commonly required to be collected or withheld by the Company. The Base Salary, Annual Milestone Bonus, and Heath Benefit Reimbursement will be subject to deductions for income tax and National Insurance contributions or such other tax as required by law in the US and UK. Executive shall be responsible for paying all federal, state, local taxes or any such other taxes required by law; social security, and Medicare.

6.6 The Executive shall be covered by the Company's Directors and Officer's liability insurance policy, provided by the Company the covers directors and officer of the Company, and at the Company's expense. The Executive shall, in accordance with Company policy and the applicable plan documents, be eligible to participate in benefits under any benefit plan or arrangement, including medical, dental, vision, disability and life insurance programs, and any other benefits that may be in effect from time to time and made available to the Company's senior management employees, subject to the terms and conditions of those benefit plans. Notwithstanding any of the foregoing, nothing in this Agreement shall require the Company or any subsidiary of the Company to establish, maintain or continue any particular plan or program nor preclude the amendment, rescission or termination of any such plan or program that may be established from time to time.

6.7 Notwithstanding the foregoing, in lieu of participating in the Company's group health plan and any coverage now or in the future under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (together with any state or local laws of similar effect, "***COBRA***"), at the Executive's election which he voluntary expressly waives, and subject to Executive's continued employment with the Company on each reimbursement date, the Company will reimburse Executive Two Thousand Five Hundred US Dollars ($2,500.00 USD) which shall be paid on a monthly basis ("Heath Benefit Reimbursement"). The Health Benefit Reimbursement shall be paid starting upon the closing of the Private Placement.

6.8 **Expense Reimbursements.** The Company will reimburse Executive for all reasonable business expenses Executive incurs in conducting his duties hereunder, pursuant to the Company's usual expense reimbursement policies, but in no event later than thirty days after the end of the calendar month following the month in which such expenses were incurred by Executive; provided that Executive supplies the appropriate substantiation for such expenses no later than the end of the calendar month following the month in which such expenses were incurred by Executive. The Company shall pay Executives membership to the American College of Physicians.

6.9 **Holidays and Vacation.** Executive shall receive no less than four (4) weeks of paid vacation per year, which cannot be taken in one four (4) week increment, of which one (1) week may be accrued if not used in any year and be paid to Executive or carried forward to subsequent years consistent with Company policy and will receive paid Company holidays in accordance with Company policy.

6.10 Any benefit plans provided by the Company to the Executive or the Executive's family which are not expressly referred to in this agreement will be regarded as ex gratia and at the sole discretion of the Company and will not form part of the Employment.

7. Deductions: For the purposes of ERA 1996, the Executive authorises the Company to deduct from his remuneration under this agreement any sums due from him to the Company including, but not limited to, any overpayments of Salary, loans or advances made to him by the Company, any fines incurred by the Executive and paid by the Company, any unauthorised expenses, the cost of repairing any damage or loss to the Company's property caused by him and any losses suffered by the Company as a result of any negligence or breach of duty by the Executive.

8. Credit Card

8.1 If the Executive is issued with a Company credit card it is issued on condition that he:

8.1.1 takes good care of it and immediately reports any loss of it to the Chief Executive Officer or Chairman of the Board;

8.1.2 uses the card only for the purposes of the business of the Company in accordance with any Company policy; and

8.1.3 returns the card immediately to the Company on request.

9. Pension

No provision for retirement or death in service benefits will be made by the Company for the Executive but if the Company provides access to a stakeholder pension scheme pursuant to the Welfare Reform and Pensions Act 1999 full details will be provided on request. There is no contracting-out certificate in force under the Pension Schemes Act 1993 in respect of the Employment.

10. Restrictions on other activities by the Executive

10.1 During the Employment the Executive must not directly be involved in any activity which the Company considers may be, or become, competitive and/or harmful to the interest of the Company or of any Group Company or which might adversely affect the performance of the Executive's duties under the Employment.

10.2 The Executive must not, except with the prior approval of the Board, be employed in any other business or undertaking. This restriction does not prohibit the holding by the Executive, either directly or through nominees, of investments dealt on any Recognised Investment Exchange if not more than three percent of the issued shares or other securities of any class of any one company are so held.

10.3 The Executive must comply with:

10.3.1 every rule of law and the rules and regulations of any Recognised Investment Exchange applicable to the Company; and

10.3.2 every regulation of the Company for the time being in force in relation to dealings in shares or other securities of the Company or any Group Company.

10.4 The Executive must not, and will procure so far as he is able that his spouse, infant children and other connected persons, within the meaning of section 346 Companies Act 1985, will not, deal or become or cease to be interested, within the meaning set out in part 1 schedule XIII Companies Act 1985, in any securities of the Company, except in accordance with the then current code for securities transactions by directors of the Company.

10.5 Subject to any regulations issued by the Company, the Executive may not receive or obtain directly or indirectly any discount rebate or commission (**Benefit**) in respect of any sale or purchase of goods effected or other business transacted, whether or not by him by or on behalf of the Company or any Group Company. If the Executive, or any firm or company in which he is interested, obtains a Benefit he must account to the Company or the relevant Group Company for it or a due proportion of the Benefit received by such company or firm having regard to the extent of the Executive's interest in it.

11. Confidential Information and Company documents

11.1 The Executive must not either during the Employment, except in the proper performance of his duties, and subject to the Company's disclosure of information policy or at any time after the termination of the Employment:

11.1.1 Divulge, disclose, transfer, or communicate to any person any Confidential Information;

11.1.2 use or assist a third party to use any Confidential Information for his own purposes or for any purposes other than those of the Company or any Group Company; or

11.1.3 permit or cause any unauthorised disclosure of any Confidential Information through any failure on his part to exercise due care and diligence.

11.2 The restrictions in clause 11.1 do not apply to:

11.2.1 any disclosure required for the proper performance of the Executive's duties during the Employment or as authorised by the Board;

11.2.2 any disclosure made to any person authorised by the Company to possess the relevant information;

11.2.3 any information or knowledge that was known to the Executive prior to the commencement date of this agreement; or

11.2.4 any information which becomes available to the public generally otherwise than through the default of the Executive.

11.3 All information, data, materials, compositions, notes, memoranda records lists of customers and suppliers, employees correspondence documents, computer and other discs and tapes, data listings, codes, designs and drawings and other documents and material whatsoever in the Executive's possession or control and whether or not made or created by the Executive, relating to the business of the Company or any Group Company and any copies of them:

11.3.1 are and remain the property of the Company or the relevant Group Company;

11.3.2 will be handed over by the Executive to the Company or to the relevant Group Company on demand and, in any event, immediately on the termination of the Employment and the Executive will certify that all such property has been so handed over; and

11.3.3 will on demand and, in any event, immediately on the termination of the Employment be permanently deleted from any PC system in his possession or under his control.

12. Data protection

The Executive confirms that the Company may collect, hold, process and transfer, both electronically and manually, Employment Related Personal Data for the purposes of administering the Employment, the Company's administration, management of its staff and its business and to comply with applicable procedures laws and regulations for the transfer storage and processing by the Company of such the Employment Related Personal Data outside the European Economic Area, in particular to and in the United States of America and any other country in which the Company has offices. Additionally, the Executive explicitly consents to the Company collecting, holding, processing and transferring, both electronically and manually, Employment Related Sensitive Personal Data for the purposes of compiling and disclosing statistics in connection with the Company's equal opportunities programme.

13. Inventions and other intellectual property

13.1 The parties foresee that the Executive may make inventions or create other intellectual property in the course of the Employment. In this respect the Executive has a special responsibility to further the interests of the Company and the Group.

13.2 In relation to each and every conception, improvement, invention or discovery which relates directly or indirectly to the business of the Company (**Company Invention**) which the Executive, jointly or alone, makes at any time during the Employment, he will:

13.2.1 promptly disclose full details, including information, know how, technology, data, materials, any documents, drawings models, or other embodiments of the Company Invention; and

13.2.2 assign and will assign all Inventions to the Company, and all information, data, technology, conceptions, know how, to the Company. At Company's request and expense, do all things necessary or desirable to enable the Company or its nominee to exploit the Company Invention for commercial purposes and to secure patent or other appropriate forms of protection for it anywhere in the world. Decisions as to the patenting and exploitation of any Company Invention are at the sole discretion of the Company.

13.2.3 To the extent that he owns or will own the rights in relation to any Company Invention, assigns to the Company by way of future assignments all such rights.

13.3 In relation to each and every copyright work including, but not limited to, any source code and object code for software, domain name, database or design which relates either directly or indirectly to the business of the Company or any Group Company (**Copyright Work**) which the Executive, jointly or alone, originates, conceives, writes or makes at any time during the period of his Employment the Executive:

13.3.1 will promptly disclose such Copyright Work, including any documents, drawings, models or other embodiments of the Copyright Work, to the Company. Any Copyright Work made wholly outside the Executive's normal working hours which is wholly unconnected with the Employment or, directly or indirectly, the business of the Company or any Group Company is excluded from the ambit of clause 13.3;

13.3.2 to the extent that he owns or will own the rights in any Copyright Work, assigns to the Company by way of future assignment all copyright, database rights, design rights and other proprietary rights, if any, throughout the world in the Copyright Work including the right to register, at the Company's absolute discretion, any such rights in the Copyright Work; and

13.3.3 irrevocably and unconditionally waives in favour of the Company any and all moral rights conferred on him by chapter IV of part I of the Copyright Designs and Patents Act 1988 in relation to any such Copyright Work.

13.4 The Executive, at the request and expense of the Company, will do all things necessary or desirable to substantiate the rights of the Company to each and every Company Invention or Copyright Work and permit the Company, which the Executive irrevocably appoints as his attorney for this purpose, to execute documents, to use his name and to do all things which may be necessary or desirable for the Company to obtain for itself or its nominee the full benefit of each and every Company Invention or Copyright Work. A certificate in writing signed by any director or the secretary of the Company that any instrument or act falls within the authority conferred by clause13.4 will be conclusive evidence to that effect so far as any third party is concerned.

13.5 Nothing in clause 13 will be construed as restricting the rights of the Executive or the Company under sections 39 to 43 Patents Act 1977.

14. Termination

14.1 The Employment may be terminated for any reason by the Company, Chief Executive Office, or Chairman of Board of Morria by not less than six months' notice in writing given at any time.

14.2 The Employment may be terminated immediately by the Company if the Executive:

14.2.1 commits any serious breach or repeats or continues, after warning, any material breach of his obligations;

14.2.2 is guilty of conduct tending to bring himself or the Company or any Group Company into disrepute;

14.2.3 becomes bankrupt or has an interim order made against him under the Insolvency Act 1986 or compounded with his creditors generally;

14.2.4 is indicted or convicted of an offence under any statutory enactment or regulation relating to insider dealing or is in breach of the code on directors' dealings in listed securities adopted from time to time by the Company or any Group Company;

14.2.5 commits any breach of clauses 10, 11 or 13;

14.2.6 is indicted or convicted of any criminal offence, other than a minor motoring offence that does not prevent the Executive performing his duties;

14.2.7 fails to perform or is, in the reasonable opinion of the Board, incapable of properly performing his duties under this agreement, if the Executive has been given due warning in writing by the Company of his poor performance or incapability and has failed within the specified period to meet the required standard; or

14.2.8 without reasonable cause wilfully neglects or refuses to discharge his duties or to attend to the business of the Company.

14.3 If the Company becomes entitled to terminate the Employment pursuant to clause 14.2, it may, but without prejudice to its right subsequently to terminate the Employment on the same or any other ground, suspend the Executive either on full pay or without payment of salary.

14.4 The Company reserves the right, at its absolute discretion, to terminate the Employment immediately or with less notice than required by clause 3.1 and to give the Executive pay in lieu of any such notice of termination and he will forfeit any entitlement to any bonus payments due for payment following the termination of his employment that has not yet vested.

14.5 During any period of notice of termination not exceeding six months, whether given by the Company, the Company is under no obligation to assign any duties to the Executive. The Company may exclude the Executive from any of its premises and require him not to contact any customers, suppliers or employees and/or to resign from any office held in the Company or**.**

14.6 During any period of notice of termination not exceeding six months, whether given by the Company or the Executive, the Company may assign to the Executive such other duties agreed to in this Agreement as the Company determines in its absolute discretion.

14.7 On the termination of the Employment, however arising, or on either party serving notice of termination the Executive will:

14.7.1 at the request of the Company, resign from office and all offices held by him in the Company**.** Such resignation will be without prejudice to any claims which the Executive may have against the Company arising out of the termination of the Employment; and

14.7.2 immediately deliver to the Company any document, computers, materials, motor car and all car keys, credit cards and other property of or relating to the business of the Company which may be in his possession or under his control.

14.8 If the Executive fails to comply with his obligations under clause 14.7 the Company is irrevocably authorised to appoint some person in his name and on his behalf to sign any documents and do any things necessary to give effect to those provisions.

14.9 If the Executive is offered but unreasonably refuses to agree to the transfer of this agreement by way of novation to a company which has acquired or agreed to acquire the whole or substantially the whole of the undertaking and assets or the equity share capital of the Company, the Executive will have no claim against the Company in respect of the termination of the Employment by reason of:

14.9.1 the subsequent voluntary winding-up of the Company; or

14.9.2 the disclaimer of this agreement by the Company within one month after such acquisition.

14.10 If the Executive is not offered the transfer of this agreement by way of novation to a company which has acquired or agreed to acquire the whole or substantially the whole of the undertaking and assets or the equity share capital of the Company, the Executive shall receive Salary and fully-paid benefits in effect at that time for a period of 6 months and all outstanding options shall immediately vest and the expiration of such options shall be 12 months.

14.11 If within 24 months from the date the Employment commences (i) the Executive's employment terminates for a reason set out herein in clause 14.2; or (ii) the Executive serves notice that he wishes to resign, the Executive agrees that any of his then unvested outstanding options, which were granted to him under and pursuant to the Employment Stock Option Plan of the Company (the "ESOP") shall expire immediately and all interests and rights of the Executive in and to the same shall terminate. For avoidance of any doubt, it is hereby agreed that, in the event of a conflict between the terms and conditions of the Option Agreement and the provisions of this clause, the latter shall govern and prevail.

14.12 Any delay by the Company in exercising its rights of termination under clause 14 will not constitute a waiver of them.

15. Post termination covenants

15.1 The Executive undertakes with the Company that he will not during the Restricted Period without the prior written consent of the Company, such consent not to be unreasonably withheld, whether by himself, through his employees or agents or otherwise and whether on his own behalf or on behalf of any other person, directly or indirectly:

15.1.1 in competition with the Company, within the Restricted Area, be employed, engaged or otherwise interested in the business of researching into, developing, manufacturing, distributing, selling, supplying or otherwise dealing with Restricted Goods or Restricted Services. This prohibition does not apply to the holding, directly or through nominees, of investments dealt on any Recognised Investment Exchange if the holding does not exceed three percent of the issued shares or other securities of any class of any one company;

15.1.2 in competition with the Company, solicit business from or canvass any Customer or Prospective Customer if such solicitation or canvassing is in respect of Restricted Goods or Restricted Services;

15.1.3 in competition with the Company, accept orders for Restricted Goods or Restricted Services from any Customer or Prospective Customer;

15.1.4 discourage any Supplier or Prospective Supplier from conducting or continuing to conduct business with the Company on the best terms available to the Company;

15.1.5 solicit or induce or endeavour to solicit or induce any person who on the date of termination of the Employment was a director or manager of the Company with whom the Executive had dealings during the Employment to cease working for or providing services to the Company, whether or not any such person would as a consequence commit a breach of contract; or

15.1.6 employ or otherwise engage in the business of researching into developing, manufacturing, distributing, selling, supplying or otherwise dealing with Restricted Goods or Restricted Services any person who was during the 12 months preceding the date of termination of the Employment employed or otherwise engaged by the Company and who by reason of such employment or engagement is in possession of any Confidential Information or who has acquired influence over Customers and Prospective Customers. References to the Executive in the definitions of Customer and Prospective Customer are to be replaced by references to the relevant employee for the purposes of the interpretation of clause15.1.6.

15.2 The Executive must not induce procure or assist any other person, firm, corporation or organisation to do anything which if done by the Executive would be a breach of any of the provisions of clause 15.1.

15.3 In clause 15.1 references to acting directly or indirectly include, without prejudice to the generality of that expression, references to acting alone jointly with on behalf of by means of or by the agency of any other persons.

15.4 The obligations undertaken by the Executive pursuant to clause 15 constitute a separate and distinct covenant with respect to the Company and the invalidity or unenforceability of any such covenant will not affect the validity or enforceability of the covenants in favour of the Company.

15.5 The Executive undertakes with the Company that he will not at any time after the termination of the Employment in the course of carrying on any trade or business, claim represent or otherwise indicate any present association with the Company or for the purpose of carrying on or retaining any business or custom, claim, represent or otherwise indicate any past association with the Company to its detriment.

15.6 While the restrictions in clause 15, on which the Executive has had the opportunity to take independent advice, are considered by the parties to be reasonable in all the circumstances, if any such restrictions, by themselves, or taken together, are adjudged to go beyond what is reasonable in all the circumstances for the protection of the legitimate interests of the Company but would be adjudged reasonable if part or parts of the wording were deleted, the relevant restriction or restrictions will apply with such deletions as may be necessary to make it or them valid and effective.

16. Grievance procedure

If the Executive wishes to obtain redress of any grievance relating to the Employment or is dissatisfied with any reprimand, suspension or other disciplinary step taken by the Company, he must apply in writing in the first instance to the Chairman of the Board, setting out the nature and details of any such grievance or dissatisfaction. The grievance procedure does not form part of your contract of employment.

17. Disciplinary procedures

The Executive's employment is subject to the same standards of conduct as other employees but the Company's disciplinary procedure will be varied to the extent that it will reflect the seniority of the Executive's position. The disciplinary procedure is available from the Company Secretary and does not form part of the contract of employment.

18. Notices

18.1 Any notice or other document to be given under this agreement must be in writing and either delivered personally to the Executive or to the secretary of the Company, or sent by first class post or other fast postal service or by facsimile transmission to the Company at its registered office for the time being or to the Executive at his last known place of residence.

18.2 Any such notice will unless the contrary is proved, be deemed served when in the ordinary course of the means of transmission it would first be received by the addressee in normal business hours. In proving such service it will be sufficient to prove that the notice was addressed properly and posted or that the facsimile transmission was despatched.

19. Former service agreements

19.1 This agreement supersedes and is in substitution for any previous agreements or arrangements between i) the Company and Executive; and ii) between the Company and AGH Associates, whether written oral or implied, relating to the employment of the Executive, which are deemed to have been terminated by mutual consent. Executive hereby confirms that the Agreement between the Company and Executive; and between the Company and AGA Associates are hereby terminated.

19.2 The Executive agrees and hereby acknowledges and consents that Morria does not owe fees, costs, remunerations and/or reimbursements whatsoever pursuant to any of the previous agreements or arrangements and any further amendments as described in Section 19.1**.**

20. Choice of law, submission to jurisdiction and address for service

20.1 This agreement will be governed by and interpreted in accordance with English law.

20.2 The parties submit to the jurisdiction of the English courts but this agreement may be enforced by the Company in any court of competent jurisdiction.

21. General

21.1 This agreement constitutes the written statement of the terms of the Employment provided in compliance with part 1 of ERA 1996.

21.2 There are no collective agreements in place in respect of the Employment.

21.3 Except where expressly stated nothing in this agreement will create any enforceable rights for any third party.

21.4 The Executive has taken his own independent legal advice on this agreement

Schedule 1
Definitions and interpretations

(Clause 1)

1. The provisions of Schedule 1 apply to the interpretation of this agreement including the schedules.

2. The following words and expressions have the following meanings:

Benefit	as defined in clause 10.5.
Board	the board of directors for the time being of the Company and including any committee of the board of directors duly appointed by it.
Company Goods	any products, materials, methods, processes, data, compositions, materials, information, conceptions, inventions, intellectual property, know-how, results, equipment or machinery developed, manufactured, distributed or sold by the Company with which the duties of the Executive were concerned or for which he was responsible under this Agreement
Company Invention	as defined in clause 13.2.
Company Services	any services including, but not limited to, technical and product support, technical advice and customer services supplied by the Company with which the duties of the Executive were concerned or for which he was responsible during the two years immediately preceding the date of termination of the Employment.

Confidential Information	any information, data, results, relating to the business, prospective business, technical processes, computer software, intellectual property rights or finances of the Company including, but not limited to, data, information comprising or containing details of suppliers and their terms of business, details of customers and their requirements, prices charged to and terms of business applicable to customers, marketing plans and sales forecasts, financial information results and forecasts, unless included in published audited accounts, any proposals relating to the acquisition or disposal of a company or business or any part of it or to any proposed expansion or contraction of activities, details of employees and officers and of the remuneration and other benefits paid to them, research activities, inventions, secret processes, designs, formulae and product lines, which comes into the Executive's possession by virtue of the Employment, and which the Company regards, or could reasonably be expected to regard, as confidential whether or not such information is reduced to a tangible form or marked in writing as "confidential", and any and all information which has been or may be derived or obtained from any such information.
Copyright Work	as defined in clause 13.3.
Customer	any person to which the Company maintained a business relationship with, or distributed, sold or supplied Company Goods or Company Services during the two years immediately preceding the date of termination of the Employment and with which, during such period: 1. the Executive had personal dealings in the course of the Employment; or 2. any employee of the Company who was under the direct or indirect supervision of the Executive had personal dealings in the course of that employee's employment,
Employment	the Executive's employment under this agreement.

Employment Related Personal Data	information which is personal to the Executive, including but not limited to demographic information (name and address etc.) information enabling the Company to make payments (salary, bank account number, deductions, allowances etc.) information enabling access to benefits (details of family members required for insurance and pension purposes), information specifically regarding the Employment, (supervisor information, details of job title, the Company's personal development plans, performance rating and training plans etc.), and information enabling the Company to fulfil legal requirements (tax and National Insurance information etc.).
Employment Related Sensitive Personal Data	information relating to the Executive regarding racial and ethnic origin, political opinions, religious or other beliefs, trade union membership, health, sexual orientation and criminal convictions**.**
ERA 1996	the Employment Rights Act 1996.
Prospective Customer	any person with which the Company had negotiations or discussions regarding the possible business relationship, or distribution, sale or supply of Company Goods or Company Services during the 12 months immediately preceding the date of termination of the Employment and with which during such period:

1. the Executive had personal dealings in the course of the Employment; or

2. any employee of the Company who was under the direct or indirect supervision of the Executive had personal dealings in the course of that employee's employment.

Prospective Supplier — any person with which the Company had negotiations or discussions regarding the possible business relationship with distribution, sale or supply of goods or services to the Company during the 12 months immediately preceding the Termination Date and with which during such period:

1. the Executive had personal dealings in the course of the Employment; or

2. any employee of the Company who was under the direct or indirect supervision of the Executive had personal dealings in the course of that employee's employment.

Recognised Investment Exchange — an investment exchange in relation to which there is in force a recognition order made by the Financial Services Authority under the Financial Services and Markets Act 2001. The OTC, AMEX and NASDQ are considered a Recognized Investment Exchange.

Regulations — the Working Time Regulations 1998.

Restricted Area — England, Scotland, Wales, Israel and the United States of America.

Restricted Goods — Company Goods or goods of a similar kind.

Restricted Period — the period of:

1. 6 months immediately following the date of termination of the Employment; or

2. 6 months immediately following the last date on which the Executive carried out duties assigned to him by the Company (if no duties have been assigned to the Executive during a period immediately preceding the date of termination of the Employment in accordance with clause 14.5).

Restricted Services — Company Services or services of a similar kind relating to anti-inflammatory agents or compounds or methods.

Salary — the Executive's salary referred to in clause 6.1.

Supplier any person which has supplied materials, goods or services to the Company during the two years immediately preceding the date of termination of the Employment and with which, during such period:

1. the Executive had personal dealings in the course of the Employment; or

2. any employee of the Company who was under the direct or indirect supervision of the Executive had personal dealings in the course of that employee's employment.

3. References to persons include bodies, corporate, unincorporated associations and partnerships.

4. References to writing include e-mail, word processing, typewriting, printing, lithography, photography, facsimile messages and other modes of reproducing words in a legible and non transitory form.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the 26th day of July 2012.

MORRIA Biopharmaceuticals, Plc

By /s/ YUVAL COHEN
Name: Yuval Cohen
President

By: /s/ MARK COHEN
Name: Mark Cohen
Executive Chairman

Alan Harris

By: /s/ ALAN HARRIS

MORRIA BIOPHARMACEUTICALS, PLC.

2007 STOCK OPTION PLAN

A. NAME AND PURPOSE

1. Name: This plan, as amended from time to time, shall be known as the Morria Biopharmaceuticals, PLC. 2007 Stock Option Plan (the "**Plan**").

2. Purpose:

2.1. The purpose and intent of this Plan is to provide an additional incentive to employees, officers, directors, consultants and certain other service providers of the Company (collectively, "Service Providers") and any Parent or Subsidiary of the Company (both as defined below) to further the growth, development and financial success of the Company by providing them with opportunities to purchase Shares (as defined below) of the Company pursuant to this Plan and to promote the success of the Company's business.

Options granted under the Plan may contain such terms as will qualify such options as ISOs (under US tax law), as determined by the Administrator at the time of grant of an option and subject to the applicable provisions.

The Plan was adopted by the Board of Directors of the Company on August 28, 2007.

2.2. Definitions: For the purposes of this 2007 Stock Option Plan, the following terms shall have the meaning ascribed thereto as set forth below:

(a) "**Administrator**" means the Board or any of its Committees as shall be administrating the Plan, in accordance with Section 4 of the Plan.

(b) "**Applicable Laws**" means the requirements relating to the adoption and administration of stock option plans under the United Kingdom corporate laws, United Kingdom securities laws, the U.S Code, any rules and regulation promulgated thereunder, any stock exchange or quotation system on which the Shares may be listed or quoted and the applicable laws of any other country or jurisdiction where Options (as defined below) are, or will be, granted under the Plan (as defined below).

(c) "**Additional Rights**" means any distribution of rights, including an issuance of bonus shares and/or the Shares issued upon exercise of such Options.

(d) "**Board**" means the Board of Directors of the Company.

(e) "**California Optionee**" shall mean an individual who is a resident of the State of California and who is receiving an Option under the Plan.

(f) "**Cause**" means any of the following: (i) breach of the Optionee's (as defined below) duty of loyalty towards the Company and/or any Parent or Subsidiary of the Company, including breach of confidentiality obligation; (ii) breach of the Optionee's duty of care towards the Company and/or any Parent or Subsidiary of the Company; (iii) the Optionee has committed any flagrant criminal offense; (iv) the Optionee has committed a fraudulent act towards the Company and/or any Parent or Subsidiary of the Company; (v) the Optionee caused intentionally, by act or omission, any financial damage to the Company and/or any Parent or Subsidiary of the Company or harm the business reputation of the Company and/or any Parent or Subsidiary of the Company; (vi) any other circumstance deemed by law to constitute "cause", pursuant to which an employer is relieved from the duty to pay severance pay to an employee; or (vii) any other circumstances defined in the Optionee's employment or engagement agreement with the Company and/or any Parent or Subsidiary of the Company as constituting "cause".

(g) "**Code**" means the U.S. Internal Revenue Code of 1986, as amended.

(h) "**Committee**" means a committee of Directors (as defined below) or of other individuals satisfying Applicable Laws to which the Board has delegated power to act under or pursuant to the provisions of the Plan. In the absence of any such delegation, the Committee will consist of the entire Board.

(i) "**Company**" means Morria Biopharmaceuticals, Plc. A Company incorporated under the laws of the United Kingdom.

(j) "**Continuous Status as an Employee**" means the absence of any interruption or termination of the employment relationship with the Company or any Subsidiary. Continuous Status as an Employee shall not be considered interrupted in the case of (i) medical leave, maternity leave, paternity leave, military leave, family leave or any leave of absence approved by the Company, provided that such leave does not result in the termination of the employment relationship with the Company or any Parent or Subsidiary, as the case may be; or (ii) transfer between locations of the Company, or (iii) transfer of employment between the Company, its Parent, any of its Subsidiaries, or any successor thereto. Notwithstanding anything to the contrary set forth hereinabove, for purposes of ISO, no such leave may exceed ninety (90) days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then any ISO held by such Optionee that are not exercised within ninety (90) days after the [commencement of the leave of absence/ the ninety-first (91st) day of such leave] shall, on the ninety-first day after the commencement of the leave of absence, cease to be treated as an ISO and shall be treated for tax purposes as a NSO.

(k) "**Director**" means a member of the Board.

(l) "**Disability**" shall mean (i) prior to the date on which any security of the Company becomes a Listed Security, the inability of a person, in the opinion of a qualified physician acceptable to the Company, to perform the major duties of that person's position in the Company or any Parent or Subsidiary, because of sickness or injury of that person; or (ii) after the date on which any security of the Company becomes a Listed Security, the permanent and total disability as defined in Section 22(e)(3) of the Code.

(m) "**Employee**" means any person, including officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(n) "**Exercise Price**" means the price per share determined by the Committee in accordance with Section 9 below, which is to be paid to the Company in order to exercise an Option and purchase the Stock(s) covered thereby.

(o) "**Expiration Date**" of an Option means the earlier of: (i) the expiration of ten (10) years from the date such Option was granted; or (ii) the expiration date set forth in the Option Agreement.

(p) "**Fair Market Value**" means, as of any date, the value of a Share determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system, on the date of determination or, if the date of determination is not a trading day, the immediately preceding trading day, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the date of determination or, if there are no quoted prices on the date of determination, on the last day on which there are quoted prices prior to the date of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Administrator.

(q) "**Incentive Stock Option**" or "**ISO**" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder and is expressly designated by the Administrator at the time of grant as an ISO.

(r) "**IPO**" means the Company's initial underwritten public offering of its securities pursuant to an effective registration statement under the United States Securities Act of 1933, as amended or equivalent law of another jurisdiction.

(s) "**Listed Security**" shall mean any security of the Company that is listed or approved for listing on a national securities exchange or designated or approved for designation as a national market system security on an interdealer quotation system by the National Association of Securities Dealers Inc. or on any qualified public stock exchange in the UK.

(t) "**M&A Event**" means (i) the acquisition of the Company by another entity by means of any transaction or series of related transactions (including, without limitation, any reorganization, merger or consolidation); or (ii) a sale of all or substantially all of the assets of the Company (including, for purposes of this section, intellectual property rights which, in the aggregate, constitute substantially all of the Company's material assets); unless in each case, the Company's stockholders of record as constituted immediately prior to such acquisition or sale will, immediately after such acquisition or sale (by virtue of securities issued as consideration for the Company's acquisition or sale or otherwise) hold at least fifty percent (50%) of the voting power of the surviving or acquiring entity.

(u) "**Nonstatutory Stock Option**" or "**NSO**" means an Option that does not qualify as an Incentive Stock Option. Options granted to U.S. residents that do not contain such terms as will qualify them as ISO, shall be regarded as Nonstatutory Stock Options.

(v) "**Notice of Exercise**" has the meaning ascribed to it in Section 9 below.

(w) "**Option(s)**" means a right to purchase Shares granted under Section 7 below, and subject to the terms specified in the Plan, whether, ISOs, NSOs or options issued under other tax regimes.

(x) "**Optionee(s)**" means the holder of an outstanding Option granted under the Plan.

(y) "**Option Agreement**" means a written or electronic agreement between the Company and the Optionee evidencing the terms and conditions of an individual grant of Option, as further specified in Section 7 below. The Option Agreement is subject to the terms and conditions of the Plan.

(z) "**Parent**" means "a parent corporation", whether now or hereafter existing, as defined in Section 424(e) of the Code.

(aa) [Intentionally Omitted]

(bb) "**Share(s)**" means an Ordinary Share of the Company, par value £0.01 each, as adjusted in accordance with Section 7 of the Plan.

(cc) "**Subsidiary**" means a "Subsidiary Corporation", whether now or hereafter existing, as defined in Section 424(f) of the Code.

(dd) "**Ten Percent Holder**" shall mean a person who owns stock representing more then ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary.

B. GENERAL TERMS AND CONDITIONS OF THE PLAN

3. Interpretation. Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

4. Administration.

4.1. The Committee shall have the power to administer the Plan. Notwithstanding the above, the Board shall automatically have a residual authority if no Committee shall be constituted or if such Committee shall cease to operate for any reason whatsoever. Subject to Applicable Laws, members of the Committee shall be eligible to receive Options under the Plan while serving on the Committee.

4.2. To the extent that the Administrator determines it to be desirable to qualify Options granted hereunder as "performance-based compensation" within the meaning of Section 162(m) of the Code, the Plan shall be administered by a Committee of two or more "outside directors" within the meaning of Section 162(m) of the Code.

4.3. Subject to the terms and conditions of this Plan, and subject to the approval of any relevant authorities and to Applicable Laws, the Committee shall have full power and authority, at all times, to: (i) determine the Fair Market Value of the Shares pursuant to the provisions of this Plan, provided such determination shall be applied consistently; (ii) select the Optionees to whom Options may from time to time be granted hereunder, and to grant the Options to said Optionees; (iii) designate Options as ISOs, NSOs or options granted pursuant to other tax regimes; (iv) determine the terms and provisions of the Option Agreements, not inconsistent with the terms of the Plan, (which need not be identical) including, but not limited to, the type of the Option to be granted, the number of Shares to be covered by an Option, the Exercise Price, the time or times when and the extent to which an Option shall be vested and may be exercised and the nature and duration of restrictions as to transferability or restrictions constituting a substantial risk of forfeiture; (v) accelerate the right of an Optionee to exercise, in whole or in part, any Option, or extend such right; (vi) approve forms of Option Agreement for use under the Plan; (vi); (vii) interpret and construe the provisions of the Plan and the Option Agreements; (viii) amend the Option Plan from time to time in order to qualify for tax benefits under the Applicable. Laws; (ix) adopt sub-plans, Plan addenda and appendices to the Plan as the Committee deems desirable, to accommodate foreign laws, regulations and practice. The provisions of such sub-plans, Plan addenda and appendices to the Plan may take precedence over other provisions of the Plan, with the exception of Section 4, but unless otherwise superseded by the terms of such sub-plans, Plan addenda and appendices to the Plan, the provisions of the Plan shall govern their operation; (x) exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interests of the Company with respect to the Plan, including but not limited to prescribe, amend and rescind any rules and regulations relating to the Plan (including rules and regulations relating to sub-plans, Plan addenda and appendices to the Plan established for the purpose of satisfying applicable foreign laws); (xi) impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by an Optionee or other subsequent transfers by the Optionee of any Shares issued as a result of or under an Option; and (xii) take all other action and determine any other matter which is necessary or desirable for, or incidental to, the administration of the Plan.

4.4. The interpretation and construction by the Committee of any provision of the Plan (including sub-plans, Plan addenda and appendices to the Plan), the Option Agreement or of any Option thereunder shall be final and conclusive, unless otherwise determined by the Board.

5. Reserved Shares.

5.1. The aggregate number of Shares that may be issued upon exercise of Options under the Plan shall not exceed 1,365,000 Shares, subject to adjustments as provided in Section 11 of the Plan. The Shares subject to the Plan may be either authorized but unissued Shares or reacquired Shares.

5.2. Any Shares under the Plan, in respect of which the right hereunder of an Optionee to purchase the same shall for any reason terminate, become cancelled, expire or otherwise cease to exist, shall again be available for grant through Options under the Plan (unless the Plan has terminated). No fraction of Shares may be issued under the Plan.

5.3. The Board may, at any time during the term of the Plan, increase the number of Shares available for grant under the Plan. The Company's stockholders must approve such increase, if so required under Applicable Laws and/or the Company's Articles of Association and/or any Shareholders Rights Agreement, as shall be in effect from time to time.

6. Eligible Optionees.

6.1. Subject to the terms and conditions of the Plan and any restriction imposed by Applicable Laws, Options may be granted to Optionees, as selected by the Administrator in its sole discretion, but *provided however* that notwithstanding anything to the contrary herein, Nonstatutory Stock Options may be granted to Employees or to such other individuals as determined by the Administrator whom the Company has offered a position of Employee. Incentive Stock Options may be granted only to Employees. Each Option shall be designated in the Option Agreement as either: (1) an ISO; (2) a NSO.

6.2. Notwithstanding any designation under 6.2, in the case of an ISO, to the extent that the aggregate Fair Market Value of Shares with respect to which Options designated as ISO are exercisable for the first time by any Optionee during any calendar (under all plans of the Company or any Parent or Subsidiary of the Company), exceeds $100,000, such excess Options shall be treated as NSO. For purposes of this Section 6.3, ISO shall be taken into account in the order in which they were granted and the Fair Market Value of the Shares shall be determined as of the date of grant of such Option.

6.3. Eligibility to participate in the Plan does not confer any right to be granted Options under the Plan. Participation in the Plan is voluntary. The grant of an Option to an Optionee hereunder, shall neither entitle such Optionee to participate, nor disqualify him from participating, in any grant of Options pursuant to this Plan or any other share incentive or stock option plan of the Company or any Parent or Subsidiary of the Company.

7. Issuance of Options.

7.1. Options may be granted at any time, after the Plan shall become effective as specified in Section 15 hereof, subject to obtaining all the necessary approvals (if any) from any regulatory body or governmental agency having jurisdiction over the Company and/or any Parent or Subsidiary and/or any Optionee. The date of grant of each Option shall be the date specified by the Committee at the time such Option is granted and subject to the Applicable Laws.

7.2. An Option Agreement shall evidence each Option granted pursuant to the Plan. The Option Agreement shall state, *inter alia*, the number of Shares covered thereby, the type of Option granted thereunder, the dates and schedule when the Option may be exercised, the Exercise Price and such other terms and conditions as the Committee in its discretion may prescribe, provided that they are consistent with this Plan and Applicable Laws.

8. Option Exercise Price and Consideration.

8.1. The per Share Exercise Price for the Shares to be issued pursuant to the exercise of an Option shall be such price as determined by the Administrator and set forth in the Option Agreement, on an individual basis, subject to any guidelines as may be determined by the Board from time to time, provided, however, that the Exercise Price shall be not less than the nominal value of the Shares underlying the Option, and subject to the following:

(i) In the case of an ISO or in case of any Option granted to a California Optionee under this Plan, if:

(A) granted to an Employee who, at the time the ISO is granted, owns shares representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant; or

(B) granted to any Employee other than an Employee described in paragraph (A) immediately above, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant;

(ii) In the case of a Nonstatutory Stock Option granted to residents of the United States excluding California Optionees, the per Share exercise price shall be determined by the Administrator. In the case of a Nonstatutory Stock Option intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant;

(iii) Notwithstanding the foregoing (except for the requirement that the Exercise Price shall be not less than the nominal value of the shares), Options may be granted with a per Share exercise price other than as required above in accordance with and pursuant to a transaction described in Section 424 of the Code.

8.2. The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Committee subject to Applicable Laws and, in the case of an ISO, the acceptable form of consideration shall be determined at the time of grant. Such consideration may consist of, without limitation, (1) cash, (2) check or wire transfer, or (3) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Committee shall consider if acceptance of such consideration may be reasonably expected to benefit the Company.

9. Exercise of Options.

9.1. Term of Option. Options shall be exercisable pursuant to the terms under which they were awarded and subject to the terms and conditions of this Plan; provided, however, that in no event shall an Option be exercisable after the earlier of: (i) the expiration of ten (10) years from the date such Option was granted; (ii) in the event of the grant of an ISO to a Ten Percent Shareholder, the expiration of five (5) years from the date of grant; or (iii) the Expiration Date of the Option (as defined in the Option Agreement).

9.2. Unless the Committee provides otherwise and unless contrary to any Applicable Laws, vesting of Options granted hereunder shall be suspended during any unpaid leave of absence. An Option may not be exercised for a fraction of a Share. Provided however that, if required under Applicable Laws, the Option (or Shares issued upon the exercise of the Option) shall comply with the requirements of Section 260.140.41(f) of the Rules of the California Corporations Commissioner which provides for the right to exercise at a rate of at least twenty percent (20%) per year over five years from the date the Option is granted, subject to reasonable conditions such as continued employment or, in the case of an Option granted to officers, directors, managers or consultants, the Option may become fully exercisable at any time, subject to reasonable conditions such as continued employment.

9.3. Anything herein to the contrary notwithstanding, if any Option, or any part thereof, has not been exercised within the time periods set forth in Section 9.1 above, and the Shares covered thereby not paid for until such time, then such Option, or such part thereof, and the right to acquire such Shares shall terminate, and all interests and rights of the Optionee in and to the same shall expire.

9.4. An Option, or any part thereof, shall be exercisable by the Optionee's signing and returning to the Company at its principal office, on any business day, a "Notice of Exercise" in such form and substance as may be prescribed by the Committee from time to time, which exercise shall be effective upon receipt of such signed notice by the Company at its principal office, on any business day. The Notice of Exercise shall specify the number of Shares with respect to which the Option is being exercised and shall be accompanied by payment of the aggregate Exercise Price due with respect to the Shares to be purchased. Such payment may consist of any consideration and method of payment authorized by the Committee and permitted by the Option Agreement and the Plan. If required under Applicable Laws, the Notice of Exercise shall also be accompanied by payment of the aggregate withholding taxes due with respect to the exercise of Options and/or purchased Shares.

9.5. If Applicable Laws require the Company to take any action with respect to the Shares specified in the Notice of Exercise before the issuance thereof, then the date of their issuance shall be extended for the period necessary to take such action.

9.6. Prior to exercise, the Optionees shall have none of the rights and privileges of a shareholder of the Company in respect to any Shares purchasable upon the exercise of any part of an Option. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to receive dividends or any other rights as a stockholder shall exist with respect to the Shares, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such Shares promptly after the Option is exercised, subject to the provisions of Section 13 hereof. No adjustment will be made for a dividend or other right, for which the record date precedes the date of issuance of the Shares, except as provided in Section 11 hereof.

9.7. [Intentionally Omitted]

9.8. Exercise of an Option in any manner shall result in a decrease in the number of Shares that thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

10. Termination of Relationship as an Employee.

10.1. Except as provided below, an Option, or any part thereof, may not be exercised unless the Optionee is then a Service Provider of the Company or any Parent or Subsidiary thereof.

10.2. Unless otherwise provided by the Committee or required by the Code, if an Optionee ceases to be an Employee of the Company or any Parent or Subsidiary thereof for any reason (including, but not limited to, resignation and retirement, but excluding termination by reasons of dismissal not for Cause, Optionee's Disability, death or Cause, for which events there are special rules in Subsections (10.3) through (10.5) below), all Options granted to the Optionee, which are vested and exercisable at the time of such termination, may, unless earlier terminated in accordance with the Option Agreement, be exercised within one (1) month following the date of such termination, but in no event later than the Expiration Date of such Option, as set forth in the Option Agreement. If, after termination, the Option is not so exercised within the time specified herein, the Option shall terminate, and the Shares covered by the unexercised portion of such Option shall revert to the Plan. Unless the Committee provides otherwise, if on the date of termination, the Optionee is not vested as to his entire Option, the Shares covered by the unvested portion of the Option shall revert to the Plan.

10.3. Unless otherwise provided by the Committee, if an Optionee ceases to be a Service Provider of the Company or any Parent or Subsidiary thereof (in the case of an Employee, as a result of dismissal not for Cause), all Options granted to the Optionee, which are vested and exercisable at the time of such dismissal/termination, may, unless earlier terminated in accordance with the Option Agreement, be exercised within three (3) months following the date of such termination, but in no event later than the Expiration Date of such Option, as set forth in the Option Agreement. If, after termination, the Option is not so exercised within the time specified herein, the Option shall terminate, and the Shares covered by the unexercised portion of such Option shall revert to the Plan. Unless the Committee provides otherwise, if on the date of termination, the Optionee is not vested as to his entire Option, the Shares covered by the unvested portion of the Option shall revert to the Plan.

10.4. Unless otherwise provided by the Committee, if an Optionee ceases to be an Employee of the Company or any Parent or Subsidiary thereof as a result of Optionee's Disability or death, all Options granted to the Optionee, which are vested and exercisable at the time of such termination, may, unless earlier terminated in accordance with the Option Agreement, be exercised within (6) months (or such other period of time not exceeding twelve (12) months as determined by the Administrator) following the date of death by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that would have accrued had the Optionee continued living and terminated his or her employment six (6) months (or such other period of time not exceeding twelve (12) months as determined by the Administrator) after the date of death; or (ii) within ninety (90) days after the termination of Continuous Status as an Employee, the Option may be exercised, at any time within six (6) months (or such other period of time not exceeding twelve (12) months as determined by the Administrator) following the date of death by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that had accrued at the date of termination. If the Option is not so exercised within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan. Notwithstanding the above, if an Optionee ceases to be an Employee of the Company or any Parent or Subsidiary thereof for Cause, all outstanding Options granted to such Optionee (whether vested or not) shall, to the extent not theretofore exercised, expire immediately upon the earlier of: (i) the date of such termination; or (ii) the time of delivery of the notice of termination for Cause, unless otherwise determined by the Committee. The Shares covered by such expired Options shall revert to the Plan.

10.5. Notwithstanding the above, if an Optionee ceases to be an Employee of the Company or any Parent or Subsidiary thereof for Cause, all outstanding Options granted to such Optionee (whether vested or not) shall, to the extent not theretofore exercised, expire immediately upon the earlier of: (i) the date of such termination; or (ii) the time of delivery of the notice of termination for Cause, unless otherwise determined by the Committee. The Shares covered by such expired Options shall revert to the Plan.

In addition and notwithstanding Subsections (2) through (4) above, if after termination of relationship as an Employee, Optionee does not comply in full with any of non-compete, non solicitation, confidentiality or any other requirement of any agreement between the Optionee and the Company (or any Parent or Subsidiary thereof engaging the Optionee), the Committee may, in its sole discretion, refuse to allow the exercise of the Options.

10.6. For the purpose of this Section 10, termination of relationship as a Service Provider shall be deemed to be effective upon the date, which is designated by the Company (or any Parent or Subsidiary thereof engaging the Optionee) as the last day of the Optionee's provision of services for the Company or any Parent or Subsidiary thereof.

10.7. For the purpose of this Section 10, a transfer of the Optionee from the employment of the Company to any Parent or Subsidiary (and vise versa) or between Subsidiaries or between a Parent and a Subsidiary shall not be deemed a termination of relationship as an employee, unless otherwise determined by the Committee.

10.8. The Administration may at any time offer to buy out for a payment in cash or shares an Option previously granted based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

11. Adjustments, Liquidation and M&A Event:

11.1. Adjustments. Subject to any required action by the stockholders of the Company, the number and type of Shares covered by each outstanding Option which have been authorized for issuance under the Plan but as to which no Option have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, and the number and type of Shares covered by each outstanding Option, as well as the Exercise Price per Share covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number or type of issued Shares resulting from a stock split, reverse stock split, stock dividend, recapitalization, combination or reclassification of the Shares, or any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan. The conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Committee, in its sole discretion. The Company shall not be required to issue fractional Shares or other securities under the Plan as a result of such adjustment and any fractional interest in a Share or other security that would otherwise be delivered upon the exercise of an Option will be cancelled. Except as expressly provided herein, no issuance by the Company of any class of shares, or securities convertible into any class of shares, shall affect, and no adjustment by reason thereof shall be made with respect to, the number, type or price of Shares subject to an Option.

11.2. In addition to any adjustments that are made under Section 11.1 above, the Committee shall also make such adjustments to the extent required by Section 25102(o) of the California Corporations Code with respect to Options granted to California Optionees.

11.3. No adjustment reflecting an increase in the value of an Optionee's rights to purchase Shares shall be made under this section 11 in the case of an ISO, without the consent of an Optionee, if such adjustment will constitute a modification, extension or renewal of the Option within the meaning of section 424(h) of the Code.

11.4. Dissolution or Liquidation. In the event of dissolution or liquidation of the Company, the Company shall have no obligation to notify the Optionees of such event and any Options that have not been previously exercised will terminate immediately prior to the consummation of such dissolution or liquidation. Notwithstanding the above, in the event of a voluntary liquidation of the Company, which is not within the frame of a merger or acquisition of the Company, the Committee shall notify each Optionee as soon as practicable prior to the effective date of such proposed transaction, and any Options that have not been previously exercised will terminate immediately prior to the consummation of such proposed transaction.

11.5. M&A Event. In case of M&A Event, each outstanding Option shall be treated as the Committee determines, including, without limitation, that each Option be assumed or an equivalent option substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. The Committee shall not be required to treat all Options similarly in the transaction. In the event that the Option is not assumed or substituted for following M&A Event, the Option shall terminate as of the date of the closing of the M&A Event and the Committee shall notify the Optionee in writing or electronically of such termination. For the purposes of this Subsection (4), the Option shall be considered assumed if, following the M&A Event, the Option confers the right to purchase or receive, for each Share subject to the Option immediately prior to the M&A Event, the consideration (whether stock, cash, or other securities or property) received in the M&A Event by holders of Ordinary Shares for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the M&A Event is not solely common stock of the successor corporation or its Parent or Subsidiary, the Committee may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option, for each Share subject to the Option, to be solely ordinary shares of the successor corporation or its Parent or Subsidiary equal in fair market value to the per share consideration received by holders of Common Stock in the M&A Event.

12. Limited Transferability of Options/ Shares:

12.1. No Option may be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than: (i) by will; (ii) by the laws of descent and distribution or (iii) pursuant to a qualified domestic relations order as defined by the Code or Title 1 of the Employee Retirement Income Security Act, and may be exercised during the lifetime of the Optionee, only by the Optionee. If the Administrator makes an Option transferable, such Option shall contain such additional terms and conditions as the Administrator deems appropriate.

12.2. The terms of the Plan and the Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee. Any attempted sale, transfer, assignment, pledge, hypothecation or other disposition of any Option or of any rights granted thereunder contrary to the provisions of this Plan shall be null and void.

12.3. Shares acquired upon exercise of an Option shall be subject to such restrictions on transfer as are generally applicable to Ordinary Shares of the Company on the date of grant of the Option, including but not limited to (i) restrictions then detailed in the Company's Articles of Association; and (ii) restrictions then detailed in any shareholders agreements (as applicable to other holders of Ordinary Shares of the Company), regardless of whether or not the Optionee is a party to such agreements.

12.4. In the event the Shares shall be registered for trading in any public market, the Committee may impose certain limitations on the Optionee's right to sell the Shares as may be reasonably requested by the Company's underwriters, and Optionee shall unconditionally agree and accept any such limitations.

13. Conditions Upon Issuance of Shares:

13.1. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares shall comply with Applicable Laws and shall be further subject to the approval of counsel for the Company with respect to such compliance. Without derogating from the generality of the foregoing, the Company shall not be required to issue or deliver any Shares (or any certificate or certificates for such Shares) purchased upon exercise of any Option (or portion thereof) prior to the completion of any registration or other qualification of such Shares, if so required under any Applicable Law.

13.2. As a condition to the exercise of an Option, the Committee may require the Optionee exercising such Option to represent and warrant at the time of such exercise, if, in the opinion of counsel for the Company, such a representation is required, that (i) the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares; and (ii) the Optionee shall not sell, transfer or otherwise dispose of any of the Shares so purchased by him, except in compliance with the applicable securities laws, and the rules and regulations thereunder. Furthermore, the Company shall have the authority to endorse upon the certificate or certificates representing the Shares such legends referring to the foregoing restrictions, and any other applicable restriction, as it may deem appropriate.

14. Tax Consequences:

14.1. Any tax consequences arising from the grant or exercise of any Option, from the payment for Shares covered thereby, from the sale or disposition of such Shares or from any other event or act (of the Optionee, the Company or any Parent or Subsidiary of the Company) hereunder, shall be borne solely by the Optionee unless otherwise a requirement of the Applicable Laws. The Company or any Parent or Subsidiary of the Company shall withhold taxes according to the requirements under the Applicable Laws, and it may take steps as it may deem necessary for withholding all due taxes, including, but not limited to (i) to the extent permitted by Applicable Laws, deducting the amount so required to be withheld from any other amount then or thereafter payable to an Optionee; and/or (ii) requiring an Optionee to pay to the Company or any Parent or Subsidiary of the Company the amount so required to be withheld as a condition for the issuance, delivery, distribution or release of any Shares. Furthermore, such Optionee shall agree to indemnify the Company and/or any Parent or Subsidiary of the Company that engages the Optionee and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to the Optionee. Except as otherwise required by Applicable Laws, the Company shall not be required to release any Share certificate to an Optionee until all required payments have been fully made. In the event an Optionee shall cease to be an Employee of the Company or any Parent or Subsidiary of the Company, for any reason, the Optionee shall be obligated to provide the Company and/or its Parent or Subsidiary with a security or guarantee, in the degree and manner satisfactory to them, to cover any future tax obligation resulting from the disposition of the Options and/or the Shares acquired thereunder.

14.2. When an Optionee incurs tax liability in connection with the exercise of an Option, which tax liability is subject to tax withholding under applicable tax laws, and the Optionee is obligated to pay the Company an amount required to be withheld under applicable tax laws, the Optionee may satisfy the withholding tax obligation by electing to have the Company withhold from the Shares to be issued upon exercise of the Option that number of Shares having a Fair Market Value equal to the amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined (the "**Tax Date**"). All elections by an Optionee to have Shares withheld for this purpose shall be made in writing in a form acceptable to the Administrator and shall be subject to the following restrictions:

(a) the election must be made on or prior to the applicable Tax Date; and

(b) all elections shall be subject to the consent or disapproval of the Administrator.

In the event the election to have Shares withheld is made by an Optionee and the Tax Date is deferred under Section 83 of the Code because no election is filed under Section 83(b) of the Code, the Optionee shall receive the full number of Shares with respect to which the Option is exercised but such Optionee shall be unconditionally obligated to tender back to the Company the proper number of Shares on the Tax Date.

15. Term, Amendment and Termination of the Plan:

15.1. The Plan shall become effective upon the later of: (i) its adoption by the Board, or (ii) its approval by the Company's stockholders but only to the extent such an approval is necessary to comply with Applicable Laws. No ISO shall be granted unless the shareholders of the Company have approved the Option Plan within twelve (12) months before or after the Board of Directors of the Company adopts this Plan.

15.2. Unless sooner terminated, the Plan shall expire on the tenth (10) anniversary of its effective date.

15.3. The Committee, at any time and from time to time, may terminate, suspend or amend the Plan. The Committee shall obtain approval from the Company's stockholders of any Plan amendment to the extent necessary to comply with Applicable Laws. No amendment, suspension or termination of the Plan shall impair the rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Committee, which agreement must be in writing and signed by the Optionee and the Company. Termination of the Plan shall not affect the Committee's ability to exercise the powers granted to it hereunder with respect to Options granted under the Plan prior to the date of such termination.

15.4. No Option shall be granted to a resident of the State of California under this Plan more than ten (10) years after the earlier of: (i) the date of adoption of this Plan; or (ii) the date this Plan is approved by the shareholders and in no event beyond the date set forth in Section 15.2 above.

16. Grant of Information to California Optionees: The Company shall provide to each California Optionee and to each California Optionee who acquired Shares pursuant to the Plan, not less frequently than annually during the period such Optionee has one or more Options outstanding or during the period such individual owns such Shares, copies of annual financial statements. The Company shall not be required to provide such statements to key Employees whose duties in connection with the Company assure their access to equivalent information.

17. Inability to Obtain Authority: The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

18. Continuance of Engagement: Neither the Plan nor any Option granted hereunder shall impose any obligation on the Company or its Parent or Subsidiary, to continue its relationship with an Optionee as an Employee, and nothing in the Plan, in any Option Agreement or in any Option granted pursuant thereto shall confer upon any Optionee any right with respect to continuing the Optionee's relationship as an Employee with the Company or its Parent or Subsidiary nor shall it interfere in any way with his right or the Company's or its Patent's or Subsidiary's right to terminate such relationship at any time, with or without Cause, and with or without notice.

19. Non-Exclusivity of the Plan. The Plan shall not be construed as creating any limitations on the power of the Board or the Committee to adopt such other incentive arrangements as either may deem desirable, including without limitation, the granting of stock options otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

20. Governing Law and Jurisdiction. This Plan and all instruments issued thereunder or in connection therewith shall be governed by and construed and enforced in accordance with the laws of the U.S.A, without giving effect to the principles of conflict of laws thereof. Any dispute arising out of this Plan and all instruments issued thereunder or in connection therewith shall be resolved exclusively by the appropriate court in the U.S.A.

21. Reservation of Shares. The Company, during the term of this Plan, shall at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

22. Application of Funds. The proceeds received by the Company from the sale of Shares pursuant to Options will be used for general corporate purposes of the Company.

23. Severability. If any term or other provision of this Plan is determined to be invalid, illegal or incapable of being enforced by any Applicable Laws, the invalidity of such term or provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan, which shall remain in full force and effect.

* * *

SECOND AMENDMENT TO

MORRIA BIOPHARMACEUTICALS, PLC.

("Company")

2007 STOCK OPTION PLAN

(as amended and restated effective June 20, 2012)

1. Section 2.1 Purpose: is hereby amended to state at the end thereof the following:

The Plan was approved by the Board of Directors of the Company on August 28, 2007. The Plan was amended by the Board of Directors of the Company on April 26, 2012 to correct the definition of "Shares" set forth in Section 2.2(bb) of the Plan to accurately reflect a par value of £0.01 per share. The Plan was further amended by the Board of Directors of the Company on June 20, 2012 as set forth in this amendment.

2. Section 8.1 of the Plan is hereby deleted in its entirety and replaced with the following:

The per Share Exercise Price for the Shares to be issued pursuant to the exercise of an Option shall be such price as determined by the Administrator and set forth in the Option Agreement, on an individual basis, subject to any guidelines as may be determined by the Board from time to time, provided, however, that the Exercise Price shall be not less than the nominal value of the Shares underlying the Option, and subject to the following:

(i) In the case of an ISO granted under this Plan, if:

(A) granted to an Employee who, at the time the ISO is granted, owns shares representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant; or

(B) granted to any Employee other than an Employee described in paragraph (A) immediately above, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant;

(ii) In the case of a Nonstatutory Stock Option granted to a United States taxpayer, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant unless the terms of the Nonstatutory Stock Option comply with the requirements of Section 409A of the Code or are granted to a consultant to whom Section 409A of the Code does not apply.

3. Section 10 of the Plan is hereby deleted in its entirety and replaced with the following:

10. Termination of Relationship as a Service Provider.

10.1 Except as provided below, an Option, or any part thereof, may not be exercised unless the Optionee is then a Service Provider of the Company or any Parent or Subsidiary thereof.

10.2 Unless otherwise provided by the Committee in the Optionee's Option Agreement, an amendment thereto or as provided in an employment or other similar agreement, if an Optionee ceases to be a Service Provider of the Company or any Parent or Subsidiary thereof for any reason (including, but not limited to, resignation and retirement, but excluding termination by reasons of dismissal not for Cause, Optionee's Disability, death or Cause, for which events there are special rules in Subsections (10.3) through (10.5) below), all Options granted to the Optionee, which are vested and exercisable at the time of such cessation of service, may, unless earlier terminated in accordance with the Option Agreement and the Plan, be exercised within one (1) month following the date of such cessation of service, but in no event later than the Expiration Date of such Option, as set forth in the Option Agreement. If, the Option is not so exercised within the time specified herein, the Option shall terminate, and the Shares covered by the unexercised portion of such Option shall revert to the Plan. Unless the Committee provides otherwise, if on the date of cessation of service, the Optionee is not vested as to his entire Option, the Shares covered by the unvested portion of the Option shall revert to the Plan.

10.3 Unless otherwise provided by the Committee in the Optionee's Option Agreement, an amendment thereto or as provided in an employment or other similar agreement, if an Optionee ceases to be a Service Provider of the Company or any Parent or Subsidiary thereof as a result of dismissal not for Cause, all Options granted to the Optionee, which are vested and exercisable at the time of such dismissal, may, unless earlier terminated in accordance with the Option Agreement and the Plan, be exercised within three (3) months following the date of such dismissal not for Cause, but in no event later than the Expiration Date of such Option, as set forth in the Option Agreement. If, the Option is not so exercised within the time specified herein, the Option shall terminate, and the Shares covered by the unexercised portion of such Option shall revert to the Plan. Unless the Committee provides otherwise, if on the date of dismissal not for Cause, the Optionee is not vested as to his entire Option, the Shares covered by the unvested portion of the Option shall revert to the Plan.

10.4 Unless otherwise provided by the Committee in the Optionee's Option Agreement, an amendment thereto or as provided in an employment or other similar agreement, if an Optionee ceases to be a Service Provider of the Company or any Parent or Subsidiary thereof as a result of Optionee's Disability or death, all Options granted to the Optionee, which are vested and exercisable at the time of such Disability or death, may, unless earlier terminated in accordance with the Option Agreement and the Plan, be exercised within six (6) months following the date of Disability or death, but in no event later than the Expiration Date of such Option, as set forth in the Option Agreement. . If the Option is not so exercised within the time specified herein, the Option shall terminate, and the Shares covered by the unexercised portion of such Option shall revert to the Plan. Unless the Committee provides otherwise, if on death or Disability, the Optionee is not vested as to his entire Option, the Shares covered by the unvested portion of the Option shall revert to the Plan.

10.5 Notwithstanding the above, if an Optionee ceases to be a Service Provider of the Company or any Parent or Subsidiary thereof for Cause, all outstanding Options granted to such Optionee (whether vested or not) shall, to the extent not theretofore exercised, expire immediately upon the earlier of: (i) the date of such termination; or (ii) the time of delivery of the notice of termination for Cause, unless otherwise determined by the Committee. The Shares covered by such expired Options shall revert to the Plan.

In addition and notwithstanding Subsections (2) through (4) above, if after termination of service, Optionee does not comply in full with any of non-compete, non solicitation, confidentiality or any other requirement of any agreement between the Optionee and the Company (or any Parent or Subsidiary thereof engaging the Optionee), the Committee may, in its sole discretion, refuse to allow the exercise of the Options.

10.6 In no event may an Option which is an ISO be exercised later than (i) three months after the Optionee's termination of employment for any reason other than death or Disability and (ii) one year after Disability or such Option shall be deemed after such date to be a Nonstatutory Stock Option. For California Optionees, an Option must be exercisable for at least thirty (30) days from the date of an Optionee's termination of employment except in the case of Disability for which an Option must be exercisable for at least six (6) months from the date of termination of service due to Disability.

10.7 For the purpose of this Section 10, termination of relationship as a Service Provider shall be deemed to be effective upon the date, which is designated by the Company (or any Parent or Subsidiary thereof engaging the Optionee) as the last day of the Optionee's provision of services for the Company or any Parent or Subsidiary thereof.

10.8 For the purpose of this Section 10, a transfer of the Optionee from the employment or service of the Company to any Parent or Subsidiary (and vise versa) or between Subsidiaries or between a Parent and a Subsidiary shall not be deemed a termination of service, unless otherwise determined by the Committee.

10.9 The Administration may at any time offer to buy out for a payment in cash or shares an Option previously granted based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

4. Section 12.1 of the Plan is hereby deleted in its entirety and replaced with the following:

No Option may be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than: (i) by will; (ii) by the laws of descent and distribution; or (iii) in the case solely of a Nonstatutory Stock Option pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act or the rules thereunder and may be exercised during the lifetime of the Optionee, only by the Optionee. If the Administrator make an Option transferable, such Option shall no longer qualify as an incentive stock option and such Option shall contain such additional terms and conditions as the Administrator deems appropriate.

5. Section 16 of the Plan, Grant of Information to California Optionees, is hereby deleted in its entirety.

The foregoing amendment was duly adopted and approved in accordance with Section 15.3 of the Plan.

SECURITIES PURCHASE AGREEMENT

This **SECURITIES PURCHASE AGREEMENT** (the "**Agreement**"), dated as of April 3, 2012, is by and among Morria Biopharmaceuticals PLC, a public limited company formed under the laws of England and Wales (the "**Company**"), and the investors listed on the Schedule of Buyers attached hereto (individually, a "**Buyer**" and collectively, the "**Buyers**").

RECITALS

A. The Company and each Buyer is executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by Section 4(2) of the Securities Act of 1933, as amended (the "**1933 Act**"), and Rule 506 of Regulation D ("**Regulation D**") as promulgated by the United States Securities and Exchange Commission (the "**SEC**") under the 1933 Act.

B. The Company has authorized the issuance of original issue discount senior secured convertible notes in the aggregate original principal amount of $1,100,000 (the "**Principal Amount**"), in the form attached hereto as **Exhibit A** (the "**Notes**"), which Notes shall be convertible into the Company's ordinary shares, par value £0.01 per share (the "**Ordinary Shares**") (as converted, collectively, the "**Conversion Shares**"), in accordance with the terms of the Notes.

C. Each Buyer wishes to purchase, and the Company wishes to sell, upon the terms and conditions stated in this Agreement, (i) the aggregate original principal amount of the Notes set forth opposite such Buyer's name in column (3) on the Schedule of Buyers and (ii) a warrant to initially acquire up to the aggregate number of Ordinary Shares set forth opposite such Buyer's name in column (4) on the Schedule of Buyers, in the form attached hereto as **Exhibit B** (individually, a "**Warrant**" and, collectively, the "**Warrants**") (as exercised, collectively, the "**Warrant Shares**").

D. At the Closing (as defined below), the parties hereto shall execute and deliver a Registration Rights Agreement, in the form attached hereto as **Exhibit C** (the "**Registration Rights Agreement**"), pursuant to which the Company has agreed to provide certain registration rights with respect to the Registrable Securities (as defined in the Registration Rights Agreement), under the 1933 Act and the rules and regulations promulgated thereunder, and applicable state securities laws.

E. The Notes, the Guaranties (as defined below), and the Warrants are collectively referred to herein as the "**Initial Securities**." The Notes, the Conversion Shares, the Guaranties, the Warrants, and the Warrant Shares are collectively referred to herein as the "**Securities**."

F. The Notes will be secured by a first priority perfected security interest in all of the assets of the Company as evidenced by a security agreement in the form set forth as **Exhibit D** (the "**UK Security Agreement**").

G. The Notes will be secured by a first priority perfected security interest in all of the assets of the Company and its Subsidiaries (as defined below) as evidenced by a security agreement in the form set forth in **Exhibit E** hereto (the "**Security Agreement**" and together with the UK Security Agreement, the other security documents and agreements entered into in connection with this Agreement and each of such other documents and agreements, as each may be amended or modified from time to time, collectively, the "**Security Documents**").

H. Each of its Subsidiaries (as defined below) will execute a guaranty, in the form set forth in **Exhibit F**, in favor of each Buyer (collectively, the "**Guaranties**") pursuant to which each of them will guarantee the obligations of the Company under the Transaction Documents (as defined below).

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and each Buyer hereby agree as follows:

1. PURCHASE AND SALE OF INITIAL SECURITIES.

(a) Initial Securities. Subject to the satisfaction (or waiver) of the conditions set forth in Sections 7 and 8 below, the Company shall issue and sell to each Buyer, and each Buyer severally, but not jointly, shall purchase from the Company on the Closing Date (as defined below), (i) a Note in the original principal amount as is set forth opposite such Buyer's name in column (3) on the Schedule of Buyers and (ii) a Warrant to initially acquire up to the aggregate number of Warrant Shares as is set forth opposite such Buyer's name in column (4) on the Schedule of Buyers.

(b) Purchase Price. The aggregate purchase price for the Initial Securities to be purchased by each Buyer (the "**Purchase Price**") shall be the amount set forth opposite such Buyer's name in column (5) on the Schedule of Buyers and shall be equal to the aggregate Principal Amount of the Note issued to each Buyer divided by 1.1.

(c) Closing. The closing (the "**Closing**") of the purchase of the Initial Securities by the Buyers shall occur at the offices of Ellenoff Grossman & Schole LLP ("**EGS**"), 150 East 42nd Street, New York, New York 10017. The date and time of the Closing (the "**Closing Date**") shall be 10:00 a.m., New York time, on the first (1st) Business Day on which the conditions to the Closing set forth in Sections 7 and 8 below are satisfied or waived (or such later date as is mutually agreed to by the Company and each Buyer). As used herein, "**Business Day**" means any day other than a Saturday, Sunday or other day on which commercial banks in New York, New York or London, England are authorized or required by law to remain closed.

(d) Payment of Purchase Price on Closing Date; Delivery of Initial Securities. On the Closing Date, (i) each Buyer shall pay its respective Purchase Price to the Company for the respective Initial Securities to be issued and sold to such Buyer at the Closing, by wire transfer of immediately available funds in accordance with the Company's written wire instructions (less the amounts withheld pursuant to Section 5(g)) and (ii) the Company shall deliver to each Buyer (A) a Note (in such amount as is set forth opposite such Buyer's name in column (3) on the Schedule of Buyers) and (B) a Warrant pursuant to which such Buyer shall have the right to initially acquire up to the aggregate number of Warrant Shares as is set forth opposite such Buyer's name in column (4) on the Schedule of Buyers, in each case, duly executed on behalf of the Company and registered in the name of such Buyer.

2. [**RESERVED**]

3. BUYER'S REPRESENTATIONS AND WARRANTIES.

Each Buyer, severally and not jointly, represents and warrants to the Company with respect to only itself that:

(a) Organization; Authority. Such Buyer is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization with the requisite power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents to which it is a party and otherwise to carry out its obligations hereunder and thereunder.

(b) No Public Sale or Distribution. Such Buyer is acquiring the Securities for its own account and not with a view towards, or for resale in connection with, the public sale or distribution thereof in violation of applicable securities laws, except pursuant to sales registered or exempted under the 1933 Act; provided, however, by making the representations herein, such Buyer does not agree, or make any representation or warranty, to hold any of the Securities for any minimum or other specific term and reserves the right to dispose of the Securities at any time in accordance with or pursuant to a registration statement or an exemption under the 1933 Act. Such Buyer does not presently have any agreement or understanding, directly or indirectly, with any Person to distribute any of the Securities in violation of applicable securities laws.

(c) Accredited Investor Status. Such Buyer is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D.

(d) Reliance on Exemptions. Such Buyer understands that the Securities are being offered and sold to it in reliance on specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying in part upon the truth and accuracy of, and such Buyer's compliance with, the representations, warranties, agreements, acknowledgments and understandings of such Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of such Buyer to acquire the Securities.

(e) Information. Such Buyer and its advisors, if any, have been furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by such Buyer. Such Buyer and its advisors, if any, have been afforded the opportunity to ask questions of the Company. Such Buyer understands that its investment in the Securities involves a high degree of risk. Such Buyer has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision with respect to its acquisition of the Securities.

(f) No Governmental Review. Such Buyer understands that no United States federal or state agency or any other government or governmental agency has passed on or made any recommendation or endorsement of the Securities or the fairness or suitability of the investment in the Securities nor have such authorities passed upon or endorsed the merits of the offering of the Securities.

(g) No Public Market; Transfer or Resale. Such Buyer understands that no public market now exists for the Securities, and that the Company has made no assurances that a public market will ever exist for the Securities. Such Buyer understands that except as provided in the Registration Rights Agreement and Section 5(h) hereof: (i) the Securities have not been and are not being registered under the 1933 Act or any state securities laws, and may not be offered for sale, sold, assigned or transferred unless (A) subsequently registered thereunder, (B) such Buyer shall have delivered to the Company (if requested by the Company) an opinion of counsel to such Buyer, in a form reasonably acceptable to the Company, to the effect that such Securities to be sold, assigned or transferred may be sold, assigned or transferred pursuant to an exemption from such registration, or (C) such Buyer provides the Company with reasonable assurance that such Securities can be sold, assigned or transferred pursuant to Rule 144 or Rule 144A promulgated under the 1933 Act (or a successor rule thereto) (collectively, "**Rule 144**"); (ii) any sale of the Securities made in reliance on Rule 144 may be made only in accordance with the terms of Rule 144, and further, if Rule 144 is not applicable, any resale of the Securities under circumstances in which the seller (or the Person (as defined below) through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the 1933 Act) may require compliance with some other exemption under the 1933 Act or the rules and regulations of the SEC promulgated thereunder; and (iii) except with respect to the obligations of the Company under the Registration Rights Agreement, neither the Company nor any other Person is under any obligation to register the Securities under the 1933 Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder. If a Buyer or any subsequent holder of the Securities proposes to transfer the Securities held by such Person pursuant to Rule 144, the Company shall provide necessary opinions to its transfer agent, if requested, provided that such Buyer or such subsequent holder, as the case may be, provides the necessary representations as requested by the Company's counsel. As used in this Agreement, the Company may be its own transfer agent and registrar prior to the Self Filing Effective Date (as defined below).

(h) Validity; Enforcement. This Agreement has been duly and validly authorized, executed and delivered on behalf of such Buyer and constitutes the legal, valid and binding obligations of such Buyer enforceable against such Buyer in accordance with their respective terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies.

(i) No Conflicts. The execution, delivery and performance by such Buyer of this Agreement and the consummation by such Buyer of the transactions contemplated hereby will not (i) result in a violation of the organizational documents of such Buyer, (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which such Buyer is a party or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws) applicable to such Buyer, except in the case of clauses (ii) and (iii) above, for such conflicts, defaults, rights or violations which would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the ability of such Buyer to perform its obligations hereunder.

(j) Certain Trading Activities. Such Buyer has not directly or indirectly, nor has any Person acting on behalf of or pursuant to any understanding with such Buyer, engaged in any transactions in the securities of the Company (including, without limitation, any Short Sales (as defined below) involving the Company's securities) during the period commencing as of the time that Iroquois entered into the term sheet in respect of the specific investment in the Company contemplated by this Agreement and ending immediately prior to the execution of this Agreement by such Buyer (it being understood and agreed that for all purposes of this Agreement, and without implication that the contrary would otherwise be true, neither transactions nor purchases nor sales shall include the location and/or reservation of borrowable Ordinary Shares). "**Short Sales**" means all "short sales" as defined in Rule 200 promulgated under Regulation SHO under the Securities Exchange Act of 1934, as amended (the "**1934 Act**").

4. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

Except as set forth in the disclosure schedules referenced below (the "**Disclosure Schedules**"), which Disclosure Schedules shall be deemed a part hereof and shall qualify any representation, warranty or otherwise made herein to the extent of the disclosure contained in the corresponding section of the Disclosure Schedules, the Company represents and warrants to each of the Buyers that:

(a) Organization and Qualification. Each of the Company and each of its Subsidiaries are entities duly organized and validly existing and in good standing under the laws of the jurisdiction in which they are formed, and have the requisite power and authorization to own their properties and to carry on their business as now being conducted and as presently proposed to be conducted. Each of the Company and each of its Subsidiaries is duly qualified as a foreign entity to do business and is in good standing in every jurisdiction in which its ownership of property or the nature of the business conducted by it makes such qualification necessary, except to the extent that the failure to be so qualified or be in good standing would not, individually or in the aggregate, have a Material Adverse Effect. "**Material Adverse Effect**" means any material adverse effect on (i) the business, properties, assets, liabilities, operations (including results thereof), condition (financial or otherwise) or prospects of the Company or any Subsidiary, either individually or taken as a whole, (ii) the transactions contemplated hereby or in any of the other Transaction Documents or (iii) the authority or ability of the Company or any of its Subsidiaries to perform any of their respective obligations under any of the Transaction Documents (as defined below). Other than the Persons (as defined below) set forth on **Schedule 4(a)**, the Company has no Subsidiaries. "**Subsidiaries**" means any Person in which the Company, directly or indirectly, (I) owns any of the outstanding capital stock or holds any equity or similar interest of such Person or (II) controls or operates all or any part of the business, operations or administration of such Person, and each of the foregoing, is individually referred to herein as a "**Subsidiary**."

(b) Authorization; Enforcement; Validity. The Company has the requisite power and authority to enter into and perform its obligations under this Agreement and the other Transaction Documents and to issue the Securities in accordance with the terms hereof and thereof. Each Subsidiary has the requisite power and authority to enter into and perform its obligations under the Transaction Documents to which it is a party. The execution and delivery of this Agreement and the other Transaction Documents by the Company and its Subsidiaries, and the consummation by the Company and its Subsidiaries of the transactions contemplated hereby and thereby (including, without limitation, the issuance of the Initial Securities, the reservation for issuance and issuance of the Conversion Shares issuable upon conversion of the Notes and the issuance of the Warrants and the reservation for issuance and issuance of the Warrant Shares issuable upon exercise of the Warrants) have been duly authorized by the Company's board of directors and each of its Subsidiaries' board of directors or other governing body, as applicable, and (other than the filing with the SEC of one or more Registration Statements in accordance with the requirements of the Registration Rights Agreement, a Form D with the SEC and any other filings as may be required by any state securities agencies) no further filing, consent or authorization is required by the Company, its Subsidiaries, their respective boards of directors or their stockholders or other governing body. This Agreement has been, and the other Transaction Documents will be prior to the Closing, duly executed and delivered by the Company, and each constitutes the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with its respective terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies and except as rights to indemnification and to contribution may be limited by federal or state securities law (collectively, the "**Enforceability Exceptions**"). Prior to the Closing, the Transaction Documents to which each Subsidiary is a party will be duly executed and delivered by each such Subsidiary, and shall constitute the legal, valid and binding obligations of each such Subsidiary, enforceable against each such Subsidiary in accordance with their respective terms, except as such enforceability may be limited by the Enforceability Exceptions. "**Transaction Documents**" means, collectively, this Agreement, the Notes, the Warrants, the Guaranties, the Security Documents, the Registration Rights Agreement, the Irrevocable Transfer Agent Instructions (as defined below) and each of the other agreements and instruments entered into or delivered by any of the parties hereto or any of the Subsidiaries in connection with the transactions contemplated hereby and thereby, as may be amended from time to time.

(c) Issuance of Notes, Guaranties, and Warrants. The Notes and Warrants have been duly authorized by the Company, and, when duly executed and delivered in accordance with their respective terms by each of the parties thereto, will constitute a valid and legally binding agreement of the Company, enforceable against the Company in accordance with their respective terms, except as such enforceability may be limited by the Enforceability Exceptions. The Guaranties have been duly authorized by each Subsidiary and, when duly executed and delivered in accordance with their terms and the terms of the other Transaction Documents by each of the parties thereto, will constitute a valid and legally binding agreement of each Subsidiary, enforceable against each Subsidiary in accordance with their terms, except as such enforceability may be limited by the Enforceability Exceptions.

(d) Issuance of the Conversion Shares and Warrant Shares. As of the Closing, the Company shall have reserved from its duly authorized capital stock not less than 133% of the sum of (i) the maximum number of Conversion Shares issuable upon conversion of the Notes (assuming for purposes hereof that the Notes are convertible at the initial Conversion Price (as defined in the Notes) and without taking into account any limitations on the conversion of the Notes set forth therein) and (ii) the maximum number of Warrant Shares issuable upon exercise of the Warrants (assuming that all Warrants are exercised and without taking into account any limitations on the exercise of the Warrants set forth therein). Upon conversion in accordance with the Notes or exercise in accordance with the Warrants (as the case may be), the Conversion Shares and the Warrant Shares, respectively, when issued, will be validly issued, fully paid and non-assessable and free from all preemptive or similar rights, taxes, liens, charges and other encumbrances with respect to the issue thereof, with the holders being entitled to all rights accorded to a holder of Ordinary Shares.

(e) Exemption from 1933 Act. Subject to the accuracy of the representations and warranties of the Buyers in this Agreement, the offer and issuance by the Company of the Securities is exempt from registration under the 1933 Act.

(f) No Conflicts. The execution, delivery and performance of the Transaction Documents by the Company and its Subsidiaries and the consummation by the Company and its Subsidiaries of the transactions contemplated hereby and thereby (including, without limitation, the issuance of the Initial Securities, the reservation for issuance and issuance of the Conversion Shares issuable upon conversion of the Notes and the issuance of the Warrants and the reservation for issuance and issuance of the Warrant Shares issuable upon exercise of the Warrants) will not (i) result in a violation of the Memorandum of Association (as defined below) (including, without limitation, any certificate of designation contained therein) or other organizational documents of the Company or any of its Subsidiaries, any capital stock of the Company or any of its Subsidiaries or Articles of Association (as defined below) of the Company or any of its Subsidiaries, (ii) result in the adjustment of the exercise, conversion or exchange price and/or ratio in respect of any securities of the Company or any of its Subsidiaries, result in any such securities exercisable, convertible or exchangeable for a greater number of underlying securities, or require the approval or the receipt of waivers from any holders of any instrument or class of securities or counterparties to any agreement or understanding to which the Company or any Subsidiary is a party, (iii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, give to others any rights of termination, amendment, acceleration or cancellation of, any indenture, agreement, note, lease, mortgage, deed or other instrument to which the Company or any of its Subsidiaries is a party, or (iv) result in a violation of any law, rule, regulation, order, judgment or decree (including, without limitation, foreign, federal and state securities laws and regulations) applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected except, in the case of clause (ii), (iii) or (iv) above, to the extent such violations that would not reasonably be expected to have a Material Adverse Effect.

(g) No Violation. Neither the Company nor any of its Subsidiaries is (i) in violation of its charter or by-laws or similar organizational documents; (ii) in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, agreement, note, lease, mortgage, deed or other instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound or to which any of the property or assets of the Company or any of its Subsidiaries is subject; or (iii) in violation of any law, rule, regulation, order, judgment or decree (including, without limitation, foreign, federal and state securities laws and regulations) applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected except, in the case of clause (ii) or (iii) above, to the extent such violations that would not reasonably be expected to have a Material Adverse Effect.

(h) Consents. Neither the Company nor any Subsidiary is required to obtain any consent from, authorization or order of, or make any filing or registration with (other than the filing with the SEC of one or more Registration Statements in accordance with the requirements of the Registration Rights Agreement, a Form D with the SEC and any other filings as may be required by any state securities agencies), any court, governmental agency or any regulatory or self-regulatory agency or any other Person in order for it to execute, deliver or perform any of its respective obligations under, or contemplated by, the Transaction Documents, in each case, in accordance with the terms hereof or thereof. All consents, authorizations, orders, filings and registrations which the Company or any Subsidiary is required to obtain have been obtained or effected, and neither the Company nor any of its Subsidiaries are aware of any facts or circumstances which might prevent the Company or any Subsidiary from obtaining or effecting any of the registration, application or filings contemplated by the Transaction Documents.

(i) Acknowledgment Regarding Buyer's Purchase of Securities. The Company acknowledges and agrees that each Buyer is acting solely in the capacity of an arm's length purchaser with respect to the Transaction Documents and the transactions contemplated hereby and thereby. The Company further acknowledges that no Buyer is acting as a financial advisor or fiduciary of the Company or any of its Subsidiaries (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated hereby and thereby, and any advice given by a Buyer or any of its representatives or agents in connection with the Transaction Documents and the transactions contemplated hereby and thereby is merely incidental to such Buyer's purchase of the Securities. The Company further represents to each Buyer that the Company's and each Subsidiary's decision to enter into the Transaction Documents to which it is a party has been based solely on the independent evaluation by the Company, each Subsidiary and their respective representatives.

(j) No General Solicitation; Placement Agent's Fees. Neither the Company, nor any of its Subsidiaries or affiliates, nor any Person acting on its or their behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with the offer or sale of the Securities. The Company shall be responsible for the payment of any placement agent's fees, financial advisory fees, or brokers' commissions (other than for Persons engaged by any Buyer or its investment advisor) relating to or arising out of the transactions contemplated hereby. Neither the Company nor any of its Subsidiaries has engaged any placement agent or other agent in connection with the offer or sale of the Securities.

(k) No Integrated Offering. None of the Company, its Subsidiaries or any of their affiliates, nor any Person acting on their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would require registration of the issuance of any of the Securities under the 1933 Act, whether through integration with prior offerings or otherwise, or cause this offering of the Securities to require approval of stockholders of the Company under any applicable stockholder approval provisions. None of the Company, its Subsidiaries, their affiliates nor any Person acting on their behalf will take any action or steps that would require registration of the issuance of any of the Securities under the 1933 Act or cause the offering of any of the Securities to be integrated with other offerings of securities of the Company.

(l) Dilutive Effect. The Company understands and acknowledges that the number of Conversion Shares and Warrant Shares will increase in certain circumstances. The Company further acknowledges that its obligation to issue the Conversion Shares upon conversion of the Notes and the Warrant Shares upon exercise of the Warrants in accordance with this Agreement, the Notes and the Warrants is absolute and unconditional, regardless of the dilutive effect that such issuance may have on the ownership interests of other stockholders of the Company.

(m) Application of Takeover Protections; Rights Agreement. The Company and its board of directors have taken all necessary action, if any, in order to render inapplicable any control share acquisition, interested stockholder, business combination, poison pill (including, without limitation, any distribution under a rights agreement) or other similar anti-takeover provision under the Certificate of Incorporation, Bylaws or other organizational documents or the laws of the jurisdiction of its incorporation or otherwise which is or could become applicable to any Buyer as a result of the transactions contemplated by this Agreement, including, without limitation, the Company's issuance of the Securities and any Buyer's ownership of the Securities. The Company and its board of directors have taken all necessary action, if any, in order to render inapplicable any stockholder rights plan or similar arrangement relating to accumulations of beneficial ownership of Ordinary Shares or a change in control of the Company or any of its Subsidiaries.

(n) Financial Statements. The audited financial statements of the Company for the last two fiscal years are attached hereto as **Schedule 4(n)**. Such financial statements have been prepared in accordance with International Financial Reporting Standards as used in Israel ("**IFRS**") applied on a consistent basis during the periods involved, except as may be otherwise specified in such financial statements or the notes thereto, and fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended.

(o) Absence of Certain Changes. Since the date of the latest audited financial statements attached hereto there has been no material adverse change and no material adverse development in the business, assets, liabilities, properties, operations (including results thereof), condition (financial or otherwise) or prospects of the Company or any of its Subsidiaries. Since the date of the latest audited financial statements attached hereto, neither the Company nor any of its Subsidiaries has (i) declared or paid any dividends, (ii) sold any assets, individually or in the aggregate, outside of the ordinary course of business or (iii) made any material capital expenditures, individually or in the aggregate. Neither the Company nor any of its Subsidiaries has taken any steps to seek protection pursuant to any law or statute relating to bankruptcy, insolvency, reorganization, receivership, liquidation or winding up, nor does the Company or any Subsidiary have any knowledge or reason to believe that any of their respective creditors intend to initiate involuntary bankruptcy proceedings or any actual knowledge of any fact which would reasonably lead a creditor to do so. The Company and its Subsidiaries, individually and on a consolidated basis, are not as of the date hereof, and after giving effect to the transactions contemplated hereby to occur at the Closing, will not be Insolvent (as defined below). "**Insolvent**" means, (I) with respect to the Company and its Subsidiaries, on a consolidated basis, (i) the present fair saleable value of the Company's and its Subsidiaries' assets is less than the amount required to pay the Company's and its Subsidiaries' total Indebtedness (as defined below), (ii) the Company and its Subsidiaries are unable to pay their debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured or (iii) the Company and its Subsidiaries intend to incur or believe that they will incur debts that would be beyond their ability to pay as such debts mature; and (II) with respect to the Company and each Subsidiary, individually, (i) the present fair saleable value of the Company's or such Subsidiary's (as the case may be) assets is less than the amount required to pay its respective total Indebtedness, (ii) the Company or such Subsidiary (as the case may be) is unable to pay its respective debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured or (iii) the Company or such Subsidiary (as the case may be) intends to incur or believes that it will incur debts that would be beyond its respective ability to pay as such debts mature. Neither the Company nor any of its Subsidiaries has engaged in any business or in any transaction, and is not about to engage in any business or in any transaction, for which the Company's or such Subsidiary's remaining assets constitute unreasonably small capital.

(p) No Undisclosed Events, Liabilities, Developments or Circumstances. No event, liability, development or circumstance has occurred or exists, or is reasonably expected to occur or exist with respect to the Company, any of its Subsidiaries or any of their respective businesses, properties, liabilities, prospects, operations (including results thereof) or condition (financial or otherwise), that has not been disclosed to the Buyers and could reasonably likely have a Material Adverse Effect.

(q) Conduct of Business; Regulatory Permits; No Violations. Neither the Company nor any of its Subsidiaries is in violation of any term of or in default under its Certificate of Incorporation, any certificate of designation, preferences or rights of any other outstanding series of preferred stock of the Company or any of its Subsidiaries or Bylaws or their organizational charter, certificate of formation or certificate of incorporation or bylaws, respectively. Neither the Company nor any of its Subsidiaries is in violation of any judgment, decree or order or any statute, ordinance, rule or regulation applicable to the Company or any of its Subsidiaries (including, without limitation, foreign, federal and state securities laws and regulations), and neither the Company nor any of its Subsidiaries will conduct its business in violation of any of the foregoing, except in all cases for possible violations which could not, individually or in the aggregate, have a Material Adverse Effect. The Company and each of its Subsidiaries possess all certificates, authorizations and permits issued by the appropriate regulatory authorities necessary to conduct their respective businesses, except where the failure to possess such certificates, authorizations or permits would not have, individually or in the aggregate, a Material Adverse Effect, and neither the Company nor any such Subsidiary has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit.

(r) Foreign Corrupt Practices. Neither the Company nor any of its Subsidiaries nor any director, officer, agent, employee or other Person acting on behalf of the Company or any of its Subsidiaries has, in the course of its actions for, or on behalf of, the Company or any of its Subsidiaries (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (iii) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended; or (iv) made any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

(s) Transactions With Affiliates. Except as disclosed in **Schedule 4(s)**, none of the officers, directors, employees or affiliates of the Company or any of its Subsidiaries is presently a party to any transaction with the Company or any of its Subsidiaries (other than for ordinary course services as employees, officers or directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any such officer, director, employee or affiliate or, to the knowledge of the Company or any of its Subsidiaries, any corporation, partnership, trust or other Person in which any such officer, director, employee or affiliate has a substantial interest or is an employee, officer, director, trustee or partner.

(t) Equity Capitalization. As of the date hereof, the authorized capital stock of the Company consists of (i) 49,800,000 Ordinary Shares, of which, 12,298,597 shares are issued and outstanding and _____ shares are reserved for issuance pursuant to Convertible Securities (as defined below) (other than relating to the Securities), (ii) 800,000 deferred A shares of £0.001 each, none of which are issued and outstanding, (iii) 1,200,000 deferred B shares of £0.001 each, 633,333 of which are issued and outstanding even though expired, and (iv) (ii) 400,000 deferred C shares of £0.001 each, 400,000 shares of which are issued and outstanding. _____ Ordinary Shares are held in treasury. All of such outstanding shares are duly authorized and have been, or upon issuance will be, validly issued and are fully paid and non-assessable. _____ shares of the Company's issued and outstanding Ordinary Shares on the date hereof are owned by Persons who are "affiliates" (as defined in Rule 405 of the 1933 Act and calculated based on the assumption that only officers, directors and holders of at least 10% of the Company's issued and outstanding Ordinary Shares are "affiliates" without conceding that any such Persons are "affiliates" for purposes of federal securities laws) of the Company or any of its Subsidiaries. Except as disclosed in **Schedule 4(t)**, (i) none of the Company's or any Subsidiary's capital stock is subject to preemptive rights or any other similar rights or any liens or encumbrances suffered or permitted by the Company or any Subsidiary; (ii) there are no outstanding options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into, or exercisable or exchangeable for, any capital stock of the Company or any of its Subsidiaries, or contracts, commitments, understandings or arrangements by which the Company or any of its Subsidiaries is or may become bound to issue additional capital stock of the Company or any of its Subsidiaries or options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into, or exercisable or exchangeable for, any capital stock of the Company or any of its Subsidiaries; (iii) there are no outstanding debt securities, notes, credit agreements, credit facilities or other agreements, documents or instruments evidencing Indebtedness of the Company or any of its Subsidiaries or by which the Company or any of its Subsidiaries is or may become bound; (iv) there are no financing statements securing obligations in any amounts filed in connection with the Company or any of its Subsidiaries; (v) there are no agreements or arrangements under which the Company or any of its Subsidiaries is obligated to register the sale of any of their securities under the 1933 Act (except pursuant to the Registration Rights Agreement); (vi) there are no outstanding securities or instruments of the Company or any of its Subsidiaries which contain any redemption or similar provisions, and there are no contracts, commitments, understandings or arrangements by which the Company or any of its Subsidiaries is or may become bound to redeem a security of the Company or any of its Subsidiaries; (vii) there are no securities or instruments containing anti-dilution or similar provisions that will be triggered by the issuance of the Securities and (viii) neither the Company nor any Subsidiary has any stock appreciation rights, restricted stock units or "phantom stock" plans or agreements or any similar plan or agreement. The Company has furnished to the Buyers true, correct and complete copies of the Company's Memorandum of Association, as amended and as in effect on the date hereof (the "**Memorandum of Association**"), and the Company's Articles of Association, as amended and as in effect on the date hereof (the "**Articles of Association**"), and the terms of all securities convertible into, or exercisable or exchangeable for, Ordinary Shares and the material rights of the holders thereof in respect thereto.

(u) Indebtedness and Other Contracts. Neither the Company nor any of its Subsidiaries (i) except as disclosed in **Schedule 4(n)** or **Schedule 4(u)**, has any outstanding Indebtedness (as defined below), (ii) is a party to any contract, agreement or instrument, the violation of which, or default under which, by the other party(ies) to such contract, agreement or instrument could reasonably be expected to result in a Material Adverse Effect, (iii) is in violation of any term of, or in default under, any contract, agreement or instrument relating to any Indebtedness, except where such violations and defaults would not result, individually or in the aggregate, in a Material Adverse Effect, or (iv) is a party to any contract, agreement or instrument relating to any Indebtedness, the performance of which, in the judgment of the Company's officers, has or is expected to have a Material Adverse Effect. The Company has furnished to the Buyers true, correct and complete copies of all indentures, agreements, notes, leases, mortgages, deeds or other instruments to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary is bound or affected that is material to the Company or any Subsidiary. "**Indebtedness**" of any Person means, without duplication (A) all indebtedness for borrowed money, (B) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (including, without limitation, "capital leases" in accordance with IFRS), other than (i) trade payables entered into in the ordinary course of business, (ii) in the amounts set forth on **Schedule 4(u)** or **Schedule 5(d)** hereto, trade payables relating to or arising from services provided by the Company's intellectual property counsel, and (iii) following the consummation of a Permitted Private Placement, trade payables entered into in the ordinary course of business and trade payables relating to or arising from services provided by the Company's intellectual property counsel, (C) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (D) all obligations evidenced by notes, bonds, debentures or similar instruments, or guarantees thereof, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (E) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (F) all monetary obligations under any leasing or similar arrangement which, in connection with IFRS, consistently applied for the periods covered thereby, is classified as a capital lease, (G) all indebtedness referred to in clauses (A) through (F) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by any Person, even though the Person which owns such assets or property has not assumed or become liable for the payment of such indebtedness, and (H) all Contingent Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (A) through (G) above; provided, however, that, for the avoidance of doubt, any deferred compensation in respect of any of the Company's officers, directors, employees, agents or consultants shall not be deemed to constitute Indebtedness. "**Contingent Obligation**" means, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto. "**Person**" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

(v) Absence of Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Company, threatened against or affecting the Company or any of its Subsidiaries, the Ordinary Shares or any of the Company's or its Subsidiaries' officers or directors which is outside of the ordinary course of business or individually or in the aggregate material to the Company or any of its Subsidiaries. There has not been, and to the knowledge of the Company, there is not pending or contemplated, any investigation by the SEC involving the Company, any of its Subsidiaries or any current or former director or officer of the Company or any of its Subsidiaries.

(w) Insurance. The Company and each of its Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as management of the Company believes to be prudent and customary in the businesses in which the Company and its Subsidiaries are engaged. Neither the Company nor any such Subsidiary has been refused any insurance coverage sought or applied for, and neither the Company nor any such Subsidiary has any reason to believe that it will be unable to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect.

(x) Employee Relations. Neither the Company nor any of its Subsidiaries is a party to any collective bargaining agreement or employs any member of a union. The Company believes that its and its Subsidiaries' relations with their respective employees are good. No executive officer (as defined in Rule 501(f) promulgated under the 1933 Act) or other key employee of the Company or any of its Subsidiaries has notified the Company or any such Subsidiary that such officer intends to leave the Company or any such Subsidiary or otherwise terminate such officer's employment with the Company or any such Subsidiary. No executive officer or other key employee of the Company or any of its Subsidiaries is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement, non-competition agreement, or any other contract or agreement or any restrictive covenant, and the continued employment of each such executive officer or other key employee (as the case may be) does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all federal, state, local and foreign laws and regulations respecting labor, employment and employment practices and benefits, terms and conditions of employment and wages and hours, except where failure to be in compliance would not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(y) Title. The Company and its Subsidiaries have good and marketable title in fee simple to all real property, and have good and marketable title to all personal property, owned by them which is material to the business of the Company and its Subsidiaries, in each case, free and clear of all liens, encumbrances and defects except such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company and any of its Subsidiaries. Any real property and facilities held under lease by the Company or any of its Subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company or any of its Subsidiaries.

(z) Intellectual Property Rights. The Company and its Subsidiaries own or possess adequate rights or licenses to use all trademarks, trade names, service marks, service mark registrations, service names, patents, patent rights, copyrights, original works, inventions, licenses, approvals, governmental authorizations, trade secrets and other intellectual property rights and all applications and registrations therefor ("**Intellectual Property Rights")** necessary to conduct their respective businesses as now conducted and as presently proposed to be conducted. None of the Company's or its Subsidiaries' Intellectual Property Rights have expired, terminated or been abandoned, or are expected to expire, terminate or be abandoned, within three years from the date of this Agreement. The Company has no knowledge of any infringement by the Company or any of its Subsidiaries of Intellectual Property Rights of others. There is no claim, action or proceeding being made or brought, or to the knowledge of the Company or any of its Subsidiaries, being threatened, against the Company or any of its Subsidiaries regarding their Intellectual Property Rights. The Company is not aware of any facts or circumstances which might give rise to any of the foregoing infringements or claims, actions or proceedings. The Company and each of its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of their Intellectual Property Rights.

(aa) Environmental Laws. The Company and its Subsidiaries (i) are in compliance with all Environmental Laws (as defined below), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval where, in each of the foregoing clauses (i), (ii) and (iii), the failure to so comply could be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect. "**Environmental Laws"** means all federal, state, local or foreign laws relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata), including, without limitation, laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, or toxic or hazardous substances or wastes (collectively, "**Hazardous Materials**") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations issued, entered, promulgated or approved thereunder.

(bb) Subsidiary Rights. The Company or one of its Subsidiaries has the unrestricted right to vote, and (subject to limitations imposed by applicable law) to receive dividends and distributions on, all capital securities of its Subsidiaries as owned by the Company or such Subsidiary.

(cc) Tax Status. The Company and each of its Subsidiaries (i) has timely made or filed all foreign, federal and state income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has timely paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and (iii) has set aside on its books provision reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company and its Subsidiaries know of no basis for any such claim. The Company is not operated in such a manner as to qualify as a passive foreign investment company, as defined in Section 1297 of the U.S. Internal Revenue Code of 1986, as amended.

(dd) [RESERVED]

(ee) Investment Company Status. The Company is not, and upon consummation of the sale of the Securities will not be, an "investment company," an affiliate of an "investment company," a company controlled by an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended.

(ff) Subsidiary Incorporated in Israel. The Company owns 100% of the outstanding capital stock of Morria Biopharma Ltd. ("**Morria Ltd.**"), a corporation incorporated under the laws of the State of Israel and a Subsidiary set forth on **Schedule 4(a)** hereto. As of the date hereof, Morria Ltd. has no operations and holds no assets.

(gg) Transfer Taxes. On each Closing Date, all stock transfer or other taxes (other than income or similar taxes) which are required to be paid in connection with the issuance, sale and transfer of the Securities to be sold to each Buyer hereunder will be, or will have been, fully paid or provided for by the Company, and all laws imposing such taxes will be or will have been complied with.

(hh) Public Utility Holding Act. None of the Company nor any of its Subsidiaries is a "holding company," or an "affiliate" of a "holding company," as such terms are defined in the Public Utility Holding Act of 2005.

(ii) Federal Power Act. None of the Company nor any of its Subsidiaries is subject to regulation as a "public utility" under the Federal Power Act, as amended.

(jj) No Additional Agreements. The Company does not have any agreement or understanding with any Buyer with respect to the transactions contemplated by the Transaction Documents other than as specified in the Transaction Documents.

(kk) Real Property. Each of the Company and its Subsidiaries holds good title to all real property, leases in real property, or other interests in real property owned or held by the Company or any of its Subsidiaries (the "**Real Property**") owned by the Company or any of its Subsidiaries (as applicable). The Real Property is free and clear of all mortgages, defects, claims, liens, pledges, charges, taxes, rights of first refusal, encumbrances, security interests and other encumbrances (collectively "**Encumbrances**") and is not subject to any rights of way, building use restrictions, exceptions, variances, reservations, or limitations of any nature except for (a) liens for current taxes not yet due, and (b) zoning laws and other land use restrictions that do not impair the present or anticipated use of the property subject thereto.

(ll) Fixtures and Equipment. Each of the Company and its Subsidiaries (as applicable) has good title to, or a valid leasehold interest in, the tangible personal property, equipment, improvements, fixtures, and other personal property and appurtenances that are used by the Company or its Subsidiary in connection with the conduct of its business (the "**Fixtures and Equipment**"). The Fixtures and Equipment are structurally sound, are in good operating condition and repair, are adequate for the uses to which they are being put, are not in need of maintenance or repairs except for ordinary, routine maintenance and repairs and are sufficient for the conduct of the Company's and/or its Subsidiaries' businesses (as applicable) in the manner as conducted prior to the Closing. Each of the Company and its Subsidiaries owns all of its Fixtures and Equipment free and clear of all Encumbrances except for (a) liens for current taxes not yet due, and (b) zoning laws and other land use restrictions that do not impair the present or anticipated use of the property subject thereto.

(mm) Illegal or Unauthorized Payments; Political Contributions. Neither the Company nor any of its Subsidiaries nor, to the best of the Company's knowledge (after reasonable inquiry of its officers and directors), any of the officers, directors, employees, agents or other representatives of the Company or any of its Subsidiaries or any other business entity or enterprise with which the Company or any Subsidiary is or has been affiliated or associated, has, directly or indirectly, made or authorized any payment, contribution or gift of money, property, or services, whether or not in contravention of applicable law, (a) as a kickback or bribe to any Person or (b) to any political organization, or the holder of or any aspirant to any elective or appointive public office except for personal political contributions not involving the direct or indirect use of funds of the Company or any of its Subsidiaries.

(nn) Money Laundering. The Company and its Subsidiaries are in compliance with, and have not previously violated, the USA Patriot Act of 2001 and all other applicable U.S. and non-U.S. anti-money laundering laws and regulations, including, without limitation, the laws, regulations and Executive Orders and sanctions programs administered by the U.S. Office of Foreign Assets Control, including, without limitation, (i) Executive Order 13224 of September 23, 2001 entitled, "Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism" (66 Fed. Reg. 49079 (2001)); and (ii) any regulations contained in 31 CFR, Subtitle B, Chapter V.

(oo) Ranking of Notes. No Indebtedness of the Company will be senior to, or *pari passu* with, the Notes in right of payment, whether with respect to payment or redemptions, interest, damages, upon liquidation or dissolution or otherwise.

(pp) FDA. As to each product subject to the jurisdiction of the U.S. Food and Drug Administration ("**FDA**") under the Federal Food, Drug and Cosmetic Act, as amended, and the regulations thereunder ("**FDCA**") that is manufactured, packaged, labeled, tested, distributed, sold, and/or marketed by the Company or any of its Subsidiaries (each such product, a "**Pharmaceutical Product**"), such Pharmaceutical Product is being manufactured, packaged, labeled, tested, distributed, sold and/or marketed by the Company in compliance with all applicable requirements under FDCA and similar laws, rules and regulations relating to registration, investigational use, premarket clearance, licensure, or application approval, good manufacturing practices, good laboratory practices, good clinical practices, product listing, quotas, labeling, advertising, record keeping and filing of reports, except where the failure to be in compliance would not have a Material Adverse Effect. There is no pending, completed or, to the Company's knowledge, threatened, action (including any lawsuit, arbitration, or legal or administrative or regulatory proceeding, charge, complaint, or investigation) against the Company or any of its Subsidiaries, and none of the Company or any of its Subsidiaries has received any notice, warning letter or other communication from the FDA or any other governmental entity, which (i) contests the premarket clearance, licensure, registration, or approval of, the uses of, the distribution of, the manufacturing or packaging of, the testing of, the sale of, or the labeling and promotion of any Pharmaceutical Product, (ii) withdraws its approval of, requests the recall, suspension, or seizure of, or withdraws or orders the withdrawal of advertising or sales promotional materials relating to, any Pharmaceutical Product, (iii) imposes a clinical hold on any clinical investigation by the Company or any of its Subsidiaries, (iv) enjoins production at any facility of the Company or any of its Subsidiaries, (v) enters or proposes to enter into a consent decree of permanent injunction with the Company or any of its Subsidiaries, or (vi) otherwise alleges any violation of any laws, rules or regulations by the Company or any of its Subsidiaries, and which, either individually or in the aggregate, would have a Material Adverse Effect. The properties, business and operations of the Company have been and are being conducted in all material respects in accordance with all applicable laws, rules and regulations of the FDA or applicable foreign jurisdiction regulatory bodies. The Company has not been informed by the FDA that the FDA will prohibit the marketing, sale, license or use in the United States of any product proposed to be developed, produced or marketed by the Company nor has the FDA expressed any concern as to approving or clearing for marketing any product being developed or proposed to be developed by the Company.

(q q) Disclosure. The Company understands and confirms that each of the Buyers will rely on the foregoing representations in effecting transactions in securities of the Company. All disclosure provided to the Buyers regarding the Company and its Subsidiaries, their businesses and the transactions contemplated hereby, including the schedules to this Agreement, furnished by or on behalf of the Company or any of its Subsidiaries is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. Each press release issued by the Company or any of its Subsidiaries during the twelve (12) months preceding the date of this Agreement did not at the time of release contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading. No event or circumstance has occurred or information exists with respect to the Company or any of its Subsidiaries or its or their business, properties, liabilities, prospects, operations (including results thereof) or conditions (financial or otherwise), which, under applicable law, rule or regulation, requires public disclosure at or before the date hereof or announcement by the Company but which has not been so publicly disclosed. The Company acknowledges and agrees that no Buyer makes or has made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Section 3.

5. COVENANTS.

(a) Best Efforts. Each Buyer shall use its best efforts to timely satisfy each of the conditions to be satisfied by it as provided in Section 7 of this Agreement. The Company shall use its best efforts to timely satisfy each of the conditions to be satisfied by it as provided in Section 8 of this Agreement.

(b) Form D and Blue Sky. The Company shall file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof to each Buyer promptly after such filing. The Company shall, on or before the Closing Date, take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for, or to, qualify the Securities for sale to the Buyers at the Closing pursuant to this Agreement under applicable securities or "Blue Sky" laws of the states of the United States (or to obtain an exemption from such qualification), and shall provide evidence of any such action so taken to the Buyers on or prior to the Closing Date. Without limiting any other obligation of the Company under this Agreement, the Company shall timely make all filings and reports relating to the offer and sale of the Securities required under all applicable securities laws (including, without limitation, all applicable federal securities laws and all applicable "Blue Sky" laws), and the Company shall comply with all applicable federal, foreign, state and local laws, statutes, rules, regulations and the like relating to the offering and sale of the Securities to the Buyers.

(c) Reporting Status. The Company shall file a registration statement pursuant to Section 12 of the Exchange Act on Form 20-F with the SEC on or before June __, 2012 and have such Form 20-F declared effective by December ___, 2012 (the earlier of the actual date on which the Form 20-F is declared effective or December ___, 2012, the "**Self Filing Effective Date**"). From the Self Filing Effective Date until the earlier to occur of (i) the date on which the Buyers shall have sold all of the Registrable Securities or (ii) the five (5) year anniversary of the date of this Agreement (such period is referred to herein as the "**Reporting Period**"), the Company shall timely file all reports required to be filed with the SEC pursuant to the 1934 Act, and the Company shall not terminate its status as an issuer required to file reports under the 1934 Act even if the 1934 Act or the rules and regulations thereunder would no longer require or otherwise permit such termination.

(d) Use of Proceeds. The Company shall use the proceeds from the sale of the Securities as approximately set forth in **Schedule 5(d)** hereof.

(e) Financial Information. The Company agrees to send the following to each Investor (as defined in the Registration Rights Agreement) during the Reporting Period (but in no event prior to the Self Filing Effective Date) unless the following are publicly filed with the SEC through EDGAR or are otherwise available to the public, (i) within one (1) Business Day after the filing thereof with the SEC, a copy of its Annual Reports on Form 20-F, any interim reports or any consolidated balance sheets, income statements, stockholders' equity statements and/or cash flow statements for any period other than annual, any Reports of Foreign Private Issuer on Form 6-K and any registration statements (other than on Form S-8) or amendments filed pursuant to the 1933 Act, (ii) on the same day as the release thereof, facsimile copies of all press releases issued by the Company or any of its Subsidiaries and (iii) copies of any notices and other information made available or given to the stockholders of the Company generally, contemporaneously with the making available or giving thereof to the stockholders.

(f) Listing or Quotation. As promptly as practicable after the Self Filing Effective Date, the Company shall take all necessary actions to obtain listing or quotation for trading of the Ordinary Shares on the OTC Bulletin Board (or any successor) (the "**Principal Market**"). If the Ordinary Shares becomes listed or designated for quotation on any other Eligible Market (as defined below), then the Company shall promptly secure the listing or designation for quotation (as the case may be) of all of the Registrable Securities upon each national securities exchange and automated quotation system, if any, upon which the Ordinary Shares are then listed or designated for quotation (as the case may be) (subject to official notice of issuance) and shall maintain such listing or designation for quotation (as the case may be) of all Registrable Securities from time to time issuable under the terms of the Transaction Documents on such then applicable national securities exchange or automated quotation system. The Company shall take all necessary actions to maintain the Ordinary Shares' trading on the Principal Market. If in the future, the Ordinary Shares become listed or designated for quotation on any of The New York Stock Exchange, the NYSE Amex, the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market (each, together with the Principal Market, an "**Eligible Market**"), the Company shall maintain the Ordinary Shares' listing or designation for quotation (as the case may be) on such market. Neither the Company nor any of its Subsidiaries shall take any action which could be reasonably expected to result in the delisting or suspension of the Ordinary Shares on an Eligible Market on which the Ordinary Shares are then traded, listed or designated for quotation. The Company shall pay all fees and expenses in connection with satisfying its obligations under this Section 5(f).

(g) Fees. The Company shall reimburse Iroquois Master Fund Ltd. ("**Iroquois")** or its designee(s) for all costs and expenses incurred by it or its affiliates in connection with the transactions contemplated by the Transaction Documents (including, without limitation, all legal fees and disbursements in connection therewith, structuring, documentation and implementation of the transactions contemplated by the Transaction Documents and due diligence and regulatory filings in connection therewith) in a non-accountable amount equal to a total of $50,000, which amount shall be withheld by Iroquois from its Purchase Price at the Closing or paid by the Company on demand by Iroquois if Iroquois terminates its obligations under this Agreement in accordance with Section 9 (as the case may be), less $20,000 which was previously advanced to Iroquois by the Company. The Company shall be responsible for the payment of any placement agent's fees, financial advisory fees, or broker's commissions (other than for Persons engaged by any Buyer) claimed by any person or entity as a result of commitments made by the Company and relating to or arising out of the transactions contemplated hereby. The Company shall pay, and hold each Buyer harmless against, any liability, loss or expense (including, without limitation, reasonable attorneys' fees and out-of-pocket expenses) arising in connection with any claim relating to any such payment, except for payments that are determined to be due to such third parties as a result of commitments made by the Buyers. Except as otherwise set forth in the Transaction Documents, each party to this Agreement shall bear its own expenses in connection with the sale of the Securities to the Buyers.

(h) Pledge of Securities. Notwithstanding anything to the contrary contained in this Agreement, the Company acknowledges and agrees that the Securities may be pledged by a Buyer in connection with a bona fide margin agreement or other loan or financing arrangement that is secured by the Securities. The pledge of Securities shall not be deemed to be a transfer, sale or assignment of the Securities hereunder, and no Buyer effecting a pledge of Securities shall be required to provide the Company with any notice thereof or otherwise make any delivery to the Company pursuant to this Agreement or any other Transaction Document. The Company hereby agrees to execute and deliver such documentation as a pledgee of the Securities may reasonably request in connection with a pledge of the Securities to such pledgee by a Buyer.

(i) Disclosure of Transactions and Other Material Information. From and after the Self Filing Effective Date, the Company shall not, and the Company shall cause each of its Subsidiaries and each of its and their respective officers, directors, employees and agents not to, provide any Buyer with any material, non-public information regarding the Company or any of its Subsidiaries, without the express prior written consent of such Buyer. From and after the Self Filing Effective Date, in the event of a breach of any of the foregoing covenants or any of the covenants contained in Section 5(o) by the Company, any of its Subsidiaries, or any of its or their respective officers, directors, employees and agents (as determined in the reasonable good faith judgment of such Buyer), in addition to any other remedy provided herein or in the Transaction Documents, such Buyer shall have the right to make a public disclosure, in the form of a press release, public advertisement or otherwise, of such material, non-public information without the prior approval by the Company, any of its Subsidiaries, or any of its or their respective officers, directors, employees or agents. No Buyer shall have any liability to the Company, any of its Subsidiaries, or any of its or their respective officers, directors, employees, stockholders or agents, for any such disclosure. Subject to the foregoing, neither the Company, its Subsidiaries nor any Buyer shall issue any press releases or any other public statements with respect to the transactions contemplated hereby; provided, however, the Company shall be entitled, without the prior approval of any Buyer, to make any press release or other public disclosure with respect to such transactions (i) contemporaneously therewith and (ii) as is required by applicable law and regulations (including, without limitation, any applicable law or regulation of the United Kingdom) (provided that in the case of clause (i) each Buyer shall be consulted by the Company in connection with any such press release or other public disclosure prior to its release). Without the prior written consent of the applicable Buyer, the Company shall not (and shall cause each of its Subsidiaries and affiliates to not) disclose the name of such Buyer in any filing, announcement, release or otherwise, except as may be required by applicable law and regulations (including, without limitation, any applicable law or regulation of the United Kingdom). Notwithstanding anything contained in this Agreement to the contrary and without implication that the contrary would otherwise be true, the Company expressly acknowledges and agrees that no Buyer has had, and no Buyer shall have (unless expressly agreed to by a particular Buyer after the date hereof in a written definitive and binding agreement executed by the Company and such particular Buyer (it being understood and agreed that no Buyer may bind any other Buyer with respect thereto)), any duty of confidentiality with respect to, or a duty not to trade on the basis of, any information regarding the Company or any of its Subsidiaries.

(j) Additional Registration Statements. Until the Applicable Date (as defined below) and at any time thereafter while any Registration Statement is not effective or any prospectus contained therein is not available for use, the Company shall not file a registration statement under the 1933 Act relating to securities that are not the Registrable Securities; provided, however, that the Company shall be permitted, at any time, to file and cause to become effective another registration statement for the registration of shares of Common Stock (and/or warrants to purchase Common Stock) that do not constitute Registrable Securities, or to include such securities in one or more Registration Statements, in connection with a Permitted Registration (as defined below). "**Applicable Date**" means the first date on which the resale by the Buyers of all Registrable Securities is covered by one or more effective Registration Statements (as defined in the Registration Rights Agreement) (and each prospectus contained therein is available for use on such date). "**Permitted Registration**" shall mean the registration under the 1933 Act for resale, at any time, of shares of Common Stock and/or warrants to purchase Common Stock (but no other securities) issued by the Company in a Permitted Private Placement (including, for the avoidance of doubt, the subsequent registration of any securities issued in the Permitted Private Placement that were removed from a Registration Statement due to the rules and regulations of the SEC). "**Permitted Private Placement**" shall mean the issuance by the Company of shares of Common Stock and/or warrants to purchase Common Stock (but no other securities) in one (but no more than one) transaction conducted pursuant to a valid exemption from registration under the 1933 Act, with the aggregate offering amount of such privately issued securities to be no greater than $20,000,000, which transaction may occur on or about the date on which the Form 20-F referenced in Section 5(c) is filed or at any time on or prior to the Self Filing Effective Date.

(k) Additional Issuance of Securities. The Company agrees that for the period commencing on the date hereof and until the Notes are no longer outstanding (the "**Restricted Period**"), neither the Company nor any of its Subsidiaries shall directly or indirectly issue, offer, sell, grant any option or right to purchase, or otherwise dispose of (or announce or commence marketing activities in respect of any issuance, offer, sale, grant of any option or right to purchase or other disposition of) any equity security or any equity-linked or related security (including without limitation, any "equity security" (as that term is defined under Rule 405 promulgated under the 1933 Act), any Convertible Securities, any debt, any preferred stock or any purchase rights), on terms and conditions that are more favorable to the purchaser than the terms and conditions as set forth in the Transaction Documents, including having an effective price per share less than $____[1] (subject to adjustment for forward and reverse stock splits, stock dividends, recapitalizations and the like) and, in the case of the incurrence of indebtedness, such indebtedness being senior to, or *pari passu* with, the Notes in right of payment, whether with respect to payment or redemptions, interest, damages, upon liquidation or dissolution or otherwise (any such issuance, offer, sale, grant, disposition, announcement or commencement of marketing (whether occurring during the Restricted Period or at any time thereafter) is referred to as a "**Subsequent Placement**"). Notwithstanding the foregoing, this Section 5(k) shall not apply in respect of the issuance of (A) Ordinary Shares or standard options to purchase Ordinary Shares to directors, officers, employees, consultants or agents of the Company in their capacity as such pursuant to an Approved Share Plan (as defined below), provided that (1) during the Restricted Period (but not thereafter), all such issuances (taking into account the Ordinary Shares issuable upon exercise of such options) after the date hereof pursuant to this clause (A) do not, in the aggregate, exceed more than the sum of 774,000 Ordinary Shares (representing the shares authorized under the Company's Approved Share Plan as of the date of this Agreement) and any shares that are issuable in substitution for forfeited options (in each case, adjusted for stock splits, stock combinations and other similar transactions occurring after the date of this Agreement) and (2) the exercise price of any such options is not lowered, none of such options are amended to increase the number of shares issuable thereunder and none of the terms or conditions of any such options are otherwise materially changed in any manner that adversely affects any of the Buyers; (B) Ordinary Shares issued upon the conversion or exercise of Convertible Securities (other than standard options to purchase Ordinary Shares issued pursuant to an Approved Share Plan that are covered by clause (A) above) issued prior to the date hereof, provided that the conversion or exercise (as the case may be) of any such Convertible Security is made solely pursuant to the conversion or exercise (as the case may be) provisions of such Convertible Security that were in effect on the date immediately prior to the date of this Agreement, the conversion or exercise price of any such Convertible Securities (other than standard options to purchase Ordinary Shares issued pursuant to an Approved Share Plan that are covered by clause (A) above) is not lowered (whether via amendment or through the operation of the terms of such Convertible Security or any agreement relating thereto, including anti-dilution provisions), none of such Convertible Securities are (other than standard options to purchase Ordinary Shares issued pursuant to an Approved Share Plan that are covered by clause (A) above) (nor is any provision of any such Convertible Securities) amended or waived in any manner (whether by the Company or the holder thereof) to increase the number of shares issuable thereunder or decrease the conversion or exercise price thereof and none of the terms or conditions of any such Convertible Securities (other than standard options to purchase Ordinary Shares issued pursuant to an Approved Share Plan that are covered by clause (A) above) are otherwise materially changed or waived (whether by the Company or the holder thereof) in any manner that adversely affects any of the Buyers; (C) the Notes; (D) the Conversion Shares; (E) the Warrants; and (F) the Warrant Shares (each of the foregoing in clauses (A) through (F), collectively the "**Excluded Securities**"). Notwithstanding anything contained in this Agreement to the contrary, the Company shall have the unrestricted right, at any time, to take all actions necessary (including the offering, sale and issuance of the related securities) to conduct a Permitted Private Placement and a Permitted Registration. No securities issued in connection with a Variable Rate Transaction (as defined below) shall be an Excluded Security. "**Approved Share Plan**" means the Company's existing employee stock option plan or any other employee benefit plan which has been approved by the board of directors of the Company prior to or subsequent to the date hereof pursuant to which Ordinary Shares and standard options to purchase Ordinary Shares may be issued to any employee, officer or director for services provided to the Company in their capacity as such. "**Convertible Securities**" means any capital stock or other security of the Company or any of its Subsidiaries that is at any time and under any circumstances directly or indirectly convertible into, exercisable or exchangeable for, or which otherwise entitles the holder thereof to acquire, any capital stock or other security of the Company (including, without limitation, Ordinary Shares) or any of its Subsidiaries.

[1] Conversion Price

(l) Reservation of Shares. So long as any of the Notes or Warrants remain outstanding or unexpired and unexercised, the Company shall take all action necessary to at all times have authorized, and reserved for the purpose of issuance, no less than 133% of the aggregate of (i) the maximum number of Conversion Shares issuable upon conversion of the Notes (assuming for purposes hereof that the Notes are convertible at the initial Conversion Price (as defined in the Notes) and without taking into account any limitations on the conversion of the Notes set forth therein) and (ii) the maximum number of Warrant Shares issuable upon exercise of the Warrants (assuming that all Warrants are exercised and without taking into account any limitations on the exercise of the Warrants set forth therein).

(m) Conduct of Business. The business of the Company and its Subsidiaries shall not be conducted in violation of any law, ordinance or regulation of any governmental entity, except where such violations would not result, either individually or in the aggregate, in a Material Adverse Effect.

(n) Variable Rate Transaction. Until none of the Notes and Warrants remain outstanding or unexpired and unexercised, the Company and each Subsidiary shall be prohibited from effecting or entering into an agreement to effect any Subsequent Placement involving a Variable Rate Transaction. "**Variable Rate Transaction**" means a transaction in which the Company or any Subsidiary (i) issues or sells any Convertible Securities either (A) at a conversion, exercise or exchange rate or other price that is based upon and/or varies with the trading prices of, or quotations for, the Ordinary Shares at any time after the initial issuance of such Convertible Securities, or (B) with a conversion, exercise or exchange price that is subject to being adjusted or reset at some future date after the initial issuance of such Convertible Securities or upon the occurrence of specified or contingent events directly or indirectly related to the business of the Company or the market for the Ordinary Shares, other than pursuant to a customary "weighted average" anti-dilution provision or (ii) enters into any agreement (including, without limitation, an "equity line of credit" or an "at the market offering") whereby the Company or any Subsidiary may sell securities at a future determined price (other than standard and customary "preemptive" or "participation" rights). Each Buyer shall be entitled to obtain injunctive relief against the Company and its Subsidiaries to preclude any such issuance, which remedy shall be in addition to any right to collect damages.

(o) Participation Right. From the date hereof through the one year anniversary of the Closing Date, neither the Company nor any of its Subsidiaries shall, directly or indirectly, effect any Subsequent Placement unless the Company shall have first complied with this Section 5(o). The Company acknowledges and agrees that the right set forth in this Section 5(o) is a right granted by the Company, separately, to each Buyer.

(i) At least five (5) Trading Days prior to the Company making any binding offer of securities to a third party in a Subsequent Placement, the Company shall deliver to each Buyer a written notice of its proposal or intention to make such a binding offer of securities in a Subsequent Placement (each such notice, a "**Pre-Notice**"), which Pre-Notice shall not contain any information other than: (i) a statement that the Company proposes or intends to commence a Subsequent Placement, (ii) a statement that the statement in clause (i) above does not constitute material, non-public information (except to the extent that the Company and its counsel determine that such information constitutes material, non-public information under the rules and regulations of the SEC) and (iii) a statement informing such Buyer that it is entitled to receive an Offer Notice (as defined below) with respect to such Subsequent Placement upon its written request. Upon the written request of a Buyer within three (3) Trading Days after the Company's delivery to such Buyer of such Pre-Notice, and only upon a written request by such Buyer, the Company shall promptly, but no later than one (1) Trading Day after such request, deliver to such Buyer an irrevocable written notice (the "**Offer Notice**") of any proposed or intended issuance or sale or exchange (the "**Offer**") of the securities being offered (the "**Offered Securities**") in a Subsequent Placement, which Offer Notice shall (w) identify and describe the Offered Securities, (x) describe the price and other terms upon which they are to be issued, sold or exchanged, and the number or amount of the Offered Securities to be issued, sold or exchanged, (y) identify the Persons (if known) to which or with which the Offered Securities are intended to be offered, issued, sold or exchanged and (z) offer to issue and sell to or exchange with such Buyer in accordance with the terms of the Offer the Applicable Percentage (as defined below) of the Offered Securities, provided that the number of Offered Securities which such Buyer shall have the right to subscribe for under this Section 5(o) shall be (a) based on such Buyer's pro rata portion of the aggregate original principal amount of the Notes purchased hereunder by all Buyers (the "**Basic Amount**"), and (b) with respect to each Buyer that elects to purchase its Basic Amount, any additional portion of the Offered Securities attributable to the Basic Amounts of other Buyers as such Buyer shall indicate it will purchase or acquire should the other Buyers subscribe for less than their Basic Amounts (the "**Undersubscription Amount**"). As used herein, the "**Applicable Percentage**" shall be (X) 50% in respect of the Permitted Private Placement and (Y) 100% in respect of any other Subsequent Placement of securities of the Company, subject, in each case, to Section 5(o)(ix).

(ii) To accept an Offer, in whole or in part, such Buyer must deliver a written notice to the Company prior to the end of the fifth (5^{th}) Business Day after such Buyer's receipt of the Offer Notice (the "**Offer Period**"), setting forth the portion of such Buyer's Basic Amount that such Buyer elects to purchase and, if such Buyer shall elect to purchase all of its Basic Amount, the Undersubscription Amount, if any, that such Buyer elects to purchase (in either case, the "**Notice of Acceptance**"). If the Basic Amounts subscribed for by all Buyers are less than the total of all of the Basic Amounts, then such Buyer who has set forth an Undersubscription Amount in its Notice of Acceptance shall be entitled to purchase, in addition to the Basic Amounts subscribed for, the Undersubscription Amount it has subscribed for; provided, however, if the Undersubscription Amounts subscribed for exceed the difference between the total of all the Basic Amounts and the Basic Amounts subscribed for (the "**Available Undersubscription Amount**"), such Buyer who has subscribed for any Undersubscription Amount shall be entitled to purchase only that portion of the Available Undersubscription Amount as the Basic Amount of such Buyer bears to the total Basic Amounts of all Buyers that have subscribed for Undersubscription Amounts (but in no event shall it be greater than such Buyer's specified Undersubscription Amount), subject to rounding by the Company to the extent it deems reasonably necessary. Notwithstanding the foregoing, if the Company desires to modify or amend the terms and conditions of the Offer prior to the expiration of the Offer Period, the Company may deliver to each Buyer a new Offer Notice and the Offer Period shall expire on the fifth (5^{th}) Business Day after such Buyer's receipt of such new Offer Notice.

(iii) The Company shall have ten (10) days from the expiration of the Offer Period above (i) to offer, issue, sell or exchange all or any part of such Offered Securities as to which a Notice of Acceptance has not been given by a Buyer (the "**Refused Securities**") pursuant to a definitive agreement(s) (the "**Subsequent Placement Agreement**"), but only to the offerees described in the Offer Notice (if so described therein) and only upon terms and conditions (including, without limitation, unit prices and interest rates) that are not more favorable to the acquiring Person or Persons or less favorable to the Company than those set forth in the Offer Notice and (ii) to publicly announce (a) the execution of such Subsequent Placement Agreement, and (b) either (x) the consummation of the transactions contemplated by such Subsequent Placement Agreement or (y) the termination of such Subsequent Placement Agreement.

(iv) In the event the Company shall propose to sell less than all the Refused Securities (any such sale to be in the manner and on the terms specified in Section 5(o)(iii) above), then such Buyer may, at its sole option and in its sole discretion, reduce the number or amount of the Offered Securities specified in its Notice of Acceptance to an amount that shall be not less than the number or amount of the Offered Securities that such Buyer elected to purchase pursuant to Section 5(o)(iii) above multiplied by a fraction, (i) the numerator of which shall be the number or amount of Offered Securities the Company actually proposes to issue, sell or exchange (including Offered Securities to be issued or sold to Buyers pursuant to this Section 5(o) prior to such reduction) and (ii) the denominator of which shall be the original amount of the Offered Securities. In the event that any Buyer so elects to reduce the number or amount of Offered Securities specified in its Notice of Acceptance, the Company may not issue, sell or exchange more than the reduced number or amount of the Offered Securities unless and until such securities have again been offered to the Buyers in accordance with Section 5(o)(i) above.

(v) Upon the closing of the issuance, sale or exchange of all or less than all of the Refused Securities, such Buyer shall acquire from the Company, and the Company shall issue to such Buyer, the number or amount of Offered Securities specified in its Notice of Acceptance. The purchase by such Buyer of any Offered Securities is subject in all cases to the preparation, execution and delivery by the Company and such Buyer of a separate purchase agreement relating to such Offered Securities reasonably satisfactory in form and substance to such Buyer and its counsel.

(vi) Any Offered Securities not acquired by a Buyer or other Persons in accordance with this Section 5(o) may be issued, sold or exchanged in the Subsequent Placement to which the Offered Securities related, but may not be otherwise issued, sold or exchanged in a later Subsequent Placement until they are again offered to such Buyer under the procedures specified in this Agreement.

(vii) The Company and each Buyer agree that if any Buyer elects to participate in the Offer, the Subsequent Placement Agreement with respect to such Offer and any other transaction documents related thereto (collectively, the "**Subsequent Placement Documents**") shall be in the same form and substance for such participating Buyers as the third-party purchasers in such Subsequent Placement to which such Offer relates, but shall not include any term or provision whereby such Buyer shall be required to agree to any restrictions on trading as to any securities of the Company or be required to consent to any amendment to or termination of, or grant any waiver or release or the like under or in connection with, any agreement previously entered into with the Company or any instrument received from the Company.

(viii) Notwithstanding anything to the contrary in this Section 5(o) and unless otherwise agreed to by such Buyer, the Company shall either confirm in writing to such Buyer that the transaction with respect to the Subsequent Placement has been abandoned or shall publicly disclose the execution of such Subsequent Placement Agreement, in either case, in such a manner such that such Buyer will not be in possession of any material, non-public information, by the tenth (10^{th}) day following the expiration of the Offer Period. If by such tenth (10^{th}) day, no public disclosure regarding a transaction with respect to the Offered Securities has been made, and no notice regarding the abandonment of such transaction has been received by such Buyer, such transaction shall be deemed to have been abandoned and such Buyer shall not be in possession of any material, non-public information with respect to the Company or any of its Subsidiaries. Should the Company decide to pursue such transaction with respect to the Offered Securities, the Company shall provide such Buyer with another Offer Notice in accordance with, and subject to, the terms of this Section 5(o) and such Buyer will again have the right of participation set forth in this Section 5(o). The Company shall not be permitted to deliver more than one Offer Notice to such Buyer in any sixty (60) day period, except as expressly contemplated by the last sentence of Section 5(o)(ii).

(ix) The restrictions contained in this Section 5(o) shall not apply in connection with (A) the issuance of any Excluded Securities or (B) the issuance of securities pursuant to a transaction that is (I) a strategic transaction approved by a majority of the disinterested directors of the Company, (II) the majority of the disinterested directors of the Company determines that such transaction shall be in the best interests of the Company and (III) that any such issuance shall only be to a Person (or the equity holders of a Person) which is, itself or through its subsidiaries, an operating company or an owner of an asset or business subject to such transaction, but shall not include a transaction in which the Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities. The Company shall not circumvent the provisions of this Section 5(o) by providing terms or conditions to one Buyer that are not provided to all Buyers.

(p) Passive Foreign Investment Company. The Company shall conduct its business in such a manner as will ensure that the Company will not be deemed to constitute a passive foreign investment company within the meaning of Section 1297 of the U.S. Internal Revenue Code of 1986, as amended.

(q) Restriction on Redemption and Cash Dividends. So long as any Notes are outstanding, the Company shall not, directly or indirectly, redeem, or declare or pay any cash dividend or distribution on, any securities of the Company without the prior express written consent of the Buyers.

(r) Corporate Existence. For so long as any of the Notes or Warrants remain outstanding or unexpired and unexercised, the Company shall not be party to any Fundamental Transaction (as defined in the Notes) unless the Company is in compliance with the applicable provisions governing Fundamental Transactions set forth in the Notes and the Warrants.

(s) Issuance of Equity Other Than for Cash. For so long as any of the Notes or Warrants remain outstanding or unexpired and unexercised, the Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, issue shares of capital stock of the Company or any Subsidiary or securities convertible or exercisable into or exchangeable for shares of capital stock of the Company or any Subsidiary (collectively, "**Equity Securities**"), except (i) in a transaction where all such shares of capital stock are issued solely for cash or as compensation for services, provided that in the case of compensation for services, such compensation for services is pursuant to a written agreement that is approved by the Board of Directors, (ii) the issuance of Ordinary Shares or standard options to purchase Ordinary Shares to directors, officers, employees, consultants or agents of the Company in their capacities as such pursuant to an Approved Share Plan (which clause (ii) shall be subject to the limitations of Section 5(k) during the relevant period set forth thereunder) or (iii) the issuance of shares of capital stock in connection with a consolidation, merger, acquisition or other bona fide business combination transaction (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement), provided that (A) such transaction is a strategic transaction that is approved by a majority of the disinterested directors of the Company, (B) the majority of the disinterested directors of the Company determines that such transaction shall be in the best interests of the Company, and (C) any such issuance shall only be to a Person (or to the equityholders of a Person) which is, itself or through its subsidiaries, an operating company or an owner of an asset or business subject to such transaction, but shall not include a transaction in which the Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities. For the avoidance of doubt, so long as any of the Notes or Warrants remain outstanding or unexpired and unexercised, the Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, issue shares of such capital stock in exchange for the satisfaction or cancellation, in whole or in part, of any other securities or instruments, or any receivables, claims, judgments or other liabilities of the Company or any Subsidiary.

(t) [RESERVED]

(u) Exchange Right. In addition to the other rights hereunder, from the date hereof until such time as the Notes are no longer outstanding, in the event that the Company effects a Subsequent Placement, each Buyer may elect, in its sole discretion, to exchange all or some of the Notes (but not the Buyer's Warrants) then held by such Buyer for any securities issued in a Subsequent Placement based on the outstanding Principal Amount of such Notes, along with any liquidated damages and other amounts owing thereon, and the effective price and unit ratio in such Subsequent Placement; provided, however, that this Section 5(u) shall not apply with respect to the issuance of Excluded Securities. Each Buyer that elects to exchange its Notes in accordance with this Section 5(u) shall, for each $1.00 of Notes (including any liquidated damages and other amounts owing thereon) exchanged, receive such securities issued in the Subsequent Placement that an investor in the Subsequent Placement would receive for each $1.00 invested by such investor. For the avoidance of doubt, if the Subsequent Placement consists of units comprised of Common Stock and Common Stock purchase warrants, the Buyer shall receive the same ratio of Common Stock and Common Stock purchase warrants which were sold in such Subsequent Placement received by investors in the Subsequent Placement. The Company shall provide each Buyer with notice of any such Subsequent Placement in the manner set forth in Section 5(o).

(v) Transfer of Assets to Morria Ltd. The Company covenants that, as a condition to any sale of securities by Morria Ltd. or any transfer of assets by the Company or any Subsidiary to Morria Ltd., the Company and Morria Ltd. will enter into security documents, in form and substance similar to the Security Documents, in which Morria Ltd. shall grant a first priority security interest in all of its assets to the Buyers and counsel to Morria Ltd. shall deliver an opinion addressed to the Buyers that the security documents are sufficient to grant a first priority security interest in all assets of Morria Ltd. to the Buyers.

6. REGISTER; TRANSFER AGENT INSTRUCTIONS; LEGEND.

(a) Register. The Company shall maintain at its principal executive offices (or such other office or agency of the Company as it may designate by notice to each holder of Securities), a register for the Notes and the Warrants in which the Company shall record the name and address of the Person in whose name the Notes and the Warrants have been issued (including the name and address of each transferee), the principal amount of the Notes held by such Person, the number of Conversion Shares issuable upon conversion of the Notes and the number of Warrant Shares issuable upon exercise of the Warrants held by such Person. Prior to the Self Filing Effective Date, the Company may act as its own register in respect of the Ordinary Shares. The Company shall keep the register open and available at all times during business hours for inspection of any Buyer or its legal representatives.

(b) Transfer Agent Instructions. As promptly as practicable after the Self Filing Effective Date, the Company shall issue irrevocable instructions to its transfer agent and any subsequent transfer agent in a form acceptable to each of the Buyers (the "**Irrevocable Transfer Agent Instructions**") to issue certificates or credit shares to the applicable balance accounts at The Depository Trust Company ("**DTC**"), registered in the name of each Buyer or its respective nominee(s), for the Conversion Shares and the Warrant Shares in such amounts as specified from time to time by each Buyer to the Company upon conversion of the Notes or the exercise of the Warrants (as the case may be). The Company represents and warrants that no instruction other than the Irrevocable Transfer Agent Instructions referred to in this Section 6(b), will be given by the Company to its transfer agent with respect to the Securities, and that the Securities shall otherwise be freely transferable on the books and records of the Company, as applicable, to the extent provided in this Agreement and the other Transaction Documents. If a Buyer effects a sale, assignment or transfer of the Securities in accordance with Section 3(g), the Company shall permit the transfer and shall promptly instruct its transfer agent to issue one or more certificates or credit shares to the applicable balance accounts at DTC in such name and in such denominations as specified by such Buyer to effect such sale, transfer or assignment. In the event that such sale, assignment or transfer involves Conversion Shares or Warrant Shares sold, assigned or transferred pursuant to an effective registration statement or in compliance with Rule 144, the transfer agent shall issue such shares to such Buyer, assignee or transferee (as the case may be) without any restrictive legend in accordance with Section 6(d) below. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to each Buyer. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Section 6(b) will be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Section 6(b), that each Buyer shall be entitled, in addition to all other available remedies, to an order and/or injunction restraining any breach and requiring immediate issuance and transfer, without the necessity of showing economic loss and without any bond or other security being required. The Company shall cause its counsel to issue the legal opinion referred to in the Irrevocable Transfer Agent Instructions to the Company's transfer agent on each Effective Date (as defined in the Registration Rights Agreement). If a Buyer or any subsequent holder of the Securities proposes to transfer the Securities held by such Person pursuant to Rule 144, the Company shall provide necessary opinions to its transfer agent, if requested, provided that such Buyer or such subsequent holder, as the case may be, provides the necessary representations as requested by the Company's counsel. Any fees (with respect to the transfer agent, counsel to the Company or otherwise) associated with the issuance of such opinion or the removal of any legends on any of the Securities shall be borne by the Company.

(c) Legends. Each Buyer understands that the Securities have been issued (or will be issued in the case of the Conversion Shares and the Warrant Shares) pursuant to an exemption from registration or qualification under the 1933 Act and applicable state securities laws, and except as set forth in Section 6(d) below, the Securities shall bear any legend as required by the "blue sky" laws of any state and a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of such stock certificates):

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE [CONVERTIBLE] [EXERCISABLE] HAVE BEEN][THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN] REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL TO THE HOLDER (IF REQUESTED BY THE COMPANY), IN A FORM REASONABLY ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD OR ELIGIBLE TO BE SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

(d) Removal of Legends. Certificates evidencing Securities shall not be required to contain the legend set forth in Section 6(c) above or any other legend (i) while a registration statement (including a Registration Statement) covering the resale of such Securities is effective under the 1933 Act, (ii) following any sale of such Securities pursuant to Rule 144 (assuming the transferor is not an affiliate of the Company), (iii) if such Securities are eligible to be sold, assigned or transferred without restriction under Rule 144 (provided that a Buyer provides the Company with reasonable assurances that such Securities are eligible for sale, assignment or transfer under Rule 144 which shall not include an opinion of counsel), (iv) in connection with a sale, assignment or other transfer (other than under Rule 144), provided that such Buyer provides the Company with an opinion of counsel to such Buyer, in a generally acceptable form, to the effect that such sale, assignment or transfer of the Securities may be made without registration under the applicable requirements of the 1933 Act or (v) if such legend is not required under applicable requirements of the 1933 Act (including, without limitation, controlling judicial interpretations and pronouncements issued by the SEC). If a legend is not required pursuant to the foregoing, the Company shall no later than two (2) Trading Days following the delivery by a Buyer to the Company or the transfer agent (with notice to the Company) of a legended certificate representing such Securities (endorsed or with stock powers attached, signatures guaranteed, and otherwise in form necessary to affect the reissuance and/or transfer, if applicable), together with any other deliveries from such Buyer as may be required above in this Section 6(d), as directed by such Buyer, either: (A) provided that the Company's transfer agent is participating in the DTC Fast Automated Securities Transfer Program and such Securities are Conversion Shares or Warrant Shares, credit the aggregate number of Ordinary Shares to which such Buyer shall be entitled to such Buyer's or its designee's balance account with DTC through its Deposit/Withdrawal at Custodian system or (B) if the Company's transfer agent is not participating in the DTC Fast Automated Securities Transfer Program, issue and deliver (via reputable overnight courier) to such Buyer, a certificate representing such Securities that is free from all restrictive and other legends, registered in the name of such Buyer or its designee (the date by which such credit is so required to be made to the balance account of such Buyer's or such Buyer's nominee with DTC or such certificate is required to be delivered to such Buyer pursuant to the foregoing is referred to herein as the "**Required Delivery Date**").

(e) Failure to Timely Deliver; Buy-In. If the Company fails to (i) issue and deliver (or cause to be delivered) to a Buyer by the Required Delivery Date a certificate representing the Securities so delivered to the Company by such Buyer that is free from all restrictive and other legends or (ii) credit the balance account of such Buyer's or such Buyer's nominee with DTC for such number of Conversion Shares or Warrant Shares so delivered to the Company, then, in addition to all other remedies available to such Buyer, the Company shall pay in cash to such Buyer on each Trading Day after the Required Delivery Date that the issuance or credit of such shares is not timely effected an amount equal to 1% of the product of (A) the number of Ordinary Shares not so delivered or credited (as the case may be) to such Buyer or such Buyer's nominee multiplied by (B) the Closing Sale Price of the Ordinary Shares on the Trading Day immediately preceding the Required Delivery Date. In addition to the foregoing, if the Company fails to so properly deliver such unlegended certificates or so properly credit the balance account of such Buyer's or such Buyer's nominee with DTC by the Required Delivery Date, and if on or after the Required Delivery Date such Buyer (or any other Person in respect, or on behalf, of such Buyer) purchases (in an open market transaction or otherwise) Ordinary Shares to deliver in satisfaction of a sale by such Buyer of all or any portion of the number of Ordinary Shares, or a sale of a number of Ordinary Shares equal to all or any portion of the number of Ordinary Shares, that such Buyer so anticipated receiving from the Company without any restrictive legend, then, in addition to all other remedies available to such Buyer, the Company shall, within three (3) Trading Days after such Buyer's request and in such Buyer's sole discretion, either (i) pay cash to such Buyer in an amount equal to such Buyer's total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the Ordinary Shares so purchased (including brokerage commissions and other out-of-pocket expenses, if any) (the "**Buy-In Price**"), at which point the Company's obligation to so deliver such certificate or credit such Buyer's balance account shall terminate and such shares shall be cancelled, or (ii) promptly honor its obligation to so deliver to such Buyer a certificate or certificates or credit such Buyer's DTC account representing such number of Ordinary Shares that would have been so delivered if the Company timely complied with its obligations hereunder and pay cash to such Buyer in an amount equal to the excess (if any) of the Buy-In Price over the product of (A) such number of shares of Conversion Shares or Warrant Shares (as the case may be) that the Company was required to deliver to such Buyer by the Required Delivery Date multiplied by (B) the lowest Closing Sale Price (as defined in the Warrants) of the Ordinary Shares on any Trading Day during the period commencing on the date of the delivery by such Buyer to the Company of the applicable Conversion Shares or Warrant Shares (as the case may be) and ending on the date of such delivery and payment under this clause (ii).

7. CONDITIONS TO THE COMPANY'S OBLIGATION TO SELL.

(a) The obligation of the Company hereunder to issue and sell the applicable Securities to each Buyer at the Closing is subject to the satisfaction, at or before the Closing Date, of each of the following conditions, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion by providing each Buyer with prior written notice thereof:

(i) Such Buyer and each other Buyer shall have executed each of the other Transaction Documents to which it is a party and delivered the same to the Company.

(ii) Such Buyer and each other Buyer shall have delivered to the Company the Purchase Price (less, in the case of Iroquois at the time of the Closing, the amounts withheld pursuant to Section 5(g)) for the Securities being purchased by such Buyer at the Closing by wire transfer of immediately available funds pursuant to the wire instructions provided by the Company.

(iii) The representations and warranties of such Buyer shall be true and correct in all material respects as of the date when made and as of the Closing Date as though originally made at that time (except for representations and warranties that speak as of a specific date, which shall be true and correct as of such date), and such Buyer shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by such Buyer at or prior to the Closing Date.

8. CONDITIONS TO EACH BUYER'S OBLIGATION TO PURCHASE.

(a) The obligation of each Buyer hereunder to purchase the applicable Securities at the Closing is subject to the satisfaction, at or before the Closing Date, of each of the following conditions, provided that these conditions are for each Buyer's sole benefit and may be waived by such Buyer at any time in its sole discretion by providing the Company with prior written notice thereof:

(i) The Company and each Subsidiary (as the case may be) shall have duly executed and delivered to such Buyer each of the Transaction Documents to which it is a party and the Company shall have duly executed and delivered to such Buyer the Securities being purchased by such Buyer at the Closing pursuant to this Agreement (which, in relation to the Closing, shall be (A) the aggregate original principal amount of the Notes set forth opposite such Buyer's name in column (3) on the Schedule of Buyers, and (B) a Warrant to initially acquire up to the aggregate number of Warrant Shares as is set forth opposite such Buyer's name in column (4) on the Schedule of Buyers).

(ii) Such Buyer shall have received the opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., the Company's U.S. counsel, dated as of the Closing Date, in the form and substance acceptable to such Buyer and addressing such legal matters as such Buyers may reasonably request.

(iii) Such Buyer shall have received the opinion of Fladgate LLP, the Company's U.K. counsel, dated as of the Closing Date, in the form and substance acceptable to such Buyer and addressing such legal matters as such Buyers may reasonably request.

(iv) Such Buyer shall have received the opinion of Pearl Cohen Zedek Latzer, the Company's Israeli counsel, dated as of the Closing Date, in the form and substance acceptable to such Buyer and addressing such legal matters as such Buyers may reasonably request.

(v) [RESERVED]

(vi) The Company shall have delivered to such Buyer a certificate evidencing the formation, qualification and/or good standing of the Company and each of its Subsidiaries in each such entity's jurisdiction of formation and each jurisdiction in which they are qualified (or should be qualified) to do business, issued by the Secretary of State (or comparable office) of such jurisdictions, of formation, qualification and/or good standing as of a date within ten (10) days of the Closing Date.

(vii) The Company shall have delivered to such Buyer a certified copy of the Certificate of Incorporation as certified by the Companies House of the Company's jurisdiction of incorporation within ten (10) days of the Closing Date.

(viii) The Company and each Subsidiary shall have delivered to such Buyer certificates, in the form acceptable to such Buyer, executed by the Secretary of the Company and each Subsidiary (or another officer, if such entity does not have a secretary) and dated as of the Closing Date, as to (i) the resolutions consistent with Section 4(b) as adopted by the Company's and each Subsidiary's board of directors in a form reasonably acceptable to such Buyer, (ii) the Certificate of Incorporation of the Company and the organizational documents of each Subsidiary and (iii) the Bylaws of the Company and the bylaws of each Subsidiary, each as in effect at the Closing.

(ix) Each and every representation and warranty of the Company shall be true and correct as of the date when made and as of the Closing Date as though originally made at that time (except for representations and warranties that speak as of a specific date, which shall be true and correct as of such date) and the Company shall have performed, satisfied and complied in all respects with the covenants, agreements and conditions required to be performed, satisfied or complied with by the Company at or prior to the Closing Date. Such Buyer shall have received a certificate, executed by the President of the Company, dated as of the Closing Date, to the foregoing effect and as to such other matters as may be reasonably requested by such Buyer in the form acceptable to such Buyer.

(x) The Company shall have delivered to such Buyer a certificate from the Company's transfer agent (which, for the avoidance of doubt, may be the Company) certifying the number of Ordinary Shares outstanding on the Closing Date immediately prior to the Closing and certain other matters typically covered by a transfer agent's certificate.

(xi) The Company shall have obtained all governmental, regulatory or third party consents and approvals, if any, necessary for the sale of the Securities, including without limitation, those required by the Principal Market, if any.

(xii) No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction that prohibits the consummation of any of the transactions contemplated by the Transaction Documents.

(xiii) Since the date of execution of this Agreement, no event or series of events shall have occurred that reasonably would have or result in a Material Adverse Effect.

(xiv) In accordance with the terms of the Security Documents, the Company shall have delivered to such Buyer (i) certificates representing the Subsidiaries' shares of capital stock to the extent such subsidiary is a corporation or otherwise has certificated capital stock, along with duly executed blank stock powers and (ii) appropriate financing statements (or their foreign equivalents) to be duly filed in such office or offices in the State of Delaware, the United Kingdom, Israel and any other jurisdiction as may be necessary or, in the opinion of the Buyers, desirable to perfect the security interests purported to be created by each Security Document.

(xv) The Company shall have delivered to such Buyer a Consent Letter executed by Yissum Research Development Company of the Hebrew University of Jerusalem, the Company, and Morria Biopharmaceuticals, Inc., in the form set forth in **Exhibit G** hereto.

(xvi) The Company shall have delivered to such Buyer an Amendment to Sublicense Agreement executed by the Company and Morria Biopharmaceuticals, Inc., in the form set forth in **Exhibit H** hereto

(xvii) The Company and its Subsidiaries shall have delivered to such Buyer such other documents, instruments or certificates relating to the transactions contemplated by this Agreement as such Buyer or its counsel may reasonably request.

9. TERMINATION.

In the event that the Closing shall not have occurred with respect to a Buyer within ten (10) days after the date hereof, then such Buyer shall have the right to terminate its obligations under this Agreement with respect to itself at any time on or after the close of business on such date without liability of such Buyer to any other party; provided, however, (i) the right to terminate this Agreement under this Section 9 shall not be available to such Buyer if the failure of the transactions contemplated by this Agreement to have been consummated by such date is the result of such Buyer's breach of this Agreement and (ii) the abandonment of the sale and purchase of the Notes and the Warrants shall be applicable only to such Buyer providing such written notice, provided further that no such termination shall affect any obligation of the Company under this Agreement to reimburse such Buyer for the expenses described in Section 5(g) above. Nothing contained in this Section 9 shall be deemed to release any party from any liability for any breach by such party of the terms and provisions of this Agreement or the other Transaction Documents or to impair the right of any party to compel specific performance by any other party of its obligations under this Agreement or the other Transaction Documents.

10. MISCELLANEOUS.

(a) Governing Law; Jurisdiction; Jury Trial. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Nothing contained herein shall be deemed or operate to preclude any Buyer from bringing suit or taking other legal action against the Company in any other jurisdiction to collect on the Company's obligations to such Buyer or to enforce a judgment or other court ruling in favor of such Buyer. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

(b) Counterparts**.** This Agreement may be executed in two or more identical counterparts, all of which 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. In the event that any signature is delivered by facsimile transmission or by an e-mail which contains a portable document format (.pdf) file of an executed signature page, such signature page shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such signature page were an original thereof.

(c) Headings; Gender. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement. Unless the context clearly indicates otherwise, each pronoun herein shall be deemed to include the masculine, feminine, neuter, singular and plural forms thereof. The terms "including," "includes," "include" and words of like import shall be construed broadly as if followed by the words "without limitation." The terms "herein," "hereunder," "hereof" and words of like import refer to this entire Agreement instead of just the provision in which they are found.

(d) Severability. If any provision of this Agreement is prohibited by law or otherwise determined to be invalid or unenforceable by a court of competent jurisdiction, the provision that would otherwise be prohibited, invalid or unenforceable shall be deemed amended to apply to the broadest extent that it would be valid and enforceable, and the invalidity or unenforceability of such provision shall not affect the validity of the remaining provisions of this Agreement so long as this Agreement as so modified continues to express, without material change, the original intentions of the parties as to the subject matter hereof and the prohibited nature, invalidity or unenforceability of the provision(s) in question does not substantially impair the respective expectations or reciprocal obligations of the parties or the practical realization of the benefits that would otherwise be conferred upon the parties. The parties will endeavor in good faith negotiations to replace the prohibited, invalid or unenforceable provision(s) with a valid provision(s), the effect of which comes as close as possible to that of the prohibited, invalid or unenforceable provision(s). Notwithstanding anything to the contrary contained in this Agreement or any other Transaction Document (and without implication that the following is required or applicable), it is the intention of the parties that in no event shall amounts and value paid by the Company and/or its Subsidiaries (as the case may be), or payable to or received by any of the Buyers, under the Transaction Documents (including without limitation, any amounts that would be characterized as "interest" under applicable law) exceed amounts permitted under any applicable law. Accordingly, if any obligation to pay, payment made to any Buyer, or collection by any Buyer pursuant the Transaction Documents is finally judicially determined to be contrary to any such applicable law, such obligation to pay, payment or collection shall be deemed to have been made by mutual mistake of such Buyer, the Company and its Subsidiaries and such amount shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by the applicable law. Such adjustment shall be effected, to the extent necessary, by reducing or refunding, at the option of such Buyer, the amount of interest or any other amounts which would constitute unlawful amounts required to be paid or actually paid to such Buyer under the Transaction Documents. For greater certainty, to the extent that any interest, charges, fees, expenses or other amounts required to be paid to or received by such Buyer under any of the Transaction Documents or related thereto are held to be within the meaning of "interest" or another applicable term to otherwise be violative of applicable law, such amounts shall be pro-rated over the period of time to which they relate.

(e) Entire Agreement; Amendments. This Agreement, the other Transaction Documents, the Disclosure Schedules and the schedules and exhibits attached hereto and thereto and the instruments referenced herein and therein supersede all other prior oral or written agreements between the Buyers, the Company, its Subsidiaries, their affiliates and Persons acting on their behalf solely with respect to the matters contained herein and therein, and this Agreement, the other Transaction Documents, the Disclosure Schedules and the schedules and exhibits attached hereto and thereto and the instruments referenced herein and therein contain the entire understanding of the parties solely with respect to the matters covered herein and therein; provided, however, nothing contained in this Agreement or any other Transaction Document shall (or shall be deemed to) (i) have any effect on any agreements any Buyer has entered into with, or any instruments any Buyer has received from, the Company or any of its Subsidiaries prior to the date hereof with respect to any prior investment made by such Buyer in the Company or (ii) waive, alter, modify or amend in any respect any obligations of the Company or any of its Subsidiaries, or any rights of or benefits to any Buyer or any other Person, in any agreement entered into prior to the date hereof between or among the Company and/or any of its Subsidiaries and any Buyer, or any instruments any Buyer received from the Company and/or any of its Subsidiaries prior to the date hereof, and all such agreements and instruments shall continue in full force and effect. Except as specifically set forth herein or therein, neither the Company nor any Buyer makes any representation, warranty, covenant or undertaking with respect to such matters. For clarification purposes, the Recitals are part of this Agreement. No provision of this Agreement may be amended other than by an instrument in writing signed by the Company and the Required Buyers (as defined below), and any amendment to any provision of this Agreement made in conformity with the provisions of this Section 10(e) shall be binding on all Buyers and holders of Securities, as applicable, provided that no such amendment shall be effective to the extent that it (1) applies to less than all of the holders of the Securities then outstanding or (2) imposes any obligation or liability on any Buyer without such Buyer's prior written consent (which may be granted or withheld in such Buyer's sole discretion). No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving party, provided that the Required Buyers may waive any provision of this Agreement, and any waiver of any provision of this Agreement made in conformity with the provisions of this Section 10(e) shall be binding on all Buyers and holders of Securities, as applicable, provided that no such waiver shall be effective to the extent that it (1) applies to less than all of the holders of the Securities then outstanding (unless a party gives a waiver as to itself only) or (2) imposes any obligation or liability on any Buyer without such Buyer's prior written consent (which may be granted or withheld in such Buyer's sole discretion). No consideration shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of any of the Transaction Documents unless the same consideration also is offered to all of the parties to the Transaction Documents, all holders of Notes or all holders of the Warrants (as the case may be). The Company has not, directly or indirectly, made any agreements with any Buyers relating to the terms or conditions of the transactions contemplated by the Transaction Documents except as set forth in the Transaction Documents. Without limiting the foregoing, the Company confirms that, except as set forth in this Agreement, no Buyer has made any commitment or promise or has any other obligation to provide any financing to the Company, any Subsidiary or otherwise. As a material inducement for each Buyer to enter into this Agreement, the Company expressly acknowledges and agrees that no due diligence or other investigation or inquiry conducted by a Buyer, any of its advisors or any of its representatives shall affect such Buyer's right to rely on, or shall modify or qualify in any manner or be an exception to any of, the Company's representations and warranties contained in this Agreement or any other Transaction Document. "**Required Buyers**" means each of the following: (i) Buyers having Purchase Prices in the aggregate that are at least equal to a majority of the aggregate Purchase Prices for all Buyers and (ii) Iroquois.

(f) Notices. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, if delivered personally; (ii) when sent, if sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); (iii) when sent, if sent by e-mail (provided that such sent e-mail is kept on file (whether electronically or otherwise) by the sending party and the sending party does not receive an automatically generated message from the recipient's e-mail server that such e-mail could not be delivered to such recipient) and (iv) if sent by overnight courier service, one (1) Business Day after deposit with an overnight courier service with next day delivery specified, in each case, properly addressed to the party to receive the same. The addresses, facsimile numbers and e-mail addresses for such communications shall be:

If to the Company:

Mark Cohen
Chairman – Morria Biopharmaceuticals PLC
c/o Pearl Cohen Zedek Latzer, LLP
1500 Broadway
New York, NY 10036
Telephone: (646) 878-0804
Facsimile: (646) 878-0801
Email: markc@pczlaw.com

With a copy (for informational purposes only) to:

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
666 Third Avenue
New York, NY 10017
Telephone: (212) 935-3000
Facsimile: (212) 983-3115
Attention: Kenneth R. Koch, Esq.
Jeffrey P. Schultz, Esq.

If to a Buyer, to its address, facsimile number or e-mail address set forth on the Schedule of Buyers.

or to such other address, facsimile number or e-mail address and/or to the attention of such other Person as the recipient party has specified by written notice given to each other party five (5) days prior to the effectiveness of such change. Written confirmation of receipt (A) given by the recipient of such notice, consent, waiver or other communication, (B) mechanically or electronically generated by the sender's facsimile machine containing the time, date and recipient facsimile number or (C) provided by an overnight courier service shall be rebuttable evidence of personal service, receipt by facsimile or receipt from an overnight courier service in accordance with clause (i), (ii) or (iv) above, respectively. A copy of the e-mail transmission containing the time, date and recipient e-mail address shall be rebuttable evidence of receipt by e-mail in accordance with clause (iii) above.

(g) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns, including, as contemplated below, any assignee of any of the Securities. The Company shall not assign this Agreement or any rights or obligations hereunder without the prior written consent of the Required Buyers, including, without limitation, by way of a Fundamental Transaction (as defined in the Warrants) (unless the Company is in compliance with the applicable provisions governing Fundamental Transactions set forth in the Notes and the Warrants). On or prior to the Closing Date, a Buyer shall not assign this Agreement or any rights or obligations hereunder without the prior written consent of the Company.

(h) No Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, other than the Indemnitees referred to in Section 10(k).

(i) Survival. The representations, warranties, agreements and covenants shall survive the Closing. Each Buyer shall be responsible only for its own representations, warranties, agreements and covenants hereunder.

(j) Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as any other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

(k) Indemnification. In consideration of each Buyer's execution and delivery of the Transaction Documents and acquiring the Securities thereunder and in addition to all of the Company's other obligations under the Transaction Documents, the Company shall defend, protect, indemnify and hold harmless each Buyer and each holder of any Securities and all of their stockholders, partners, members, officers, directors, employees and direct or indirect investors and any of the foregoing Persons' agents or other representatives (including, without limitation, those retained in connection with the transactions contemplated by this Agreement) (collectively, the "**Indemnitees**") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses in connection therewith (irrespective of whether any such Indemnitee is a party to the action for which indemnification hereunder is sought), and including reasonable attorneys' fees and disbursements (the "**Indemnified Liabilities**"), incurred by any Indemnitee as a result of, or arising out of, or relating to (a) any misrepresentation or breach of any representation or warranty made by the Company or any Subsidiary in any of the Transaction Documents, (b) any breach of any covenant, agreement or obligation of the Company or any Subsidiary contained in any of the Transaction Documents or (c) any cause of action, suit, proceeding or claim brought or made against such Indemnitee by a third party (including for these purposes a derivative action brought on behalf of the Company or any Subsidiary) or which otherwise involves such Indemnitee that arises out of or results from the following (except that the Company shall not have any obligations hereunder to such Buyer as a result of a breach of any of the Transaction Documents by such Buyer): (i) the execution, delivery, performance or enforcement of any of the Transaction Documents, (ii) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of the issuance of the Securities, (iii) any disclosure properly made by such Buyer pursuant to Section 5(i), or (iv) the status of such Buyer or holder of the Securities either as an investor in the Company pursuant to the transactions contemplated by the Transaction Documents or as a party to this Agreement (including, without limitation, as a party in interest or otherwise in any action or proceeding for injunctive or other equitable relief). To the extent that the foregoing undertaking by the Company may be unenforceable for any reason, the Company shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law. Except as otherwise set forth herein, the mechanics and procedures with respect to the rights and obligations under this Section 10(k) shall be the same as those set forth in Section 6 of the Registration Rights Agreement.

(l) Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party. No specific representation or warranty shall limit the generality or applicability of a more general representation or warranty. Each and every reference to share prices, Ordinary Shares and any other numbers in this Agreement that relate to the Ordinary Shares shall be automatically adjusted for stock splits, stock combinations and other similar transactions that occur with respect to the Ordinary Shares after the date of this Agreement.

(m) Remedies. Each Buyer and each holder of any Securities shall have all rights and remedies set forth in the Transaction Documents and all rights and remedies which such holders have been granted at any time under any other agreement or contract and all of the rights which such holders have under any law. Any Person having any rights under any provision of this Agreement shall be entitled to enforce such rights specifically (without posting a bond or other security), to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law. Furthermore, the Company recognizes that in the event that it or any Subsidiary fails to perform, observe, or discharge any or all of its or such Subsidiary's (as the case may be) obligations under the Transaction Documents, any remedy at law may prove to be inadequate relief to the Buyers. The Company therefore agrees that the Buyers shall be entitled to seek specific performance and/or temporary, preliminary and permanent injunctive or other equitable relief from any court of competent jurisdiction in any such case without the necessity of proving actual damages and without posting a bond or other security.

(n) Withdrawal Right. Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) the Transaction Documents, whenever any Buyer exercises a right, election, demand or option under a Transaction Document and the Company or any Subsidiary does not timely perform its related obligations within the periods therein provided, then such Buyer may rescind or withdraw, in its sole discretion from time to time upon written notice to the Company or such Subsidiary (as the case may be), any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights.

(o) Payment Set Aside; Currency. To the extent that the Company makes a payment or payments to any Buyer hereunder or pursuant to any of the other Transaction Documents or any of the Buyers enforce or exercise their rights hereunder or thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Company, a trustee, receiver or any other Person under any law (including, without limitation, any bankruptcy law, foreign, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred. Unless otherwise expressly indicated, all dollar amounts referred to in this Agreement and the other Transaction Documents are in United States Dollars ("**U.S. Dollars**"), and all amounts owing under this Agreement and all other Transaction Documents shall be paid in U.S. Dollars. All amounts denominated in other currencies (if any) shall be converted into the U.S. Dollar equivalent amount in accordance with the Exchange Rate on the date of calculation. "**Exchange Rate**" means, in relation to any amount of currency to be converted into U.S. Dollars pursuant to this Agreement, the U.S. Dollar exchange rate as published in the Wall Street Journal on the relevant date of calculation.

(p) Independent Nature of Buyers' Obligations and Rights. The obligations of each Buyer under the Transaction Documents are several and not joint with the obligations of any other Buyer, and no Buyer shall be responsible in any way for the performance of the obligations of any other Buyer under any Transaction Document. Nothing contained herein or in any other Transaction Document, and no action taken by any Buyer pursuant hereto or thereto, shall be deemed to constitute the Buyers as, and the Company acknowledges that the Buyers do not so constitute, a partnership, an association, a joint venture or any other kind of group or entity, or create a presumption that the Buyers are in any way acting in concert or as a group or entity with respect to such obligations or the transactions contemplated by the Transaction Documents or any matters, and the Company acknowledges that the Buyers are not acting in concert or as a group, and the Company shall not assert any such claim, with respect to such obligations or the transactions contemplated by the Transaction Documents. The decision of each Buyer to purchase Securities pursuant to the Transaction Documents has been made by such Buyer independently of any other Buyer. Each Buyer acknowledges that no other Buyer has acted as agent for such Buyer in connection with such Buyer making its investment hereunder and that no other Buyer will be acting as agent of such Buyer in connection with monitoring such Buyer's investment in the Securities or enforcing its rights under the Transaction Documents. The Company and each Buyer confirms that each Buyer has independently participated with the Company and its Subsidiaries in the negotiation of the transaction contemplated hereby with the advice of its own counsel and advisors. Each Buyer shall be entitled to independently protect and enforce its rights, including, without limitation, the rights arising out of this Agreement or out of any other Transaction Documents, and it shall not be necessary for any other Buyer to be joined as an additional party in any proceeding for such purpose. The use of a single agreement to effectuate the purchase and sale of the Securities contemplated hereby was solely in the control of the Company, not the action or decision of any Buyer, and was done solely for the convenience of the Company and its Subsidiaries and not because it was required or requested to do so by any Buyer. It is expressly understood and agreed that each provision contained in this Agreement and in each other Transaction Document is between the Company, each Subsidiary and a Buyer, solely, and not between the Company, its Subsidiaries and the Buyers collectively and not between and among the Buyers.

[*signature pages follow*]

IN WITNESS WHEREOF, Buyer and the Company have caused their respective signature page to this Agreement to be duly executed as of the date first written above.

COMPANY:

MORRIA BIOPHARMACEUTICALS PLC

By: /s/ YUVAL COHEN
Name: Yuval Cohen
Title: President

IN WITNESS WHEREOF, Buyer and the Company have caused their respective signature page to this Agreement to be duly executed as of the date first written above.

Name of Buyer: Iroquois Master Fund Ltd.

Signature of Authorized Signatory of Buyer: /s/ JOSHUA SILVERMAN

Name of Authorized Signatory: Joshua Silverman

Title of Authorized Signatory: Authorized Signatory

Email Address of Authorized Signatory:

Facsimile Number of Authorized Signatory:

Address for Notice to Buyer:

Address for Delivery of Securities to Buyer (if not same as address for notice):

Purchase Price: 500,000

Principal Amount of Note: 550,000
Warrant Shares: 321,637

IN WITNESS WHEREOF, Buyer and the Company have caused their respective signature page to this Agreement to be duly executed as of the date First written above.

Name of Buyer: Alpha Capital Anstalt

Signature of Authorized Signatory of Buyer. */s/ KONRAD ACKERMANN*

Name of Authorized .Signatory: Konrad Ackermann

Title of Authorized Signatory: Director

Email Address of Authorized Signatory:

Facsimile Number of Authorized Signatory: 0041 71 477 35 04

Address for Notice to Buyer:

Pradafant 7
LI-9490- Vaduz
Furstentum Liechtenstein

Address for Delivery of Securities to Buyer (if not same as address for notice):

c/0 . LH Financial Services
150 Central Park South 2nd Floor
New York NY 10019
Tel: 212.586.8224 / 6467479622
Fax: 212.586/8244 / Efax: 718.374.5304

Purchase Price: $500,000

Principal Amount of Note: $550,000
Warrant Shares: 321,637

SCHEDULE OF BUYERS

(1)	(2)	(3)	(4)	(5)
Buyer	**Address and Facsimile Number**	**Principal Amount of Note**	**Number of Warrant Shares**	**Purchase Price**
Iroquois Master Fund Ltd.	Iroquois Master Fund Ltd. 641 Lexington Avenue, 26th Floor New York, New York 10022 Facsimile: (212) 207-3452	$ 550,000	321,637	$ 500,000
Alpha Capital Anstalt	Address for Delivery of Securities: c/o LH Financial Services 150 Central Park South 2nd F1 New York, NY 10019 Facsimile: (212) 586-8244	$ 550,000	321,637	$ 500,000
Totals:		$ 1,100,000	643,274	$ 1,000,000

[FORM OF ORIGINAL ISSUE DISCOUNT
SENIOR SECURED CONVERTIBLE NOTE]

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL TO THE HOLDER (IF REQUESTED BY THE COMPANY), IN A FORM REASONABLY ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD OR ELIGIBLE TO BE SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES. ANY TRANSFEREE OF THIS NOTE SHOULD CAREFULLY REVIEW THE TERMS OF THIS NOTE, INCLUDING SECTIONS 3(c)(iii) AND 19(a) HEREOF. THE PRINCIPAL AMOUNT REPRESENTED BY THIS NOTE AND, ACCORDINGLY, THE SECURITIES ISSUABLE UPON CONVERSION HEREOF MAY BE LESS THAN THE AMOUNTS SET FORTH ON THE FACE HEREOF PURSUANT TO SECTION 3(c)(iii) OF THIS NOTE.

MORRIA BIOPHARMACEUTICALS PLC

Original Issue Discount Senior Secured Convertible Note

Issuance Date: March __, 2012 Original Principal Amount: U.S. $_____[1]

FOR VALUE RECEIVED, Morria Biopharmaceuticals PLC, a public limited company formed under the laws of England and Wales (the "**Company**"), hereby promises to pay to the order of _____ or its registered assigns ("**Holder**") the amount set out above as the Original Principal Amount (as reduced pursuant to the terms hereof pursuant to redemption, conversion or otherwise, the "**Principal**") when due, whether upon the Maturity Date, or upon acceleration, redemption or otherwise (in each case in accordance with the terms hereof), and to pay interest ("**Interest**") on any outstanding Principal (as defined below) at the applicable Interest Rate (as defined below) from the date set out above as the Issuance Date (the "**Issuance Date**") until the same becomes due and payable, whether upon the Maturity Date or acceleration, conversion, redemption or otherwise (in each case in accordance with the terms hereof). This Original Issue Discount Senior Secured Convertible Note (including all Original Issue Discount Senior Secured Convertible Notes issued in exchange, transfer or replacement hereof, this "**Note**") is one of an issue of Original Issue Discount Senior Secured Convertible Notes issued pursuant to the Securities Purchase Agreement (as defined below) on the Closing Date (as defined below) (collectively, the "**Notes**," and such other Original Issue Discount Senior Secured Convertible Notes, if any, the "**Other Notes**"). Certain capitalized terms used herein are defined in Section 29.

---

[1] Aggregate principal amount of all notes to be $1,100,000

1 . PAYMENTS OF PRINCIPAL . On the Maturity Date, the Company shall pay to the Holder an amount equal to the Principal. Other than as specifically permitted by this Note, the Company may not prepay any portion of the outstanding Principal, accrued and unpaid Interest or accrued and unpaid Late Charges on Principal and Interest, if any.

2 . INTEREST; INTEREST RATE. No Interest shall accrue on this Note prior to the occurrence of an Event of Default, in which case Interest on this Note shall commence accruing on the occurrence of such Event of Default, shall accrue daily at the Interest Rate on the outstanding Principal amount from time to time, shall be computed on the basis of a 360-day year comprised of twelve (12) thirty (30) day months, shall compound each Quarter and shall be payable in accordance with the terms of this Note. From and after the occurrence and during the continuance of any Event of Default, the Interest Rate shall automatically be increased to eighteen percent (18%). In the event that such Event of Default is subsequently cured, the increase referred to in the preceding sentence shall cease to be effective as of the date of such cure, provided that any Interest that is accrued and unpaid at such increased rate during the continuance of such Event of Default shall continue to be outstanding and payable to the extent such Interest represents accrued and unpaid interest in respect of period commencing on the date on which such Event of Default occurs through and including the date on which such Event of Default is cured.

3 . CONVERSION OF NOTES. This Note shall be convertible into validly issued, fully paid and non-assessable Ordinary Shares (as defined below), on the terms and conditions set forth in this Section 3.

(a) Conversion Right. Subject to the provisions of Section 3(d), at any time or times on or after the Issuance Date, the Holder shall be entitled to convert any portion of the outstanding and unpaid Conversion Amount (as defined below) into validly issued, fully paid and non-assessable Ordinary Shares in accordance with Section 3(c), at the Conversion Rate (as defined below). The Company shall not issue any fraction of an Ordinary Share upon any conversion. If the issuance would result in the issuance of a fraction of an Ordinary Share, the Company shall round such fraction of an Ordinary Share up to the nearest whole share. The Company shall pay any and all transfer, stamp, issuance and similar taxes that may be payable with respect to the issuance and delivery of Ordinary Shares upon conversion of any Conversion Amount.

(b) Conversion Rate. The number of Ordinary Shares issuable upon conversion of any Conversion Amount pursuant to Section 3(a) shall be determined by dividing (x) such Conversion Amount by (y) the Conversion Price (the "**Conversion Rate**").

(i) "**Conversion Amount**" means the portion of the Principal to be converted, redeemed or otherwise with respect to which this determination is being made, plus all accrued and unpaid Interest with respect to such portion of the Principal amount and accrued and unpaid Late Charges with respect to such portion of such Principal and such Interest.

(ii) "**Conversion Price**" means, as of any Conversion Date or other date of determination, $____[2], subject to adjustment as provided herein.

(c) Mechanics of Conversion.

(i) Optional Conversion. To convert any Conversion Amount into Ordinary Shares on any date (a "**Conversion Date**"), the Holder shall deliver (whether via facsimile or otherwise), for receipt on or prior to 5:30 p.m., New York time, on any Trading Day, a copy of an executed notice of conversion in the form attached hereto as Exhibit I (the "**Conversion Notice**") to the Company. A Conversion Notice delivered after such time or on a non-Trading Day shall be deemed to have been delivered on the following Trading Day. If required by Section 3(c)(iii), within three (3) Trading Days following a conversion of this Note as aforesaid, the Holder shall surrender this Note to a nationally recognized overnight delivery service for delivery to the Company (or an indemnification undertaking with respect to this Note in the case of its loss, theft or destruction as contemplated by Section 19(b)). On or before the first (1st) Trading Day following the date of receipt of a Conversion Notice (whether via facsimile or otherwise), the Company shall transmit by facsimile an acknowledgment of confirmation, in the form attached hereto as Exhibit II, of receipt of such Conversion Notice to the Holder and the Company's transfer agent (which, for the avoidance of doubt, may be the Company prior to the Self Filing Effective Date (as defined in the Securities Purchase Agreement)) (the "**Transfer Agent**") and shall promptly instruct and otherwise use its reasonable best efforts to cause the Transfer Agent to complete the following actions on or before the third (3rd) Trading Day following the date of receipt of a Conversion Notice (whether via facsimile or otherwise): (1) provided that the Transfer Agent is participating in The Depository Trust Company's ("**DTC**") Fast Automated Securities Transfer Program, credit such aggregate number of Ordinary Shares to which the Holder shall be entitled to the Holder's or its designee's balance account with DTC through its Deposit/Withdrawal at Custodian system or (2) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, issue and deliver (via reputable overnight courier) to the address as specified in the Conversion Notice, a certificate, registered in the name of the Holder or its designee, for the number of Ordinary Shares to which the Holder shall be entitled. If this Note is physically surrendered for conversion pursuant to Section 3(c)(iii) and the outstanding Principal of this Note is greater than the Principal portion of the Conversion Amount being converted, then the Company shall as soon as practicable and in no event later than three (3) Business Days after receipt of this Note and at its own expense, issue and deliver to the Holder (or its designee) a new Note (in accordance with Section 19(d)) representing the outstanding Principal not converted. The Person or Persons entitled to receive the Ordinary Shares issuable upon a conversion of this Note shall be treated for all purposes as the record holder or holders of such Ordinary Shares on the Conversion Date.

[2] Based on a pre-money valuation of $24 million

(ii) Company's Failure to Timely Convert. If the Company shall fail, for any reason or for no reason, on the first (1st) Trading Day immediately following the Company's receipt of a Conversion Notice (whether via facsimile or otherwise) from a Holder, to give notice to and instruct, and otherwise use the Company's reasonable best efforts to cause, the Transfer Agent to thereafter promptly issue to such Holder a certificate for the number of Ordinary Shares to which the Holder is entitled and register such Ordinary Shares on the Company's share register or to credit the Holder's or its designee's balance account with DTC for such number of Ordinary Shares to which the Holder is entitled upon the Holder's conversion of any Conversion Amount (as the case may be) (a "**Conversion Failure**"), then, in addition to all other remedies available to the Holder, the Holder may declare the Company to be in breach under this Note. Furthermore, (1) the Company shall pay in cash to the Holder on each Trading Day after such third (3rd) Trading Day that the issuance of such Ordinary Shares is not timely effected an amount equal to 1% of the product of (A) the sum of the number of Ordinary Shares not issued to the Holder on a timely basis and to which the Holder is entitled multiplied by (B) the Closing Sale Price of Ordinary Shares on the Trading Day immediately preceding the last possible date which the Company could have issued such Ordinary Shares to the Holder without violating Section 3(c)(i) and (2) the Holder, upon written notice to the Company, may void its Conversion Notice with respect to, and retain or have returned (as the case may be) any portion of this Note that has not been converted pursuant to such Conversion Notice, provided that the voiding of a Conversion Notice shall not affect the Company's obligations to make any payments which have accrued prior to the date of such notice pursuant to this Section 3(c)(ii) or otherwise. In addition to the foregoing, if within three (3) Trading Days after the Company's receipt of a Conversion Notice (whether via facsimile or otherwise), the Company shall fail to issue and deliver a certificate to the Holder and register such Ordinary Shares on the Company's share register or credit the Holder's or its designee's balance account with DTC for the number of Ordinary Shares to which the Holder is entitled upon the Holder's conversion hereunder (as the case may be), and if on or after such third (3rd) Trading Day the Holder (or any other Person in respect, or on behalf, of the Holder) purchases (in an open market transaction or otherwise) Ordinary Shares to deliver in satisfaction of a sale by the Holder of all or any portion of the number of Ordinary Shares, or a sale of a number of Ordinary Shares equal to all or any portion of the number of Ordinary Shares, issuable upon such conversion that the Holder so anticipated receiving from the Company, then, in addition to all other remedies available to the Holder, the Company shall, within three (3) Business Days after the Holder's request and in the Holder's discretion, either (i) pay cash to the Holder in an amount equal to the Holder's total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the Ordinary Shares so purchased (including, without limitation, by any other Person in respect, or on behalf, of the Holder) (the "**Buy-In Price**"), at which point the Company's obligation to so issue and deliver such certificate or credit the Holder's balance account with DTC for the number of Ordinary Shares to which the Holder is entitled upon the Holder's conversion hereunder (as the case may be) (and to issue such Ordinary Shares) shall terminate, or (ii) promptly honor its obligation to so issue and deliver to the Holder a certificate or certificates representing such Ordinary Shares or credit the Holder's balance account with DTC for the number of Ordinary Shares to which the Holder is entitled upon the Holder's conversion hereunder (as the case may be) and pay cash to the Holder in an amount equal to the excess (if any) of the Buy-In Price over the product of (A) such number of Ordinary Shares multiplied by (B) the lowest Closing Sale Price of the Ordinary Shares on any Trading Day during the period commencing on the date of the applicable Conversion Notice and ending on the date of such issuance and payment under this clause (ii).

(iii) Registration; Book-Entry. The Company shall maintain a register (the "**Register**") for the recordation of the names and addresses of the holders of each Note and the principal amount of the Notes held by such holders (the "**Registered Notes**"). The entries in the Register shall be conclusive and binding for all purposes absent manifest error. The Company and the holders of the Notes shall treat each Person whose name is recorded in the Register as the owner of a Note for all purposes (including, without limitation, the right to receive payments hereunder, including payments of Principal and Interest) notwithstanding notice to the contrary. A Registered Note may be assigned, transferred or sold in whole or in part only by registration of such assignment or sale on the Register. Upon its receipt of a request to assign, transfer or sell all or part of any Registered Note by the holder thereof (in accordance with the terms of this Note and the Securities Purchase Agreement, including Section 3(g) thereof), the Company shall record the information contained therein in the Register and issue one or more new Registered Notes in the same aggregate principal amount as the principal amount of the surrendered Registered Note to the designated assignee or transferee pursuant to Section 19, provided that if the Company does not so record an assignment, transfer or sale (as the case may be) of all or part of any Registered Note within two (2) Business Days of such a request, then the Register shall be automatically updated to reflect such assignment, transfer or sale (as the case may be). Notwithstanding anything to the contrary set forth in this Section 3, following conversion of any portion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Company unless (A) the full Conversion Amount represented by this Note is being converted (in which event this Note shall be delivered to the Company following conversion thereof as contemplated by Section 3(c)(i)) or (B) the Holder has provided the Company with prior written notice (which notice may be included in a Conversion Notice) requesting reissuance of this Note upon physical surrender of this Note. The Holder and the Company shall maintain records showing the Principal, Interest and Late Charges converted and/or paid (as the case may be) and the dates of such conversions and/or payments (as the case may be) or shall use such other method, reasonably satisfactory to the Holder and the Company, so as not to require physical surrender of this Note upon partial conversion.

(iv) Pro Rata Conversion; Disputes. In the event that the Company receives a Conversion Notice from more than one holder of Notes for the same Conversion Date and the Company can convert some, but not all, of such portions of the Notes submitted for conversion, the Company, subject to Section 3(d), shall convert from each holder of Notes electing to have Notes converted on such date a pro rata amount of such holder's portion of its Notes submitted for conversion based on the principal amount of Notes submitted for conversion on such date by such holder relative to the aggregate principal amount of all Notes submitted for conversion on such date. In the event of a dispute as to the number of Ordinary Shares issuable to the Holder in connection with a conversion of this Note, the Company shall issue to the Holder the number of Ordinary Shares not in dispute and resolve such dispute in accordance with Section 24.

(d) Limitations on Conversions.

(i) Beneficial Ownership. Notwithstanding anything to the contrary contained in this Note, this Note shall not be convertible by the Holder hereof, and the Company shall not effect any conversion of this Note or otherwise issue any Ordinary Shares pursuant to Section 8 hereof, to the extent (but only to the extent) that the Holder or any of its affiliates would beneficially own in excess of 4.9% (the "**Maximum Percentage**") of the Ordinary Shares. To the extent the above limitation applies, the determination of whether this Note shall be convertible (vis-à-vis other convertible, exercisable or exchangeable securities owned by the Holder or any of its affiliates) and of which such securities shall be convertible, exercisable or exchangeable (as among all such securities owned by the Holder and its affiliates) shall, subject to such Maximum Percentage limitation, be determined on the basis of the first submission to the Company for conversion, exercise or exchange (as the case may be). No prior inability to convert this Note, or to issue Ordinary Shares, pursuant to this paragraph shall have any effect on the applicability of the provisions of this paragraph with respect to any subsequent determination of convertibility. For purposes of this paragraph, beneficial ownership and all determinations and calculations (including, without limitation, with respect to calculations of percentage ownership) shall be determined in accordance with Section 13(d) of the 1934 Act (as defined in the Securities Purchase Agreement) and the rules and regulations promulgated thereunder. The provisions of this paragraph shall be implemented in a manner otherwise than in strict conformity with the terms of this paragraph to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Maximum Percentage beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such Maximum Percentage limitation. The limitations contained in this paragraph shall apply to a successor Holder of this Note. The holders of Ordinary Shares shall be third party beneficiaries of this paragraph and the Company may not waive this paragraph without the consent of holders of a majority of its Ordinary Shares. For any reason at any time, upon the written or oral request of the Holder, the Company shall within one (1) Business Day confirm orally and in writing to the Holder the number of Ordinary Shares then outstanding, including by virtue of any prior conversion or exercise of convertible or exercisable securities into Ordinary Shares, including, without limitation, pursuant to this Note or securities issued pursuant to the Securities Purchase Agreement.

4. RIGHTS UPON EVENT OF DEFAULT.

(a) Event of Default. Each of the following events shall constitute an "**Event of Default**":

(i) the failure of the applicable Registration Statement (as defined in the Registration Rights Agreement) to be filed with the SEC on or prior to the date that is five (5) Business Days after the applicable Filing Deadline (as defined in the Registration Rights Agreement) or the failure of the applicable Registration Statement to be declared effective by the SEC on or prior to the date that is ten (10) Business Days after the applicable Effectiveness Deadline (as defined in the Registration Rights Agreement);

(ii) while the applicable Registration Statement is required to be maintained effective pursuant to the terms of the Registration Rights Agreement, the effectiveness of the applicable Registration Statement lapses for any reason (including, without limitation, the issuance of a stop order) or such Registration Statement (or the prospectus contained therein) is unavailable to any holder of Registrable Securities (as defined in the Registration Rights Agreement) for sale of all of such holder's Registrable Securities in accordance with the terms of the Registration Rights Agreement, and (I) such lapse or unavailability continues for a period of five (5) consecutive Trading Days or for more than an aggregate of ten (10) Trading Days in any 365-day period (excluding days during an Allowable Grace Period (as defined in the Registration Rights Agreement)) and (II) any such holder (who is not an affiliate of the Company) may not then sell all of such holder's Registrable Securities without restriction pursuant to Rule 144 (as defined in the Securities Purchase Agreement);

(iii) commencing on the date on which the Company obtains the listing or quotation of the Ordinary Shares on the Principal Market in accordance with Section 5(f) of the Securities Purchase Agreement (such date, the "**Initial Quotation Date**"), the suspension from trading or the failure of the Ordinary Shares to be quoted, trading or listed (as applicable) on an Eligible Market on which the Ordinary Shares as a class is then quoted, traded or listed (as applicable) for a period of five (5) consecutive Trading Days or for more than an aggregate of ten (10) Trading Days in any 365 day period;

(iv) the Company's (A) failure to cure a Conversion Failure or a Delivery Failure (as defined in the Warrants) by delivery of the required number of Ordinary Shares within five (5) Trading Days after the applicable Conversion Date or exercise date (as the case may be) or (B) notice, written or oral, to any holder of the Notes or Warrants, including, without limitation, by way of public announcement or through any of its agents, at any time, of its intention not to comply, as required, with a request for conversion of any Notes into Ordinary Shares that is requested in accordance with the provisions of the Notes, other than pursuant to Section 3(d) or a request for exercise of any Warrants for Warrant Shares in accordance with the provisions of the Warrants;

(v) at any time following the tenth (10^{th}) consecutive day that the Holder's Authorized Share Allocation is less than the number of Ordinary Shares that the Holder would be entitled to receive upon a conversion of the full Conversion Amount of this Note (without regard to any limitations on conversion set forth in Section 3(d) or otherwise);

(vi) the Company's or any Subsidiary's failure to pay to the Holder any amount of Principal, Interest, Late Charges or other amounts when and as due under this Note (including, without limitation, the Company's or any Subsidiary's failure to pay any redemption payments or amounts hereunder) or any other Transaction Document (as defined in the Securities Purchase Agreement) or any other agreement, document, certificate or other instrument delivered in connection with the transactions contemplated hereby and thereby, except, in the case of a failure to pay Interest and Late Charges when and as due, in which case only if such failure remains uncured for a period of at least five (5) days;

(vii) the Company fails to instruct and otherwise use its reasonable best efforts to cause the Transfer Agent to remove any restrictive legend on any certificate or any Ordinary Shares issued to the Holder upon conversion or exercise (as the case may be) of any Securities acquired by the Holder under the Securities Purchase Agreement (including this Note) as and when required by such Securities or the Securities Purchase Agreement, unless otherwise then prohibited by applicable federal securities laws, and any such failure of the Company remains uncured for at least five (5) days;

(viii) the occurrence of any default under, redemption of or acceleration prior to maturity of any Indebtedness (as defined in the Securities Purchase Agreement) of the Company or any of its Subsidiaries, other than with respect to any Other Notes;

(ix) bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings for the relief of debtors shall be instituted by or against the Company or any Subsidiary and, if instituted against the Company or any Subsidiary by a third party, shall not be dismissed within thirty (30) days of their initiation;

(x) the commencement by the Company or any Subsidiary of a voluntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree, order, judgment or other similar document in respect of the Company or any Subsidiary in an involuntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal, state or foreign law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or any Subsidiary or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the execution of a composition of debts, or the occurrence of any other similar federal, state or foreign proceeding, or the admission by it in writing of its inability to pay its debts generally as they become due, the taking of corporate action by the Company or any Subsidiary in furtherance of any such action or the taking of any action by any Person to commence a Uniform Commercial Code foreclosure sale or any other similar action under federal, state or foreign law;

(xi) the entry by a court of (i) a decree, order, judgment or other similar document in respect of the Company or any Subsidiary of a voluntary or involuntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency, reorganization or other similar law or (ii) a decree, order, judgment or other similar document adjudging the Company or any Subsidiary as bankrupt or insolvent, or approving as properly filed a petition seeking liquidation, reorganization, arrangement, adjustment or composition of or in respect of the Company or any Subsidiary under any applicable federal, state or foreign law or (iii) a decree, order, judgment or other similar document appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or any Subsidiary or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree, order, judgment or other similar document or any such other decree, order, judgment or other similar document unstayed and in effect for a period of thirty (30) consecutive days;

(xii) a final judgment or judgments for the payment of money aggregating in excess of $100,000 are rendered against the Company and/or any of its Subsidiaries and which judgments are not, within thirty (30) days after the entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within thirty (30) days after the expiration of such stay; provided, however, any judgment which is covered by insurance or an indemnity from a credit worthy party shall not be included in calculating the $100,000 amount set forth above so long as the Company provides the Holder a written statement from such insurer or indemnity provider (which written statement shall be reasonably satisfactory to the Holder) to the effect that such judgment is covered by insurance or an indemnity and the Company or such Subsidiary (as the case may be) will receive the proceeds of such insurance or indemnity within thirty (30) days of the issuance of such judgment;

(xiii) the Company and/or any Subsidiary, individually or in the aggregate, either (i) fails to pay, when due, or within any applicable grace period, any payment with respect to any Indebtedness in excess of $100,000 due to any third party (other than, with respect to unsecured Indebtedness only, payments contested by the Company and/or such Subsidiary (as the case may be) in good faith by proper proceedings and with respect to which adequate reserves have been set aside for the payment thereof in accordance with IFRS) or is otherwise in breach or violation of any agreement for monies owed or owing in an amount in excess of $100,000, which breach or violation permits the other party thereto to declare a default or otherwise accelerate amounts due thereunder, or (ii) suffer to exist any other circumstance or event that would, with or without the passage of time or the giving of notice, result in a default or event of default under any agreement binding the Company or any Subsidiary, which default or event of default would or is likely to have a Material Adverse Effect;

(xiv) other than as specifically set forth in another clause of this Section 4(a), the Company or any Subsidiary breaches (if qualified by materiality) or materially breaches (if not qualified by materiality) any representation, warranty, covenant or other term or condition of any Transaction Document (including, without limitation, the Guaranties (as defined in the Securities Purchase Agreement) and the Security Documents (as defined in the Securities Purchase Agreement)), except, in the case of a breach of a covenant or other term or condition that is curable, only if such breach remains uncured for a period of five (5) days following receipt by the Company of notice thereof from the Holder;

(xv) any breach or failure in any respect by the Company or any Subsidiary to comply with any provision of either of Sections 8 or 14 of this Note;

(xvi) a false or inaccurate certification (including a false or inaccurate deemed certification) by the Company that the Equity Conditions are satisfied, that there has been no Equity Conditions Failure or as to whether any Event of Default has occurred;

(xvii) any Material Adverse Effect (as defined in the Securities Purchase Agreement) occurs which is not cured, remedied or resolved by the Company within five (5) days;

(xviii) any material provision or provisions (when taken together) of any Transaction Document (including, without limitation, the Guaranties and the Security Documents) shall at any time for any reason (other than pursuant to the express terms thereof) cease to be valid and binding on or enforceable against the parties thereto, or the validity or enforceability of any provision of any Transaction Document shall be contested by the Company or any of its Subsidiaries, or a proceeding shall be commenced by the Company or any Subsidiary or any governmental authority having jurisdiction over any of them, seeking to establish the invalidity or unenforceability thereof, or the Company or any Subsidiary shall deny in writing that it has any liability or obligation created under any Transaction Document (including, without limitation, the Guaranties and the Security Documents);

(xix) the Security Documents shall for any reason fail or cease to create a separate valid and perfected and, except to the extent permitted by the terms hereof or thereof, first priority Lien on the Collateral (as defined in the Security Agreement) and on the Charged Assets (as defined in the UK Security Agreement) in favor of each of the Secured Parties (as respectively defined in the Security Agreement and the UK Security Agreement);

(xx) any material damage to, or loss, theft or destruction of, any assets of the Company and its Subsidiaries, whether or not insured, or any strike, lockout, labor dispute, embargo, condemnation, act of God or public enemy, or other casualty which causes, for more than fifteen (15) consecutive days, the cessation or substantial curtailment of revenue producing activities at any facility of the Company or any Subsidiary, if any such event or circumstance could have a Material Adverse Effect; or

(xxi) any Event of Default (as defined in the Other Notes) occurs with respect to any Other Notes.

(b) Notice of an Event of Default; Redemption Right. Upon the occurrence of an Event of Default with respect to this Note or any Other Note, the Company shall within one (1) Business Day deliver written notice thereof via facsimile and overnight courier (with next day delivery specified) (an "**Event of Default Notice**") to the Holder. At any time after the earlier of the Holder's receipt of an Event of Default Notice and the Holder becoming aware of an Event of Default, the Holder may require the Company to redeem (regardless of whether such Event of Default has been cured) all or any portion of this Note by delivering written notice thereof (the "**Event of Default Redemption Notice**") to the Company, which Event of Default Redemption Notice shall indicate the portion of this Note the Holder is electing to redeem. Each portion of this Note subject to redemption by the Company pursuant to this Section 4(b) shall be redeemed by the Company at a price (the "**Event of Default Redemption Price**") equal to the greater of (i) the product of (A) the Conversion Amount to be redeemed multiplied by (B) the Redemption Premium and (ii) the product of (X) the Conversion Rate with respect to the Conversion Amount in effect at such time as the Holder delivers an Event of Default Redemption Notice multiplied by (Y) the product of (1) the Equity Value Redemption Premium multiplied by (2) the greatest Closing Sale Price of the Ordinary Shares on any Trading Day during the period commencing on the date immediately preceding such Event of Default and ending on the date the Company makes the entire payment required to be made under this Section 4(b). Redemptions required by this Section 4(b) shall be made in accordance with the provisions of Section 11. To the extent redemptions required by this Section 4(b) are deemed or determined by a court of competent jurisdiction to be prepayments of this Note by the Company, such redemptions shall be deemed to be voluntary prepayments. Notwithstanding anything to the contrary in this Section 4, but subject to Section 3(d), until the Event of Default Redemption Price (together with any Late Charges thereon) is paid in full, the Conversion Amount submitted for redemption under this Section 4(b) (together with any Late Charges thereon) may be converted, in whole or in part, by the Holder into Ordinary Shares pursuant to the terms of this Note. In the event of the Company's redemption of any portion of this Note under this Section 4(b), the Holder's damages would be uncertain and difficult to estimate because of the parties' inability to predict future interest rates and the uncertainty of the availability of a suitable substitute investment opportunity for the Holder. Accordingly, any redemption premium due under this Section 4(b) is intended by the parties to be, and shall be deemed, a reasonable estimate of the Holder's actual loss of its investment opportunity and not as a penalty.

5. RIGHTS UPON A FUNDAMENTAL TRANSACTION AND A PERMITTED PRIVATE PLACEMENT.

(a) Assumption upon a Fundamental Transaction. The Company shall not enter into or be party to a Fundamental Transaction unless (i) the Successor Entity assumes in writing all of the obligations of the Company under this Note and the other Transaction Documents in accordance with the provisions of this Section 5(a) pursuant to written agreements in form and substance satisfactory to the Holder and approved by the Holder prior to such Fundamental Transaction, including agreements to deliver to each holder of Notes in exchange for such Notes a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to the Notes, including, without limitation, having a principal amount and interest rate equal to the principal amounts then outstanding and the interest rates of the Notes held by such holder, having similar conversion rights as the Notes and having similar ranking to the Notes, having similar guarantees from the subsidiaries of the Successor Entity and a first priority lien on all of the assets (to the extent such assets would constitute Collateral) of the Successor Entity, and satisfactory to the Holder and (ii) the Successor Entity (including its Parent Entity) is a publicly traded corporation whose common stock is quoted on or listed for trading on an Eligible Market. Upon the occurrence of any Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Note and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Note and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein. In addition to the foregoing, upon consummation of a Fundamental Transaction, the Successor Entity shall deliver to the Holder confirmation that there shall also be issued upon conversion or redemption of this Note at any time after the consummation of such Fundamental Transaction, in lieu of the Ordinary Shares or other securities, cash, assets or other property (except such items still issuable under Sections 6 and 16, which shall continue to be receivable thereafter) issuable upon the conversion or redemption of the Notes prior to such Fundamental Transaction, such shares of the publicly traded common stock (or their equivalent) of the Successor Entity (including its Parent Entity) which the Holder would have been entitled to receive upon the happening of such Fundamental Transaction had this Note been converted immediately prior to such Fundamental Transaction (without regard to any limitations on the conversion of this Note), as adjusted in accordance with the provisions of this Note. The provisions of this Section 5 shall apply similarly and equally to successive Fundamental Transactions and shall be applied without regard to any limitations on the conversion of this Note.

(b) Notice of a Fundamental Transaction; Redemption Right. No sooner than twenty (20) Trading Days nor later than ten (10) Trading Days prior to the consummation of a Fundamental Transaction, but not prior to the public announcement of such Fundamental Transaction, the Company shall deliver written notice thereof via facsimile and overnight courier to the Holder (a "**Fundamental Transaction Notice**"). At any time during the period beginning after the Holder's receipt of a Fundamental Transaction Notice or the Holder becoming aware of a Fundamental Transaction if a Fundamental Transaction Notice is not delivered to the Holder in accordance with the immediately preceding sentence (as applicable) and ending on the later of twenty (20) Trading Days after (A) consummation of such Fundamental Transaction or (B) the date of receipt of such Fundamental Transaction Notice, the Holder may require the Company to redeem all or any portion of this Note by delivering written notice thereof ("**Fundamental Transaction Redemption Notice**") to the Company, which Fundamental Transaction Redemption Notice shall indicate the Conversion Amount the Holder is electing to redeem. The portion of this Note subject to redemption pursuant to this Section 5 shall be redeemed by the Company in cash at a price (the "**Fundamental Transaction Redemption Price**") equal to the greatest of (i) the product of (w) the Fundamental Transaction Redemption Premium multiplied by (x) the Conversion Amount being redeemed, (ii) the product of (X) the Fundamental Transaction Redemption Premium multiplied by (Y) the product of (A) the Conversion Amount being redeemed multiplied by (B) the quotient determined by dividing (1) the greatest Closing Sale Price of the Ordinary Shares during the period beginning on the date immediately preceding the earlier to occur of (x) the consummation of the applicable Fundamental Transaction and (y) the public announcement of such Fundamental Transaction and ending on the date the Holder delivers the Fundamental Transaction Redemption Notice by (2) the Conversion Price in effect at the time of delivery by the Holder of the Fundamental Transaction Redemption Notice and (iii) the product of (y) the Fundamental Transaction Redemption Premium multiplied by (z) the product of (1) the Conversion Amount being redeemed multiplied by (2) the quotient of (A) the aggregate cash consideration and the aggregate cash value of any non-cash consideration per Ordinary Share to be paid to the holders of the Ordinary Shares upon consummation of such Fundamental Transaction (any such non-cash consideration constituting publicly-traded securities shall be valued at the highest of the Closing Sale Price of such securities as of the Trading Day immediately prior to the consummation of such Fundamental Transaction, the Closing Sale Price of such securities on the Trading Day immediately following the public announcement of such proposed Fundamental Transaction and the Closing Sale Price of such securities on the Trading Day immediately prior to the public announcement of such proposed Fundamental Transaction) divided by (B) the Conversion Price then in effect. Redemptions required by this Section 5 shall be made in accordance with the provisions of Section 11 and shall have priority to payments to stockholders in connection with such Fundamental Transaction. To the extent redemptions required by this Section 5(b) are deemed or determined by a court of competent jurisdiction to be prepayments of this Note by the Company, such redemptions shall be deemed to be voluntary prepayments. Notwithstanding anything to the contrary in this Section 5, but subject to Section 3(d), until the Fundamental Transaction Redemption Price (together with any Late Charges thereon) is paid in full, the Conversion Amount submitted for redemption under this Section 5(b) (together with any Late Charges thereon) may be converted, in whole or in part, by the Holder into Ordinary Shares pursuant to Section 3. In the event of the Company's redemption of any portion of this Note under this Section 5(b), the Holder's damages would be uncertain and difficult to estimate because of the parties' inability to predict future interest rates and the uncertainty of the availability of a suitable substitute investment opportunity for the Holder. Accordingly, any redemption premium due under this Section 5(b) is intended by the parties to be, and shall be deemed, a reasonable estimate of the Holder's actual loss of its investment opportunity and not as a penalty.

(c) Notice of a Permitted Private Placement; Redemption Right. On or prior to the fifth (5^{th}) Trading Day prior to the consummation of a Permitted Private Placement (as defined in the Securities Purchase Agreement), the Company shall deliver written notice thereof via facsimile and overnight courier to the Holder (a "**Permitted Private Placement Notice**"). At any time during the period beginning after the Holder's receipt of a Permitted Private Placement Notice or the Holder becoming aware of a Permitted Private Placement if a Permitted Private Placement Notice is not delivered to the Holder in accordance with the immediately preceding sentence (as applicable) and ending on the later of twenty (20) Trading Days after (A) consummation of such Permitted Private Placement or (B) the date of receipt of such Permitted Private Placement Notice, the Holder may require the Company to redeem all or any portion of this Note by delivering written notice thereof ("**Permitted Private Placement Redemption Notice**") to the Company, which Permitted Private Placement Redemption Notice shall indicate the Conversion Amount the Holder is electing to redeem. The portion of this Note subject to redemption pursuant to this Section 5(c) shall be redeemed by the Company in cash at a price (the "**Permitted Private Placement Redemption Price**") equal to the Conversion Amount. The Permitted Private Placement Redemption Price shall be paid directly from the proceeds of the Permitted Private Placement. To the extent redemptions required by this Section 5(c) are deemed or determined by a court of competent jurisdiction to be prepayments of this Note by the Company, such redemptions shall be deemed to be voluntary prepayments. Notwithstanding anything to the contrary in this Section 5, but subject to Section 3(d), until the Permitted Private Placement Redemption Price (together with any Late Charges thereon) is paid in full, the Conversion Amount submitted for redemption under this Section 5(c) (together with any Late Charges thereon) may be converted, in whole or in part, by the Holder into Ordinary Shares pursuant to Section 3. In the event of the Company's redemption of any portion of this Note under this Section 5(c), the Holder's damages would be uncertain and difficult to estimate because of the parties' inability to predict future interest rates and the uncertainty of the availability of a suitable substitute investment opportunity for the Holder. Accordingly, any redemption premium (if any) due under this Section 5(c) is intended by the parties to be, and shall be deemed, a reasonable estimate of the Holder's actual loss of its investment opportunity and not as a penalty.

6. RIGHTS UPON ISSUANCE OF PURCHASE RIGHTS AND OTHER CORPORATE EVENTS.

(a) Purchase Rights. In addition to any adjustments pursuant to Section 7 below, if at any time the Company grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to all or substantially all of the record holders of any class of Ordinary Shares (the "**Purchase Rights**"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of Ordinary Shares acquirable upon complete conversion of this Note (without taking into account any limitations or restrictions on the convertibility of this Note) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Ordinary Shares are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Maximum Percentage, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such Ordinary Shares as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Maximum Percentage).

(b) Other Corporate Events. In addition to and not in substitution for any other rights hereunder, prior to the consummation of any Fundamental Transaction pursuant to which holders of Ordinary Shares are entitled to receive securities or other assets with respect to or in exchange for Ordinary Shares (a "**Corporate Event**"), the Company shall make appropriate provision to insure that the Holder will thereafter have the right to receive upon a conversion of this Note (i) in addition to the Ordinary Shares receivable upon such conversion, such securities or other assets to which the Holder would have been entitled with respect to such Ordinary Shares had such Ordinary Shares been held by the Holder upon the consummation of such Corporate Event (without taking into account any limitations or restrictions on the convertibility of this Note) or (ii) in lieu of the Ordinary Shares otherwise receivable upon such conversion, such securities or other assets received by the holders of Ordinary Shares in connection with the consummation of such Corporate Event in such amounts as the Holder would have been entitled to receive had this Note initially been issued with conversion rights for the form of such consideration (as opposed to Ordinary Shares) at a conversion rate for such consideration commensurate with the Conversion Rate. Provision made pursuant to the preceding sentence shall be in a form and substance satisfactory to the Holder. The provisions of this Section 6 shall apply similarly and equally to successive Corporate Events and shall be applied without regard to any limitations on the conversion or redemption of this Note.

7. RIGHTS UPON ISSUANCE OF OTHER SECURITIES.

(a) Adjustment of Conversion Price upon Issuance of Ordinary Shares. If and whenever on or after the Subscription Date the Company issues or sells, or in accordance with this Section 7(a) is deemed to have issued or sold, any Ordinary Shares (including the issuance or sale of Ordinary Shares owned or held by or for the account of the Company, but excluding any Excluded Securities (as defined in the Securities Purchase Agreement) issued or sold or deemed to have been issued or sold) for a consideration per share (the "**New Issuance Price**") less than a price equal to the Conversion Price in effect immediately prior to such issue or sale or deemed issuance or sale (such Conversion Price then in effect is referred to herein as the "**Applicable Price**") (the foregoing a "**Dilutive Issuance**"), then, immediately after such Dilutive Issuance, the Conversion Price then in effect shall be reduced to an amount equal to the New Issuance Price. For all purposes of the foregoing (including, without limitation, determining the adjusted Conversion Price and consideration per share under this Section 7(a)), the following shall be applicable:

(i) Issuance of Options. If the Company in any manner grants or sells any Options and the lowest price per share for which one Ordinary Share is issuable upon the exercise of any such Option or upon conversion, exercise or exchange of any Convertible Securities issuable upon exercise of any such Option is less than the Applicable Price, then such Ordinary Share shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the granting or sale of such Option for such price per share. For purposes of this Section 7(a)(i), the "lowest price per share for which one Ordinary Share is issuable upon the exercise of any such Options or upon conversion, exercise or exchange of any Convertible Securities issuable upon exercise of any such Option" shall be equal to (1) the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to any one Ordinary Share upon the granting or sale of such Option, upon exercise of such Option and upon conversion, exercise or exchange of any Convertible Security issuable upon exercise of such Option minus (2) the sum of all amounts paid or payable to the holder of such Option (or any other Person) upon the granting or sale of such Option, upon exercise of such Option and upon conversion, exercise or exchange of any Convertible Security issuable upon exercise of such Option plus the value of any other consideration received or receivable by, or benefit conferred on, the holder of such Option (or any other Person). Except as contemplated below, no further adjustment of the Conversion Price shall be made upon the actual issuance of such Ordinary Share or of such Convertible Securities upon the exercise of such Options or upon the actual issuance of such Ordinary Share upon conversion, exercise or exchange of such Convertible Securities.

(ii) Issuance of Convertible Securities. If the Company in any manner issues or sells any Convertible Securities and the lowest price per share for which one Ordinary Share is issuable upon the conversion, exercise or exchange thereof is less than the Applicable Price, then such Ordinary Share shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the issuance or sale of such Convertible Securities for such price per share. For the purposes of this Section 7(a)(ii), the "lowest price per share for which one Ordinary Share is issuable upon the conversion, exercise or exchange thereof" shall be equal to (1) the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to one Ordinary Share upon the issuance or sale of the Convertible Security and upon conversion, exercise or exchange of such Convertible Security minus (2) the sum of all amounts paid or payable to the holder of such Convertible Security (or any other Person) upon the issuance or sale of such Convertible Security plus the value of any other consideration received or receivable by, or benefit conferred on, the holder of such Convertible Security (or any other Person). Except as contemplated below, no further adjustment of the Conversion Price shall be made upon the actual issuance of such Ordinary Share upon conversion, exercise or exchange of such Convertible Securities, and if any such issue or sale of such Convertible Securities is made upon exercise of any Options for which adjustment of the Conversion Price has been or is to be made pursuant to other provisions of this Section 7(a), except as contemplated below, no further adjustment of the Conversion Price shall be made by reason of such issue or sale.

(iii) Change in Option Price or Rate of Conversion. If the purchase or exercise price provided for in any Options, the additional consideration, if any, payable upon the issue, conversion, exercise or exchange of any Convertible Securities, or the rate at which any Convertible Securities are convertible into or exercisable or exchangeable for Ordinary Shares increases or decreases at any time, the Conversion Price in effect at the time of such increase or decrease shall be adjusted to the Conversion Price which would have been in effect at such time had such Options or Convertible Securities provided for such increased or decreased purchase price, additional consideration or increased or decreased conversion rate (as the case may be) at the time initially granted, issued or sold. For purposes of this Section 7(a)(iii), if the terms of any Option or Convertible Security that was outstanding as of the Subscription Date are increased or decreased in the manner described in the immediately preceding sentence, then such Option or Convertible Security and the Ordinary Shares deemed issuable upon exercise, conversion or exchange thereof shall be deemed to have been issued as of the date of such increase or decrease. No adjustment pursuant to this Section 7(a) shall be made if such adjustment would result in an increase of the Conversion Price then in effect.

(iv) Calculation of Consideration Received. If any Option or Convertible Security is issued or deemed issued in connection with the issuance or sale or deemed issuance or sale of any other securities of the Company, together comprising one integrated transaction, (x) such Option or Convertible Security (as applicable) will be deemed to have been issued for consideration equal to the Black Scholes Consideration Value thereof and (y) the other securities issued or sold or deemed to have been issued or sold in such integrated transaction shall be deemed to have been issued for consideration equal to the difference of (I) the aggregate consideration received by the Company minus (II) the Black Scholes Consideration Value of each such Option or Convertible Security (as applicable). If any Ordinary Shares, Options or Convertible Securities are issued or sold or deemed to have been issued or sold for cash, the consideration received therefor will be deemed to be the net amount received by the Company therefor. If any Ordinary Shares, Options or Convertible Securities are issued or sold for a consideration other than cash, the amount of such consideration received by the Company will be the fair value of such consideration, except where such consideration consists of publicly traded securities, in which case the amount of consideration received by the Company for such securities will be the average VWAP of such security for the five (5) Trading Day period immediately preceding the date of receipt. If any Ordinary Shares, Options or Convertible Securities are issued to the owners of the non-surviving entity in connection with any merger in which the Company is the surviving entity, the amount of consideration therefor will be deemed to be the fair value of such portion of the net assets and business of the non-surviving entity as is attributable to such Ordinary Shares, Options or Convertible Securities (as the case may be). The fair value of any consideration other than cash or publicly traded securities will be determined jointly by the Company and the Holder. If such parties are unable to reach agreement within ten (10) days after the occurrence of an event requiring valuation (the "**Valuation Event**"), the fair value of such consideration will be determined within five (5) Trading Days after the tenth (10^{th}) day following such Valuation Event by an independent, reputable appraiser jointly selected by the Company and the Holder. The determination of such appraiser shall be final and binding upon all parties absent manifest error and the fees and expenses of such appraiser shall be borne by the Company.

(v) Record Date. If the Company takes a record of the holders of Ordinary Shares for the purpose of entitling them (A) to receive a dividend or other distribution payable in Ordinary Shares, Options or in Convertible Securities or (B) to subscribe for or purchase shares of Ordinary Shares, Options or Convertible Securities, then such record date will be deemed to be the date of the issue or sale of the Ordinary Shares deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase (as the case may be).

(b) Adjustment of Conversion Price upon Subdivision or Combination of Ordinary Shares. Without limiting any provision of Section 5 or Section 7(a), if the Company at any time on or after the Subscription Date subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding Ordinary Shares into a greater number of shares, the Conversion Price in effect immediately prior to such subdivision will be proportionately reduced. Without limiting any provision of Section 5 or Section 7(a), if the Company at any time on or after the Subscription Date combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding Ordinary Shares into a smaller number of shares, the Conversion Price in effect immediately prior to such combination will be proportionately increased. Any adjustment pursuant to this Section 7(b) shall become effective immediately after the effective date of such subdivision or combination. If any event requiring an adjustment under this Section 7(b) occurs during the period that a Conversion Price is calculated hereunder, then the calculation of such Conversion Price shall be adjusted appropriately to reflect such event.

(c) Other Events. In the event that the Company (or any Subsidiary) shall take any action to which the provisions hereof are not strictly applicable, or, if applicable, would not operate to protect the Holder from dilution or if any event occurs of the type contemplated by the provisions of this Section 7 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Company's board of directors shall in good faith determine and implement an appropriate adjustment in the Conversion Price so as to protect the rights of the Holder, provided that no such adjustment pursuant to this Section 7(c) will increase the Conversion Price as otherwise determined pursuant to this Section 7, provided further that if the Holder does not accept such adjustments as appropriately protecting its interests hereunder against such dilution, then the Company's board of directors and the Holder shall agree, in good faith, upon an independent investment bank of nationally recognized standing to make such appropriate adjustments, whose determination shall be final and binding and whose fees and expenses shall be borne by the Company.

8 . NONCIRCUMVENTION. The Company hereby covenants and agrees that the Company will not, by amendment of its Certificate of Incorporation (as defined in the Securities Purchase Agreement), Bylaws (as defined in the Securities Purchase Agreement) or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Note, and will at all times in good faith carry out all of the provisions of this Note and take all action as may be required to protect the rights of the Holder of this Note. Without limiting the generality of the foregoing, the Company (i) shall not increase the par value of any Ordinary Shares receivable upon conversion of this Note above the Conversion Price then in effect, (ii) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable Ordinary Shares upon the conversion of this Note, and (iii) shall, so long as any of the Notes are outstanding, take all action necessary to reserve and keep available out of its authorized and unissued Ordinary Shares, solely for the purpose of effecting the conversion of the Notes, the maximum number of Ordinary Shares as shall from time to time be necessary to effect the conversion of the Notes then outstanding (without regard to any limitations on conversion).

9. RESERVATION OF AUTHORIZED SHARES.

(a) Reservation. The Company shall initially reserve out of its authorized and unissued Ordinary Shares a number of Ordinary Shares for each of the Notes equal to 133% of the entire Conversion Rate with respect to the entire Conversion Amount of each such Note as of the Issuance Date (without giving effect to Section 3(d)). So long as any of the Notes are outstanding, the Company shall take all action necessary to reserve and keep available out of its authorized and unissued Ordinary Shares, solely for the purpose of effecting the conversion of the Notes, 133% of the number of Ordinary Shares as shall from time to time be necessary to effect the conversion of all of the Notes then outstanding (without giving effect to Section 3(d)), provided that at no time shall the number of Ordinary Shares so reserved be less than the number of shares required to be reserved by the previous sentence (without regard to any limitations on conversions) (the "**Required Reserve Amount**"). The initial number of Ordinary Shares reserved for conversions of the Notes and each increase in the number of shares so reserved shall be allocated pro rata among the holders of the Notes based on the original principal amount of the Notes held by each holder on the Closing Date or increase in the number of reserved shares (as the case may be) (the "**Authorized Share Allocation**"). In the event that a Holder shall sell or otherwise transfer any of such Holder's Notes, each transferee shall be allocated a pro rata portion of such Holder's Authorized Share Allocation. Any Ordinary Shares reserved and allocated to any Person which ceases to hold any Notes shall be allocated to the remaining Holders of Notes, pro rata based on the principal amount of the Notes then held by such Holders.

(b) Insufficient Authorized Shares. If, notwithstanding Section 10(a), and not in limitation thereof, at any time while any of the Notes remain outstanding the Company does not have a sufficient number of authorized and unreserved Ordinary Shares to satisfy its obligation to reserve for issuance upon conversion of the Notes at least a number of Ordinary Shares equal to the Required Reserve Amount (an "**Authorized Share Failure**"), then the Company shall immediately take all action necessary to increase the Company's authorized Ordinary Shares to an amount sufficient to allow the Company to reserve the Required Reserve Amount for the Notes then outstanding. Without limiting the generality of the foregoing sentence, to the extent required by law or the rules of the Eligible Market on which the Ordinary Shares are traded or quoted, as soon as practicable after the date of the occurrence of an Authorized Share Failure, but in no event later than sixty (60) days after the occurrence of such Authorized Share Failure, the Company shall hold a meeting of its stockholders for the approval of an increase in the number of authorized Ordinary Shares. In connection with such meeting, to the extent required by law or the rules of the Eligible Market on which the Ordinary Shares are traded or quoted, the Company shall provide each stockholder with a proxy statement and shall use its best efforts to solicit its stockholders' approval of such increase in authorized Ordinary Shares and to cause its board of directors to recommend to the stockholders that they approve such proposal.

10. [RESERVED]

11. REDEMPTIONS.

(a) Mechanics. The Company shall deliver the applicable Event of Default Redemption Price to the Holder in cash within three (3) Business Days after the Company's receipt of the Holder's Event of Default Redemption Notice. If the Holder has submitted a Fundamental Transaction Redemption Notice or a Permitted Private Placement Redemption Notice (as the case may be) in accordance with Sections 5(b) or 5(c), the Company shall deliver the applicable Fundamental Transaction Redemption Price or Permitted Private Placement Redemption Price to the Holder in cash concurrently with the consummation of such Fundamental Transaction or such Permitted Private Placement (as the case may be) if such notice is received prior to the consummation of such Fundamental Transaction or such Permitted Private Placement and within three (3) Business Days after the Company's receipt of such notice otherwise. In the event of a redemption of less than all of the Conversion Amount of this Note, the Company shall promptly cause to be issued and delivered to the Holder a new Note (in accordance with Section 19(d)) representing the outstanding Principal which has not been redeemed. In the event that the Company does not pay the applicable Redemption Price to the Holder within the time period required, at any time thereafter and until the Company pays such unpaid Redemption Price in full, the Holder shall have the option, in lieu of redemption, to require the Company to promptly return to the Holder all or any portion of this Note representing the Conversion Amount that was submitted for redemption and for which the applicable Redemption Price (together with any Late Charges thereon) has not been paid. Upon the Company's receipt of such notice, (x) the applicable Redemption Notice shall be null and void with respect to such Conversion Amount, (y) the Company shall immediately return this Note, or issue a new Note (in accordance with Section 19(d)), to the Holder, and in each case the principal amount of this Note or such new Note (as the case may be) shall be increased by an amount equal to the difference between (1) the applicable Event of Default Redemption Price or Fundamental Transaction Redemption Price (as the case may be) minus (2) the Principal portion of the Conversion Amount submitted for redemption and (z) the Conversion Price of this Note or such new Notes (as the case may be) shall be automatically adjusted with respect to each conversion effected thereafter by the Holder to the lowest of (A) the Conversion Price as in effect on the date on which the applicable Redemption Notice is voided, (B) 85% of the lowest Closing Bid Price of the Ordinary Shares during the period beginning on and including the date on which the applicable Redemption Notice is delivered to the Company and ending on and including the date on which the applicable Redemption Notice is voided and (C) 85% of the arithmetic average of the VWAPs of the Ordinary Shares for the five (5) Trading Day period immediately preceding the Conversion Date of the applicable conversion. The Holder's delivery of a notice voiding a Redemption Notice and exercise of its rights following such notice shall not affect the Company's obligations to make any payments of Late Charges which have accrued prior to the date of such notice with respect to the Conversion Amount subject to such notice.

(b) Redemption by Other Holders. Upon the Company's receipt of notice from any of the holders of the Other Notes for redemption or repayment as a result of an event or occurrence substantially similar to the events or occurrences described in Section 4(a) or Section 5(a) (each, an "**Other Redemption Notice**"), the Company shall immediately, but no later than one (1) Business Day of its receipt thereof, forward to the Holder by facsimile a copy of such notice. If the Company receives a Redemption Notice and one or more Other Redemption Notices, during the seven (7) Business Day period beginning on and including the date which is three (3) Business Days prior to the Company's receipt of the Holder's applicable Redemption Notice and ending on and including the date which is three (3) Business Days after the Company's receipt of the Holder's applicable Redemption Notice and the Company is unable to redeem all principal, interest and other amounts designated in such Redemption Notice and such Other Redemption Notices received during such seven (7) Business Day period, then the Company shall redeem a pro rata amount from each holder of the Notes (including the Holder) based on the principal amount of the Notes submitted for redemption pursuant to such Redemption Notice and such Other Redemption Notices received by the Company during such seven (7) Business Day period.

12. VOTING RIGHTS. The Holder shall have no voting rights as the holder of this Note, except as required by law (including, without limitation, the Delaware General Corporation Law) and as expressly provided in this Note.

13. COVENANTS. Until all of the Notes have been converted, redeemed or otherwise satisfied in accordance with their terms:

(a) Rank. All payments due under this Note shall (a) rank *pari passu* with all Other Notes, and (b) be senior to all other Indebtedness of the Company and its Subsidiaries.

(b) Incurrence of Indebtedness. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, incur or guarantee, assume or suffer to exist any Indebtedness (other than Permitted Indebtedness).

(c) Existence of Liens. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, allow or suffer to exist any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by the Company or any of its Subsidiaries (collectively, "**Liens**") other than Permitted Liens.

(d) Restricted Payments. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, redeem, defease, repurchase, repay or make any payments in respect of, by the payment of cash or cash equivalents (in whole or in part, whether by way of open market purchases, tender offers, private transactions or otherwise), all or any portion of any Indebtedness, whether by way of payment in respect of principal of (or premium, if any) or interest on, such Indebtedness.

(e) Restriction on Redemption and Cash Dividends. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, redeem, repurchase or declare or pay any cash dividend or distribution on any of its capital stock.

(f) Restriction on Transfer of Assets. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, sell, lease, license, assign, transfer, convey or otherwise dispose of any assets or rights of the Company or any Subsidiary (including the securities of any Subsidiary) owned or hereafter acquired whether in a single transaction or a series of related transactions, other than (i) sales, leases, licenses, assignments, transfers, conveyances and other dispositions of such assets or rights by the Company and its Subsidiaries that, in the aggregate, do not have a fair market value in excess of $2,000,000 in any twelve (12) month period, (ii) sales of inventory in the ordinary course of business or (iii) any Permitted Ophthalmology Transaction; provided, however, that, in the case of clauses (i) or (iii), the Company (or Subsidiary as the case may be) shall deposit any proceeds thereof in one or more deposit accounts in the United States subject to U.S. deposit account control agreements satisfying the requirements of Section 9-104(a)(2) of the Uniform Commercial Code which funds shall be restricted from release absent the prior written consent of the holders of the Notes. Any deposit account control agreements will (A) provide for the automatic termination of such agreement upon the indefeasible satisfaction in full of the Notes, (B) provide that the amounts subject to such restrictions shall not exceed 110% of the Principal amount of the Notes, and (C) provide that the Holder shall provide its reasonable cooperation as expeditiously as practicable to the extent such cooperation is required by the depositary institution at which the deposit account is held to effectuate either clause (A) or (B) of this sentence.

(g) Maturity of Indebtedness. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, permit any Indebtedness of the Company or any of its Subsidiaries to mature or accelerate prior to the Maturity Date.

(h) New Subsidiaries. Simultaneously with the acquisition or formation of each New Subsidiary, the Company shall cause such New Subsidiary to execute, and deliver to each holder of Notes, Guaranties and Security Documents, as requested by the Holder. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, acquire or form any New Subsidiary if such New Subsidiary would not be wholly-owned, directly or indirectly, by the Company.

(i) Change in Nature of Business. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, engage in any material line of business substantially different from those lines of business conducted by the Company and each of its Subsidiaries on the Issuance Date or any business substantially related or incidental thereto. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, modify its or their corporate structure or purpose.

(j) Issuance of Equity Other Than for Cash. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, issue shares of capital stock of the Company or any Subsidiary or securities convertible or exercisable into or exchangeable for shares of capital stock of the Company or any Subsidiary (collectively, "**Equity Securities**"), except (i) in a transaction where all such shares of capital stock are issued solely for cash or as compensation for services, provided that in the case of compensation for services, such compensation for services is pursuant to a written agreement that is approved by the Board of Directors, (ii) the issuance of Ordinary Shares or standard options to purchase Ordinary Shares to directors, officers, employees, consultants or agents of the Company in their capacities as such (which clause (ii) shall be subject to the limitations of Section 5(k) of the Securities Purchase Agreement during the relevant period set forth thereunder), or (iii) the issuance of shares of capital stock in connection with a consolidation, merger, acquisition or other bona fide business combination transaction (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement), provided that (A) such transaction is a strategic transaction that is approved by a majority of the disinterested directors of the Company, (B) the majority of the disinterested directors of the Company determines that such transaction shall be in the best interests of the Company, and (C) any such issuance shall only be to a Person (or to the equityholders of a Person) which is, itself or through its subsidiaries, an operating company or an owner of an asset or business subject to such transaction, but shall not include a transaction in which the Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities. For the avoidance of doubt, the Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, issue shares of such capital stock in exchange for the satisfaction or cancellation, in whole or in part, of any other securities or instruments, or any receivables, claims, judgments or other liabilities of the Company or any Subsidiary.

14. GUARANTIES AND SECURITY. Each existing and future Subsidiary shall jointly and severally, unconditionally guarantee all obligations under the Notes on a senior basis pursuant to the Guaranties. This Note and the Other Notes are secured to the extent and in the manner set forth in the Transaction Documents (including, without limitation, the Security Agreement, the other Security Documents and the Guaranties).

15. PARTICIPATION. In addition to any adjustments pursuant to Section 7, if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of Ordinary Shares, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "**Distribution**"), at any time after the issuance of this Note, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of Ordinary Shares acquirable upon complete conversion of this Note (without regard to any limitations on conversion hereof, including without limitation, the Maximum Percentage) immediately before the date on which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of Ordinary Shares are to be determined for the participation in such Distribution (provided, however, to the extent that the Holder's right to participate in any such Distributions would result in the Holder exceeding the Maximum Percentage, then the Holder shall not be entitled to participate in such Distribution to such extent (or the beneficial ownership of any such Ordinary Shares as a result of such Distribution to such extent) and such Distribution to such extent shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Maximum Percentage).

16. AMENDING THE TERMS OF THIS NOTE. Provisions of this Note may be amended only with the written consent of the Company and the Required Holders. Any amendment effected in accordance with this Section 17 shall be binding upon the Holder and the Company, provided that no such amendment shall be effective to the extent that it (1) applies to less than all of the holders of Notes, (2) imposes any obligation or liability on the Holder without the Holder's prior written consent (which may be granted or withheld in the Holder's sole discretion) or (3) applies retroactively. Notwithstanding the foregoing, nothing contained in this Section 17 shall permit any amendment to be made to any provision of Section 3(d)(i).

17. TRANSFER. This Note and any Ordinary Shares issued upon conversion of this Note may be offered, sold, assigned or transferred by the Holder without the consent of the Company, subject only to the provisions of Section 3(g) of the Securities Purchase Agreement and subject to the Holder delivering written notice to the Company of all information relating to any subsequent purchaser, assignee or transferee of the Note so that the Company may keep an accurate record of all the then current holders of the Notes.

18. REISSUANCE OF THIS NOTE.

(a) Transfer. If this Note is to be transferred, the Holder shall surrender this Note to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Note (in accordance with Section 19(d)), registered as the Holder may request, representing the outstanding Principal being transferred by the Holder and, if less than the entire outstanding Principal is being transferred, a new Note (in accordance with Section 19(d)) to the Holder representing the outstanding Principal not being transferred. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, by reason of the provisions of Section 3(c)(iii) following conversion or redemption of any portion of this Note, the outstanding Principal represented by this Note may be less than the Principal stated on the face of this Note.

(b) Lost, Stolen or Mutilated Note. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Note (as to which a written certification and the indemnification contemplated below shall suffice as such evidence), and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary and reasonable form and, in the case of mutilation, upon surrender and cancellation of this Note, the Company shall execute and deliver to the Holder a new Note (in accordance with Section 19(d)) representing the then outstanding Principal of this Note.

(c) Note Exchangeable for Different Denominations. This Note is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Note or Notes (in accordance with Section 19(d) and in principal amounts of at least $1,000) representing in the aggregate the then outstanding Principal of this Note, and each such new Note will represent such portion of such outstanding Principal as is designated by the Holder at the time of such surrender.

(d) Issuance of New Notes. Whenever the Company is required to issue a new Note pursuant to the terms of this Note, such new Note (i) shall be of like tenor with this Note, (ii) shall represent, as indicated on the face of such new Note, the Principal remaining outstanding at that time (or in the case of a new Note being issued pursuant to Section 19(a) or Section 19(c), the Principal designated by the Holder which, when added to the principal represented by the other new Notes issued in connection with such issuance, does not exceed the Principal remaining outstanding under this Note immediately prior to such issuance of new Notes), (iii) shall have an issuance date, as indicated on the face of such new Note, which is the same as the Issuance Date of this Note, (iv) shall have the same rights and conditions as this Note, and (v) shall represent accrued and unpaid Interest and Late Charges on the Principal and Interest of this Note, from the Issuance Date.

1 9 . REMEDIES, CHARACTERIZATIONS, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF . The remedies provided in this Note shall be cumulative and in addition to all other remedies available under this Note and any of the other Transaction Documents at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the Holder's right to pursue actual and consequential damages for any failure by the Company to comply with the terms of this Note. The Company covenants to the Holder that there shall be no characterization concerning this instrument other than as expressly provided herein. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by the Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the Holder shall be entitled, in addition to all other available remedies, to an injunction restraining any such breach or any such threatened breach, without the necessity of showing economic loss and without any bond or other security being required. The Company shall provide all information and documentation to the Holder that is requested by the Holder to enable the Holder to confirm the Company's compliance with the terms and conditions of this Note (including, without limitation, compliance with Section 7).

20. PAYMENT OF COLLECTION, ENFORCEMENT AND OTHER COSTS. If (a) this Note is placed in the hands of an attorney for collection or enforcement or is collected or enforced through any legal proceeding or the Holder otherwise takes action to collect amounts due under this Note or to enforce the provisions of this Note or (b) there occurs any bankruptcy, reorganization, receivership of the Company or other proceedings affecting Company creditors' rights and involving a claim under this Note, then the Company shall pay the costs incurred by the Holder for such collection, enforcement or action or in connection with such bankruptcy, reorganization, receivership or other proceeding, including, without limitation, reasonable attorneys' fees and disbursements. The Company expressly acknowledges and agrees that no amounts due under this Note shall be affected, or limited, by the fact that the Purchase Price paid for this Note was less than the original Principal amount hereof.

21. CONSTRUCTION; HEADINGS. This Note shall be deemed to be jointly drafted by the Company and the Holder and shall not be construed against any Person as the drafter hereof. The headings of this Note are for convenience of reference and shall not form part of, or affect the interpretation of, this Note. Terms used in this Note but defined in the other Transaction Documents shall have the meanings ascribed to such terms on the Closing Date in such other Transaction Documents unless otherwise consented to in writing by the Required Holders.

22. FAILURE OR INDULGENCE NOT WAIVER. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving party.

23. DISPUTE RESOLUTION. In the case of a dispute as to the determination of the Conversion Price, the Closing Bid Price, the Closing Sale Price or fair market value (as the case may be) or the arithmetic calculation of the Conversion Rate or the applicable Redemption Price (as the case may be), the Company or the Holder (as the case may be) shall submit the disputed determinations or arithmetic calculations (as the case may be) via facsimile (i) within two (2) Business Days after receipt of the applicable notice giving rise to such dispute to the Company or the Holder (as the case may be) or (ii) if no notice gave rise to such dispute, at any time after the Holder learned of the circumstances giving rise to such dispute (including, without limitation, as to whether any issuance or sale or deemed issuance or sale was an issuance or sale or deemed issuance or sale of Excluded Securities). If the Holder and the Company are unable to agree upon such determination or calculation within two (2) Business Days of such disputed determination or arithmetic calculation (as the case may be) being submitted to the Company or the Holder (as the case may be), then the Company shall, within two (2) Business Days, submit via facsimile (a) the disputed determination of the Conversion Price, the Closing Bid Price, the Closing Sale Price or fair market value (as the case may be) to an independent, reputable investment bank selected by the Holder and reasonably acceptable to the Company or (b) the disputed arithmetic calculation of the Conversion Rate or any Redemption Price (as the case may be) to an independent, outside accountant selected by the Holder and reasonably acceptable to the Company. The Company shall cause at its expense the investment bank or the accountant (as the case may be) to perform the determinations or calculations (as the case may be) and notify the Company and the Holder of the results no later than ten (10) Business Days from the time it receives such disputed determinations or calculations (as the case may be). Such investment bank's or accountant's determination or calculation (as the case may be) shall be binding upon all parties absent demonstrable error.

24. NOTICES; PAYMENTS.

(a) Notices. Whenever notice is required to be given under this Note, unless otherwise provided herein, such notice shall be given in accordance with Section 10(f) of the Securities Purchase Agreement. The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Note, including in reasonable detail a description of such action and the reason therefor. Without limiting the generality of the foregoing, the Company will give written notice to the Holder (i) immediately upon any adjustment of the Conversion Price, setting forth in reasonable detail, and certifying, the calculation of such adjustment and (ii) at least fifteen (15) days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the Ordinary Shares, (B) with respect to any grant, issuances, or sales of any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property to all or substantially all holders of Ordinary Shares or (C) for determining rights to vote with respect to any Fundamental Transaction, dissolution or liquidation, provided in each case that such information shall be made known to the public prior to or in conjunction with such notice being provided to the Holder.

(b) Currency. All dollar amounts referred to in this Note are in United States Dollars ("**U.S. Dollars**"), and all amounts owing under this Note shall be paid in U.S. Dollars. All amounts denominated in other currencies (if any) shall be converted into the U.S. Dollar equivalent amount in accordance with the Exchange Rate on the date of calculation. "**Exchange Rate**" means, in relation to any amount of currency to be converted into U.S. Dollars pursuant to this Note, the U.S. Dollar exchange rate as published in the Wall Street Journal on the relevant date of calculation (it being understood and agreed that where an amount is calculated with reference to, or over, a period of time, the date of calculation shall be the final date of such period of time).

(c) Payments. Whenever any payment of cash is to be made by the Company to any Person pursuant to this Note, unless otherwise expressly set forth herein, such payment shall be made in lawful money of the United States of America by a certified check drawn on the account of the Company and sent via overnight courier service to such Person at such address as previously provided to the Company in writing (which address, in the case of each of the Buyers (as defined in the Securities Purchase Agreement), shall initially be as set forth on the Schedule of Buyers attached to the Securities Purchase Agreement), provided that the Holder may elect to receive a payment of cash via wire transfer of immediately available funds by providing the Company with prior written notice setting out such request and the Holder's wire transfer instructions. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a Business Day, the same shall instead be due on the next succeeding day which is a Business Day. Any amount of Principal or other amounts due under the Transaction Documents which is not paid when due shall result in a late charge being incurred and payable by the Company in an amount equal to interest on such amount at the rate of eighteen percent (18%) per annum from the date such amount was due until the same is paid in full ("**Late Charge**").

25. CANCELLATION. After all Principal, accrued Interest, Late Charges and other amounts at any time owed on this Note have been paid in full (including by way of conversion and/or redemption), this Note shall automatically be deemed canceled, shall be surrendered to the Company for cancellation and shall not be reissued.

26. WAIVER OF NOTICE. To the extent permitted by law, the Company hereby irrevocably waives demand, notice, presentment, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note and the Securities Purchase Agreement.

27. GOVERNING LAW. This Note shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Note shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. The Company hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. In the event that any provision of this Note is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of this Note. Nothing contained herein shall be deemed or operate to preclude the Holder from bringing suit or taking other legal action against the Company in any other jurisdiction to collect on the Company's obligations to the Holder, to realize on any collateral or any other security for such obligations, or to enforce a judgment or other court ruling in favor of the Holder. **THE COMPANY AND THE HOLDERS EACH HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS NOTE OR ANY TRANSACTION CONTEMPLATED HEREBY.**

28. CERTAIN DEFINITIONS. For purposes of this Note, the following terms shall have the following meanings:

(a) "**Black Scholes Consideration Value**" means (i) on or after the Initial Quotation Date, the value of the applicable Option or Convertible Security (as the case may be) as of the date of issuance thereof calculated using the Black Scholes Option Pricing Model obtained from the "OV" function on Bloomberg utilizing (A) an underlying price per share equal to the Closing Sale Price of the Ordinary Shares on the Trading Day immediately preceding the public announcement of the execution of definitive documents with respect to the issuance of such Option or Convertible Security (as the case may be), (B) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the remaining term of such Option or Convertible Security (as the case may be) as of the date of issuance of such Option or Convertible Security (as the case may be) and (C) an expected volatility equal to the greater of 100% and the 100 day volatility obtained from the HVT function on Bloomberg (determined utilizing a 365 day annualization factor) as of the Trading Day immediately following the date of issuance of such Option or Convertible Security (as the case may be), and (ii) prior to the Initial Quotation Date, the fair market value of the applicable Option or Convertible Security (as the case may be) as mutually determined by the Company and the Required Holders. If the Company and the Holder are unable to agree upon the fair market value of the applicable Option or Convertible Security (as the case may be), then such dispute shall be resolved in accordance with the procedures in Section 24.

(b) "**Bloomberg**" means Bloomberg, L.P.

(c) "**Business Day**" means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York or London, England are authorized or required by law to remain closed.

(d) "**Closing Bid Price**" and "**Closing Sale Price**" means, for any security as of any date, the last closing bid price and last closing trade price, respectively, for such security on the Principal Market, as reported by Bloomberg, or, if the Principal Market begins to operate on an extended hours basis and does not designate the closing bid price or the closing trade price (as the case may be) then the last bid price or last trade price, respectively, of such security prior to 4:00:00 p.m., New York time, as reported by Bloomberg, or, if the Principal Market is not the principal securities exchange or trading market for such security, the last closing bid price or last trade price, respectively, of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last closing bid price or last trade price, respectively, of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no closing bid price or last trade price, respectively, is reported for such security by Bloomberg, the average of the bid prices, or the ask prices, respectively, of any market makers for such security as reported in the "pink sheets" by OTC Markets Group Inc. (formerly Pink Sheets LLC). If the Closing Bid Price or the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Bid Price or the Closing Sale Price (as the case may be) of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 24. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during such period.

(e) "**Closing Date**" shall have the meaning set forth in the Securities Purchase Agreement, which date is the date the Company initially issued Notes pursuant to the terms of the Securities Purchase Agreement.

(f) "**Convertible Securities**" means any stock or other security (other than Options) that is at any time and under any circumstances, directly or indirectly, convertible into, exercisable or exchangeable for, or which otherwise entitles the holder thereof to acquire, any shares of Common Stock.

(g) "**Current Subsidiary**" means any Person in which the Company on the Subscription Date, directly or indirectly, (i) owns any of the outstanding capital stock or holds any equity or similar interest of such Person or (ii) controls or operates all or any part of the business, operations or administration of such Person, and all of the foregoing, collectively, "**Current Subsidiaries**."

(h) "**Eligible Market**" means The New York Stock Exchange, the NYSE Amex, the Nasdaq Global Select Market, the Nasdaq Global Market, the Nasdaq Capital Market or the Principal Market.

(i) "**Equity Conditions**" means: (i) with respect to the applicable date of determination either (x) one or more Registration Statements filed pursuant to the Registration Rights Agreement shall be effective and each prospectus contained therein shall be available for the resale by the Holder of all of the Registrable Securities (which, solely for clarification purposes, includes all shares of Common Stock issuable upon conversion of this Note, including, without limitation, under Sections 3 and 8) in accordance with the terms of the Registration Rights Agreement and there shall not have been during such period any Grace Periods (as defined in the Registration Rights Agreement) or (y) all Registrable Securities shall be eligible for sale without restriction under Rule 144 (as defined in the Securities Purchase Agreement) and without the need for registration under any applicable federal or state securities laws (in each case, disregarding any limitation on conversion of the Notes and exercise of the the Warrants); (ii) on each day during the period beginning three months prior to the applicable date of determination and ending on and including the applicable date of determination (the "**Equity Conditions Measuring Period**"), the Common Stock (including all Registrable Securities) is listed or designated for quotation (as applicable) on an Eligible Market and shall not have been suspended from trading on an Eligible Market (other than suspensions of not more than two (2) Trading Days and occurring prior to the applicable date of determination due to business announcements by the Company) nor shall delisting or suspension by an Eligible Market be pending or have been threatened (with a reasonable prospect of delisting occurring within sixty (60) days of the applicable date of determination) either (A) in writing by such Eligible Market or (B) by falling below the minimum listing maintenance requirements of the Eligible Market on which the Common Stock is then listed or designated for quotation (as applicable) (provided, however, that this clause (ii) shall be applicable as of the Initial Quotation Date and, until the three month anniversary of the Initial Quotation Date, shall be determined without respect to the three month lookback period in this clause (ii)); (iii) on each day during the Equity Conditions Measuring Period, the Company shall have delivered all shares of Common Stock issuable upon conversion of this Note on a timely basis as set forth in Section 3 hereof and all other shares of capital stock required to be delivered by the Company on a timely basis as set forth in the other Transaction Documents; (iv) any shares of Common Stock to be issued in connection with the event requiring determination may be issued in full without violating Section 3(d) hereof; (v) any shares of Common Stock to be issued in connection with the event requiring determination may be issued in full without violating the rules or regulations of the Eligible Market on which the Common Stock is then listed or designated for quotation (as applicable) (provided, however, that this clause (v) shall be applicable as of the Initial Quotation Date); (vi) on each day during the Equity Conditions Measuring Period, no public announcement of a pending, proposed or intended Fundamental Transaction shall have occurred which has not been abandoned, terminated or consummated; (vii) the Company shall have no knowledge of any fact that would reasonably be expected to cause (1) any Registration Statement filed pursuant to the Registration Rights Agreement to not be effective or any prospectus contained therein to not be available for the resale of all of the Registrable Securities in accordance with the terms of the Registration Rights Agreement or (2) any Registrable Securities to not be eligible for sale without restriction pursuant to Rule 144 or any applicable state securities laws (in each case, disregarding any limitation on conversion of the Notes and exercise of the Warrants); (viii) on and after the Self Filing Effective Date, the Holder shall not be in (and no other Buyer shall be in) possession of any material, non-public information which has been provided to any of them by the Company, any of its affiliates or any of their respective employees, officers, representatives, agents or the like; (ix) on each day during the Equity Conditions Measuring Period, the Company otherwise shall have been in compliance with each, and shall not have breached any, material provision, covenant, representation or warranty of any Transaction Document; and (x) on each day during the Equity Conditions Measuring Period, there shall not have occurred an Event of Default or an event that with the passage of time or giving of notice would constitute an Event of Default.

(j) "**Equity Conditions Failure**" means, with respect to a particular date of determination, that on any day during the period commencing twenty (20) Trading Days immediately prior to such date of determination, the Equity Conditions have not been satisfied (or waived in writing by the Holder).

(k) "**Equity Value Redemption Premium**" means 110%.

(l) "**Fundamental Transaction**" means that (i) the Company or any of its Subsidiaries shall, directly or indirectly, in one or more related transactions, (1) consolidate or merge with or into (whether or not the Company or any of its Subsidiaries is the surviving corporation) any other Person, or (2) sell, lease, license, assign, transfer, convey or otherwise dispose of all or substantially all of its respective properties or assets to any other Person, or (3) allow any other Person to make a purchase, tender or exchange offer that is accepted by the holders of more than 50% of the outstanding shares of Voting Stock of the Company (not including any shares of Voting Stock of the Company held by the Person or Persons making or party to, or associated or affiliated with the Persons making or party to, such purchase, tender or exchange offer), or (4) consummate a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with any other Person whereby such other Person acquires more than 50% of the outstanding shares of Voting Stock of the Company (not including any shares of Voting Stock of the Company held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination), or (5) reorganize, recapitalize or reclassify the Common Stock, or (ii) any "person" or "group" (as these terms are used for purposes of Sections 13(d) and 14(d) of the 1934 Act and the rules and regulations promulgated thereunder) is or shall become the "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of 50% of the aggregate ordinary voting power represented by issued and outstanding Voting Stock of the Company. Notwithstanding anything to the contrary herein, each of a Permitted Private Placement and a Permitted Ophthalmology Transaction shall not be deemed to be a "Fundamental Transaction".

(m) "**Fundamental Transaction Redemption Premium**" means 100%.

(n) "**IFRS**" means International Financial Reporting Standards as used in Israel, consistently applied.

(o) "**Interest Rate**" means zero percent (0%) per annum, as may be adjusted from time to time in accordance with Section 2.

(p) "**Maturity Date**" shall mean December __, 2012; provided, however, that the Maturity Date may be extended at the option of the Holder (i) in the event that, and for so long as, an Event of Default shall have occurred and be continuing or any event shall have occurred and be continuing that with the passage of time and the failure to cure would result in an Event of Default or (ii) through the date that is twenty (20) Business Days after the consummation of a Fundamental Transaction in the event that a Fundamental Transaction is publicly announced or a Fundamental Transaction Notice is delivered prior to the Maturity Date; provided further, however, that if a Holder elects to convert some or all of this Note pursuant to Section 3 hereof, and the Conversion Amount would be limited pursuant to Section 3(d) hereunder, the Maturity Date shall automatically be extended until such time as such provision shall not limit the conversion of this Note.

(q) "**New Subsidiary**" means, as of any date of determination, any Person in which the Company after the Subscription Date, directly or indirectly, (i) owns or acquires any of the outstanding capital stock or holds any equity or similar interest of such Person or (ii) controls or operates all or any part of the business, operations or administration of such Person, and all of the foregoing, collectively, "**New Subsidiaries**."

(r) "**Options**" means any rights, warrants or options to subscribe for or purchase shares of Common Stock or Convertible Securities.

(s) "**Ordinary Shares**" means (i) the Company's ordinary shares, £0.01 par value per share, and (ii) any capital stock into which such ordinary shares shall have been changed or any share capital resulting from a reclassification of such ordinary shares.

(t) "**Parent Entity**" of a Person means an entity that, directly or indirectly, controls the applicable Person and whose common stock or equivalent equity security is quoted or listed on an Eligible Market, or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(u) "**Permitted Indebtedness**" means (i) any Existing Senior Indebtedness, (ii) Indebtedness evidenced by this Note and the Other Notes, and subsidiary guarantees in respect thereof, and (iii) any Indebtedness that is subordinated to the Notes pursuant to a subordination agreement which is satisfactory to the Holders in their sole discretion, the terms and conditions of which are not more favorable than the terms and conditions as set forth in the Transaction Documents, including, if such subordinated Indebtedness is convertible into Ordinary Shares, having an effective price per share that is not less than $____[3] (subject to adjustment for forward and reverse stock splits, stock dividends, recapitalizations and the like) and which matures more than 91 days following the Maturity Date.

(v) "**Permitted Liens**" means (i) any Lien for taxes not yet due or delinquent or being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP, (ii) any statutory Lien arising in the ordinary course of business by operation of law with respect to a liability that is not yet due or delinquent, (iii) any Lien created by operation of law, such as materialmen's liens, mechanics' liens and other similar liens, arising in the ordinary course of business with respect to a liability that is not yet due or delinquent or that are being contested in good faith by appropriate proceedings, (iv) Liens securing the Company's obligations under the Transaction Documents, and (v) Liens securing each Subsidiary's obligations under the Transaction Documents (including, without limitation, under the Guaranties).

(w) "**Permitted Ophthalmology Transaction**" shall mean any sale, lease, sub-license, transfer, conveyance or other disposal of any assets or rights of the Company or any Subsidiary (including the securities of any Subsidiary) owned or hereafter acquired, whether in a single transaction or a series of related transactions, related to or in the field of ophthalmology to an unaffiliated third party.

(x) "**Person**" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity or a government or any department or agency thereof.

(y) "**Principal Market**" means the Over-the-Counter Bulletin Board of the Financial Industry Regulatory Authority, Inc.

[3] Conversion Price

(z) "**Quarter**" means each of: (i) the period beginning on and including January 1 and ending on and including March 31; (ii) the period beginning on and including April 1 and ending on and including June 30; (iii) the period beginning on and including July 1 and ending on and including September 30; and (iv) the period beginning on and including October 1 and ending on and including December 31.

(aa) "**Redemption Notices**" means, collectively, Event of Default Redemption Notices, Fundamental Transaction Redemption Notices, and Permitted Private Placement Redemption Notices and each of the foregoing, individually, a "**Redemption Notice**."

(bb) "**Redemption Premium**" means (i) in the case of the Events of Default described in Section 4(a) (other than Sections 4(a)(ix) through 4(a)(xi), inclusive), 110% or (ii) in the case of the Events of Default described in Sections 4(a)(ix) through 4(a)(xi), inclusive, 100%.

(cc) "**Redemption Prices**" means, collectively, Event of Default Redemption Prices, the Fundamental Transaction Redemption Prices, and the Permitted Private Placement Redemption Prices and each of the foregoing, individually, a "**Redemption Price**."

(dd) "**Registration Rights Agreement**" means that certain registration rights agreement, dated as of the Closing Date, by and among the Company and the initial holders of the Notes relating to, among other things, the registration of the resale of the Ordinary Shares issuable upon conversion of the Notes and exercise of the Warrants, as may be amended from time to time.

(ee) **"Required Holders**" means each of the following: (i) Holders, in the aggregate, holding at least a majority of the then-outstanding Principal amount of the Notes and (ii) Iroquois (as defined in the Securities Purchase Agreement).

(ff) "**SEC**" means the United States Securities and Exchange Commission or the successor thereto.

(gg) "**Securities Purchase Agreement**" means that certain securities purchase agreement, dated as of the Subscription Date, by and among the Company and the initial holders of the Notes, as may be amended from time to time.

(hh) "**Security Agreement**" means that certain security agreement, dated as of the Subscription Date, by and among the Company, its Subsidiaries and the initial holders of the Notes, as may be amended from time to time.

(ii) "**Subscription Date**" means March __, 2012.

(jj) "**Subsidiaries**" means, as of any date of determination, collectively, all Current Subsidiaries and all New Subsidiaries, and each of the foregoing, individually, a "**Subsidiary**."

(kk) "**Successor Entity**" means the Person (or, if so elected by the Holder, the Parent Entity) formed by, resulting from or surviving any Fundamental Transaction or the Person (or, if so elected by the Holder, the Parent Entity) with which such Fundamental Transaction shall have been entered into.

(ll) "**Trading Day**" means, as applicable, (x) with respect to all price determinations relating to the Ordinary Shares, (A) on and after the Initial Quotation Date, any day on which the Ordinary Shares are traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Ordinary Shares, then on the principal securities exchange or securities market on which the Ordinary Shares are then traded, provided that "Trading Day" shall not include any day on which the Ordinary Shares are scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Ordinary Shares are suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00:00 p.m., New York time) unless such day is otherwise designated as a Trading Day in writing by the Holder, and (B) prior to the Initial Quotation Date, any day on which The New York Stock Exchange (or any successor thereto) is open for trading of securities, or (y) with respect to all determinations other than price determinations relating to the Ordinary Shares, any day on which The New York Stock Exchange (or any successor thereto) is open for trading of securities.

(mm) "**Voting Stock**" of a Person means capital stock of such Person of the class or classes pursuant to which the holders thereof have the general voting power to elect, or the general power to appoint, at least a majority of the board of directors, managers, trustees or other similar governing body of such Person (irrespective of whether or not at the time capital stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

(nn) "**VWAP**" means, for any security as of any date, the dollar volume-weighted average price for such security on the Principal Market (or, if the Principal Market is not the principal trading market for such security, then on the principal securities exchange or securities market on which such security is then traded) during the period beginning at 9:30:01 a.m., New York time, and ending at 4:00:00 p.m., New York time, as reported by Bloomberg through its "Volume at Price" function or, if the foregoing does not apply, the dollar volume-weighted average price of such security in the over-the-counter market on the electronic bulletin board for such security during the period beginning at 9:30:01 a.m., New York time, and ending at 4:00:00 p.m., New York time, as reported by Bloomberg, or, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the average of the highest closing bid price and the lowest closing ask price of any of the market makers for such security as reported in the "pink sheets" by OTC Markets Group Inc. (formerly Pink Sheets LLC). If the VWAP cannot be calculated for such security on such date on any of the foregoing bases, the VWAP of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 24. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during such period.

(oo) "**Warrants**" has the meaning ascribed to such term in the Securities Purchase Agreement, as may be amended from time to time, and shall include all warrants issued in exchange therefor or replacement thereof.

29. DISCLOSURE. On and after the Self Filing Effective Date, upon receipt or delivery by the Company of any notice in accordance with the terms of this Note, unless the Company has in good faith determined that the matters relating to such notice do not constitute material, non-public information relating to the Company or any of its Subsidiaries, the Company shall simultaneously with any such receipt or delivery publicly disclose such material, non-public information on a Report of Foreign Private Issuer on Form 6-K or otherwise. On and after the Self Filing Effective Date, in the event that the Company believes that a notice contains material, non-public information relating to the Company or any of its Subsidiaries, the Company so shall indicate to such Holder contemporaneously with delivery of such notice, and in the absence of any such indication, the Holder shall be allowed to presume that all matters relating to such notice do not constitute material, non-public information relating to the Company or its Subsidiaries. Nothing contained in this Section 30 shall limit any obligations of the Company, or any rights of the Holder, under Section 5(i) of the Securities Purchase Agreement.

30. MAXIMUM PAYMENTS. Without limiting Section 10(d) of the Securities Purchase Agreement, nothing contained in this Note shall, or shall be deemed to, establish or require the payment of a rate of interest or other charges in excess of the maximum permitted by applicable law. In the event that the rate of interest required to be paid or other charges under this Note exceeds the maximum permitted by such law, any payments in excess of such maximum shall be credited against amounts owed by the Company to the Holder and thus refunded to the Company.

[*signature page follows*]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed as of the Issuance Date set out above.

MORRIA BIOPHARMACEUTICALS PLC

By: _____
Name:
Title:

EXHIBIT I

MORRIA BIOPHARMACEUTICALS PLC
CONVERSION NOTICE

Reference is made to the Original Issue Discount Senior Secured Convertible Note (the "**Note**") issued to the undersigned by Morria Biopharmaceuticals PLC, a public limited company formed under the laws of England and Wales (the "**Company**"). In accordance with and pursuant to the Note, the undersigned hereby elects to convert the Conversion Amount (as defined in the Note) of the Note indicated below into ordinary shares, £0.01 par value per share (the "**Ordinary Shares**"), of the Company, as of the date specified below.

Date of Conversion: _____

Aggregate Conversion Amount to be converted: _____

Conversion Price: _____

Number of shares of Ordinary Shares to be issued: _____

Please issue the Ordinary Shares into which the Note is being converted in the following name and to the following address:

Issue to: _____

_____

_____

Facsimile Number: _____

Holder: _____

By: _____

Title: _____

Dated: _____

Account Number:
(if electronic book entry transfer) _____

Transaction Code Number:
(if electronic book entry transfer) _____

EXHIBIT II

ACKNOWLEDGMENT

The Company hereby acknowledges this Conversion Notice and [*If prior to the Initial Quotation Date* – hereby acknowledges its obligation to issue the above indicated number of Ordinary Shares to the Holder] [*If on or after the Initial Quotation Date* – hereby directs _____ to issue the above indicated number of Ordinary Shares in accordance with the Transfer Agent Instructions dated _____, 20__ from the Company and acknowledged and agreed to by _____].

MORRIA BIOPHARMACEUTICALS PLC

By: _____

Name:
Title:

REGISTRATION RIGHTS AGREEMENT

This **REGISTRATION RIGHTS AGREEMENT** (this "**Agreement**"), dated as of April 4, 2012, is by and among Morria Biopharmaceuticals PLC, a public limited company formed under the laws of England and Wales (the "**Company**"), and each of the undersigned buyers (each, a "**Buyer**," and collectively, the "**Buyers**").

RECITALS

A. In connection with the Securities Purchase Agreement by and among the parties hereto, dated as of March __, 2012 (the "**Securities Purchase Agreement**"), the Company has agreed, upon the terms and subject to the conditions of the Securities Purchase Agreement, to issue and sell to each Buyer (i) the Notes (as defined in the Securities Purchase Agreement), which will be convertible into Conversion Shares (as defined in the Securities Purchase Agreement) in accordance with the terms of the Notes and (ii) the Warrants (as defined in the Securities Purchase Agreement), which will be exercisable to purchase Warrant Shares (as defined in the Securities Purchase Agreement) in accordance with the terms of the Warrants.

B. To induce the Buyers to consummate the transactions contemplated by the Securities Purchase Agreement, the Company has agreed to provide certain registration rights under the Securities Act of 1933, as amended, and the rules and regulations thereunder, or any similar successor statute (collectively, the "**1933 Act**"), and applicable state securities laws.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and each of the Buyers hereby agree as follows:

1. Definitions.

Capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Securities Purchase Agreement. As used in this Agreement, the following terms shall have the following meanings:

(a) "**Business Day**" means any day other than Saturday, Sunday or any other day on which commercial banks in New York, New York are authorized or required by law to remain closed.

(b) "**Closing Date**" shall have the meaning set forth in the Securities Purchase Agreement.

(c) "**Effective Date**" means the date that the applicable Registration Statement has been declared effective by the SEC.

(d) "**Effectiveness Deadline**" means (i) with respect to the initial Registration Statement required to be filed pursuant to Section 2(a), the earlier of the (A) 90th calendar day after the Self Filing Effective Date (or the 120th calendar day after the Self Filing Effective Date in the event that such Registration Statement is subject to Full Review by the SEC) and (B) 2nd Business Day after the date the Company is notified (orally or in writing, whichever is earlier) by the SEC that such Registration Statement will not be reviewed or will not be subject to further review, and (ii) with respect to any additional Registration Statements that may be required to be filed by the Company pursuant to this Agreement, the earlier of the (A) 90th calendar day following the date on which the Company was required to file such additional Registration Statement and (B) 2nd Business Day after the date the Company is notified (orally or in writing, whichever is earlier) by the SEC that such Registration Statement will not be reviewed or will not be subject to further review.

(e) "**Filing Deadline**" means (i) with respect to the initial Registration Statement required to be filed pursuant to Section 2(a), the 30th calendar day after the Self Filing Effective Date and (ii) with respect to any additional Registration Statements that may be required to be filed by the Company pursuant to this Agreement, the date on which the Company was required to file such additional Registration Statement pursuant to the terms of this Agreement.

(f) "**Full Review**" in respect of any Registration Statement shall mean an instance where the staff of the SEC does not inform the Company either that the Registration Statement will not be reviewed or that such review will be on a limited, monitor or expedited (or other similar) basis.

(g) "**Initial Quotation Date**" means the date on which the Company obtains the listing or quotation of the Ordinary Shares on the Principal Market in accordance with Section 5(f) of the Securities Purchase Agreement.

(h) "**Investor**" means a Buyer or any transferee or assignee of any Registrable Securities, Notes or Warrants, as applicable, to whom a Buyer assigns its rights under this Agreement and who agrees to become bound by the provisions of this Agreement in accordance with Section 9 and any transferee or assignee thereof to whom a transferee or assignee of any Registrable Securities, Notes or Warrants, as applicable, assigns its rights under this Agreement and who agrees to become bound by the provisions of this Agreement in accordance with Section 9.

(i) "**Person**" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization or a government or any department or agency thereof.

(j) "**register**," "**registered**," and "**registration**" refer to a registration effected by preparing and filing one or more Registration Statements in compliance with the 1933 Act and pursuant to Rule 415 and the declaration of effectiveness of such Registration Statement(s) by the SEC.

(k) "**Registrable Securities**" means (i) the Conversion Shares, (ii) the Warrant Shares and (iii) any capital stock of the Company issued or issuable with respect to the Conversion Shares, the Warrant Shares, the Notes or the Warrants, including, without limitation, (1) as a result of any stock split, stock dividend, recapitalization, exchange or similar event or otherwise and (2) shares of capital stock of the Company into which the Ordinary Shares (as defined in the Securities Purchase Agreement) are converted or exchanged and shares of capital stock of a Successor Entity (as defined in the Warrants) into which the Ordinary Shares are converted or exchanged, in each case, without regard to any limitations on conversion of the Notes or exercise of the Warrants.

(l) "**Registration Statement**" means a registration statement or registration statements of the Company filed under the 1933 Act covering Registrable Securities.

(m) "**Required Holders**" means (i) the holders of at least a majority of the Registrable Securities and (ii) Iroquois (as defined in the Securities Purchase Agreement).

(n) "**Required Registration Amount**" means 133% of the sum of (i) the maximum number of Conversion Shares issued and issuable pursuant to the Notes and (ii) the maximum number of Warrant Shares issued and issuable pursuant to the Warrants, in each case, as of the Trading Day (as defined in the Warrants) immediately preceding the applicable date of determination (without taking into account any limitations on the conversion of the Notes or the exercise of the Warrants set forth therein), all subject to adjustment as provided in Section 2(d).

(o) "**Rule 144**" means Rule 144 promulgated by the SEC under the 1933 Act, as such rule may be amended from time to time, or any other similar or successor rule or regulation of the SEC that may at any time permit the Investors to sell securities of the Company to the public without registration.

(p) "**Rule 415**" means Rule 415 promulgated by the SEC under the 1933 Act, as such rule may be amended from time to time, or any other similar or successor rule or regulation of the SEC providing for offering securities on a continuous or delayed basis.

(q) "**SEC**" means the United States Securities and Exchange Commission or any successor thereto.

(r) "**Self Filing Effective Date**" shall have the meaning ascribed to such term in the Securities Purchase Agreement.

2. Registration.

(a) Mandatory Registration. The Company shall prepare and, as soon as practicable, but in no event later than the Filing Deadline, file with the SEC an initial Registration Statement on Form F-1 covering the resale of all of the Registrable Securities; provided that such initial Registration Statement shall register for resale at least the number of Ordinary Shares equal to the Required Registration Amount as of the date such Registration Statement is initially filed with the SEC; and provided further that the Company shall use such other form as is required by Section 2(c) once the Company becomes eligible to use such form. Such initial Registration Statement, and each other Registration Statement required to be filed pursuant to the terms of this Agreement, shall contain (except if otherwise directed by the Required Holders) the "Selling Stockholders" and "Plan of Distribution" sections in substantially the form attached hereto as **Exhibit B**. The Company shall use its best efforts to have such initial Registration Statement, and each other Registration Statement required to be filed pursuant to the terms of this Agreement, declared effective by the SEC as soon as practicable, but in no event later than the applicable Effectiveness Deadline for such Registration Statement.

(b) Legal Counsel. Subject to Section 5 hereof, Iroquois shall have the right to select one (1) legal counsel to review and oversee, solely on its behalf, any registration pursuant to this Section 2 ("**Legal Counsel**"), which shall be EGS or such other counsel as thereafter designated by Iroquois. The Company and the Company's legal counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. ("**Company Counsel**"), and the Legal Counsel for Iroquois shall reasonably cooperate with each other in the Company's performance of its obligations under this Agreement; provided, however, that in the event of any disagreement (after the reasonable cooperation of the respective counsels) between Company Counsel, on behalf of the Company, and the Legal Counsel, on behalf of Iroquois, with respect to any filings with the SEC by the Company under this Agreement, then the decisions of Company Counsel shall be final.

(c) Use of Form F-3. In the event that the Company becomes eligible to use Form F-3 for the registration of the resale of Registrable Securities hereunder, the Company shall undertake to register the resale of the Registrable Securities on Form F-3 as soon as such form is available, provided that the Company shall maintain the effectiveness of all Registration Statements then in effect until such time as a Registration Statement on Form F-3 covering the resale of all the Registrable Securities has been declared effective by the SEC.

(d) Sufficient Number of Shares Registered. In the event the number of shares available under any Registration Statement is insufficient to cover all of the Registrable Securities required to be covered by such Registration Statement or an Investor's allocated portion of the Registrable Securities pursuant to Section 2(g), the Company shall amend such Registration Statement (if permissible), or file with the SEC a new Registration Statement (on the short form available therefor, if applicable), or both, so as to cover at least the Required Registration Amount as of the Trading Day immediately preceding the date of the filing of such amendment or new Registration Statement, in each case, as soon as practicable, but in any event not later than fifteen (15) days after the necessity therefor arises (but taking account of any Staff position with respect to the date on which the Staff will permit such amendment to the Registration Statement and/or such new Registration Statement (as the case may be) to be filed with the SEC). The Company shall use its best efforts to cause such amendment to such Registration Statement and/or such new Registration Statement (as the case may be) to become effective as soon as practicable following the filing thereof with the SEC, but in no event later than the applicable Effectiveness Deadline for such Registration Statement. For purposes of the foregoing provision, the number of shares available under a Registration Statement shall be deemed "insufficient to cover all of the Registrable Securities" if at any time the number of Ordinary Shares available for resale under the applicable Registration Statement is less than the product determined by multiplying (x) the Required Registration Amount as of such time by (y) 0.90. The calculation set forth in the foregoing sentence shall be made without regard to any limitations on (i) conversion of the Notes (and such calculation shall assume that the Notes are then fully convertible into Ordinary Shares at the then-prevailing applicable Conversion Price) and (ii) exercise of the Warrants (and such calculation shall assume that the Warrants are then fully exercisable for Ordinary Shares at the then-prevailing applicable Exercise Price).

(e) Effect of Failure to File and Obtain and Maintain Effectiveness of any Registration Statement. If (i) a Registration Statement covering the resale of all of the Registrable Securities required to be covered thereby (disregarding any reduction pursuant to Section 2(f)) and required to be filed by the Company pursuant to this Agreement is (A) not filed with the SEC on or before the Filing Deadline for such Registration Statement (a "**Filing Failure**") (it being understood that if the Company files a Registration Statement without affording each Investor the opportunity to review and comment on the same as required by Section 3(c) hereof, the Company shall be deemed to not have satisfied this clause (i)(A) and such event shall be deemed to be a Filing Failure) or (B) not declared effective by the SEC on or before the Effectiveness Deadline for such Registration Statement (an "**Effectiveness Failure**") (it being understood that if on the Business Day immediately following the Effective Date for such Registration Statement the Company shall not have filed a "final" prospectus for such Registration Statement with the SEC under Rule 424(b) in accordance with Section 3(b) (whether or not such a prospectus is technically required by such rule), the Company shall be deemed to not have satisfied this clause (i)(B) and such event shall be deemed to be an Effectiveness Failure), (ii) other than during an Allowable Grace Period (as defined below), on any day after the Effective Date of a Registration Statement, sales of all of the Registrable Securities required to be included on such Registration Statement (disregarding any reduction pursuant to Section 2(f)) cannot be made pursuant to such Registration Statement (including, without limitation, because of a failure to keep such Registration Statement effective, a failure to disclose such information as is necessary for sales to be made pursuant to such Registration Statement, on or after the Initial Quotation Date a suspension or delisting of (or a failure to timely list) the Ordinary Shares on an Eligible Market (as defined in the Securities Purchase Agreement), or a failure to register a sufficient number of Ordinary Shares or by reason of a stop order) or the prospectus contained therein is not available for use for any reason (a "**Maintenance Failure**"), or (iii) at any time when a Registration Statement is not effective for any reason or the prospectus contained therein is not available for use for any reason, the Company fails to file with the SEC any required reports under Section 13 or 15(d) of the 1934 Act such that it is not in compliance with Rule 144(c)(1) (or Rule 144(i)(2), if applicable) (a "**Current Public Information Failure**") as a result of which any of the Investors are unable to sell Registrable Securities without restriction under Rule 144 (including, without limitation, volume restrictions), then, as partial relief for the damages to any holder by reason of any such delay in, or reduction of, its ability to sell the underlying Ordinary Shares (which remedy shall not be exclusive of any other remedies available at law or in equity), the Company shall pay to each holder of Registrable Securities relating to such Registration Statement an amount in cash equal to one percent (1%) of such Investor's original principal amount stated in such Investor's Note on the Closing Date (1) on the date of such Filing Failure, Effectiveness Failure, Maintenance Failure or Current Public Information Failure, as applicable, and (2) on every thirty (30) day anniversary of (I) a Filing Failure until such Filing Failure is cured; (II) an Effectiveness Failure until such Effectiveness Failure is cured; (III) a Maintenance Failure until such Maintenance Failure is cured; and (IV) a Current Public Information Failure until the earlier of (i) the date such Current Public Information Failure is cured and (ii) such time that such public information is no longer required pursuant to Rule 144 (in each case, pro rated for periods totaling less than thirty (30) days). The payments to which a holder of Registrable Securities shall be entitled pursuant to this Section 2(e) are referred to herein as "**Registration Delay Payments**." Following the initial Registration Delay Payment for any particular event or failure (which shall be paid on the date of such event or failure, as set forth above), without limiting the foregoing, if an event or failure giving rise to the Registration Delay Payments is cured prior to any thirty (30) day anniversary of such event or failure, then such Registration Delay Payment shall be made on the third (3^{rd}) Business Day after such cure. In the event the Company fails to make Registration Delay Payments in a timely manner in accordance with the foregoing, such Registration Delay Payments shall bear interest at the rate of one and one-half percent (1.5%) per month (prorated for partial months) until paid in full. Notwithstanding anything to the contrary herein, no Current Public Information Failure shall be deemed to exist prior to the Self Filing Effective Date. Notwithstanding the foregoing, no Registration Delay Payments shall be owed to an Investor (other than with respect to a Maintenance Failure resulting from a suspension of listing or quotation or delisting of (or a failure to timely list or quote) the Ordinary Shares on the Principal Market) with respect to any period during which all of such Investor's Registrable Securities may be sold by such Investor without restriction under Rule 144 (including, without limitation, volume restrictions) and without the need for current public information required by Rule 144(c)(1) (or Rule 144(i)(2), if applicable).

(f) Offering. Notwithstanding anything to the contrary contained in this Agreement, in the event the staff of the SEC (the "**Staff**") or the SEC seeks to characterize any offering pursuant to a Registration Statement filed pursuant to this Agreement as constituting an offering of securities by, or on behalf of, the Company, or in any other manner, such that the Staff or the SEC do not permit such Registration Statement to become effective and used for resales in a manner that does not constitute such an offering and that permits the continuous resale at the market by the Investors participating therein (or as otherwise may be acceptable to each Investor) without being named therein as an "underwriter," then the Company shall reduce the number of shares to be included in such Registration Statement by all Investors until such time as the Staff and the SEC shall so permit such Registration Statement to become effective as aforesaid. In making such reduction, the Company shall reduce the number of shares to be included by all Investors on a pro rata basis (based upon the number of Registrable Securities otherwise required to be included for each Investor) unless the inclusion of shares by a particular Investor or a particular set of Investors are resulting in the Staff or the SEC's "by or on behalf of the Company" offering position, in which event the shares held by such Investor or set of Investors shall be the only shares subject to reduction (and if by a set of Investors on a pro rata basis by such Investors or on such other basis as would result in the exclusion of the least number of shares by all such Investors). In addition, in the event that the Staff or the SEC requires any Investor seeking to sell securities under a Registration Statement filed pursuant to this Agreement to be specifically identified as an "underwriter" in order to permit such Registration Statement to become effective, and such Investor does not consent to being so named as an underwriter in such Registration Statement, then, in each such case, the Company shall reduce the total number of Registrable Securities to be registered on behalf of such Investor, until such time as the Staff or the SEC does not require such identification or until such Investor accepts such identification and the manner thereof. Any reduction pursuant to this paragraph will first reduce all securities that are not Registrable Securities (including securities included in such Registration Statement pursuant to a Permitted Registration (as defined in the Securities Purchase Agreement)), if any such securities are permitted by the Required Holders to be included in accordance with the terms of this Agreement. In the event of any reduction in Registrable Securities pursuant to this paragraph, an affected Investor shall have the right to require, upon delivery of a written request to the Company signed by such Investor, the Company to file a registration statement within thirty (30) calendar days of such request (subject to any restrictions imposed by Rule 415 or required by the Staff or the SEC) for resale by such Investor in a manner acceptable to such Investor, and the Company shall following such request cause to be and keep effective such registration statement in the same manner as otherwise contemplated in this Agreement for registration statements hereunder, in each case, until such time as: (i) all Registrable Securities held by such Investor have been registered and sold pursuant to an effective Registration Statement in a manner acceptable to such Investor or (ii) all Registrable Securities may be resold by such Investor without restriction (including, without limitation, volume limitations) pursuant to Rule 144 (taking account of any Staff position with respect to "affiliate" status) and without the need for current public information required by Rule 144(c)(1) (or Rule 144(i)(2), if applicable) or (iii) such Investor agrees to be named as an underwriter in any such Registration Statement in a manner acceptable to such Investor as to all Registrable Securities held by such Investor and that have not theretofore been included in a Registration Statement under this Agreement (it being understood that the special demand right under this sentence may be exercised by an Investor multiple times and with respect to limited amounts of Registrable Securities in order to permit the resale thereof by such Investor as contemplated above). Any reduction made to securities included in a Registration Statement in accordance with this Section 2(f) shall not constitute a Filing Failure, Effectiveness Failure or a Maintenance Failure and shall not be subject to the payment requirements under Section 2(e).

(g) Allocation of Registrable Securities. The initial number of Registrable Securities included in any Registration Statement and any increase in the number of Registrable Securities included therein shall be allocated pro rata among the Investors based on the number of Registrable Securities held by each Investor at the time such Registration Statement covering such initial number of Registrable Securities or increase thereof is declared effective by the SEC. In the event that an Investor sells or otherwise transfers any of such Investor's Registrable Securities, each transferee or assignee (as the case may be) that becomes an Investor shall be allocated a pro rata portion of the then-remaining number of Registrable Securities included in such Registration Statement for such transferor or assignee (as the case may be). Any Ordinary Shares included in a Registration Statement and which remain allocated to any Person which ceases to hold any Registrable Securities covered by such Registration Statement shall be allocated to the remaining Investors, pro rata based on the number of Registrable Securities then held by such Investors which are covered by such Registration Statement.

(h) Inclusion of Other Securities. Other than as set forth in this Agreement, in no event shall the Company include any securities other than Registrable Securities on any Registration Statement without the prior written consent of the Required Holders. Until the Applicable Date (as defined in the Securities Purchase Agreement), other than in respect of any Permitted Registration, the Company shall not enter into any agreement providing any registration rights to any of its security holders that have any priority to any of the Investor's rights contained in this Agreement or adversely affect any Investor's rights under this Agreement. Notwithstanding anything to the contrary in this Agreement, the Company shall be permitted, at any time, to file and cause to become effective another registration statement for the registration of shares of Common Stock (and/or warrants to purchase Common Stock) that do not constitute Registrable Securities, or to include such securities in one or more Registration Statements, in connection with a Permitted Registration.

3. Related Obligations.

The Company shall use its best efforts to effect the registration of the Registrable Securities in accordance with the intended method of disposition thereof, and, pursuant thereto, the Company shall have the following obligations:

(a) The Company shall prepare and file with the SEC a Registration Statement with respect to all the Registrable Securities (but in no event later than the applicable Filing Deadline) and use its best efforts to cause such Registration Statement to become effective as soon as practicable after such filing (but in no event later than the Effectiveness Deadline). Subject to Allowable Grace Periods, the Company shall keep each Registration Statement effective (and the prospectus contained therein available for use) pursuant to Rule 415 for resales by the Investors on a delayed or continuous basis at then-prevailing market prices (and not fixed prices) at all times until the earlier of (i) the date as of which all of the Investors may sell all of the Registrable Securities required to be covered by such Registration Statement (disregarding any reduction pursuant to Section 2(f)) without restriction pursuant to Rule 144 (including, without limitation, volume restrictions) and without the need for current public information required by Rule 144(c)(1) (or Rule 144(i)(2), if applicable) or (ii) the date on which the Investors shall have sold all of the Registrable Securities covered by such Registration Statement (the "**Registration Period**"). Notwithstanding anything to the contrary contained in this Agreement, the Company shall ensure that, when filed and at all times while effective, each Registration Statement (including, without limitation, all amendments and supplements thereto) and the prospectus (including, without limitation, all amendments and supplements thereto) used in connection with such Registration Statement (1) shall 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 the case of prospectuses, in the light of the circumstances in which they were made) not misleading and (2) will disclose (whether directly or through incorporation by reference to other SEC filings to the extent permitted) all material information regarding the Company and its securities. The Company shall submit to the SEC, within one (1) Business Day after the later of the date that (i) the Company learns that no review of a particular Registration Statement will be made by the Staff or that the Staff has no further comments on a particular Registration Statement (as the case may be) and (ii) the consent of Legal Counsel is obtained pursuant to Section 3(c) (which consent shall be immediately sought), a request for acceleration of effectiveness of such Registration Statement to a time and date not later than forty-eight (48) hours after the submission of such request.

(b) Subject to Section 3(r) of this Agreement, the Company shall prepare and file with the SEC such amendments (including, without limitation, post-effective amendments) and supplements to each Registration Statement and the prospectus used in connection with each such Registration Statement, which prospectus is to be filed pursuant to Rule 424 promulgated under the 1933 Act, as may be necessary to keep each such Registration Statement effective at all times during the Registration Period for such Registration Statement, and, during such period, comply with the provisions of the 1933 Act with respect to the disposition of all Registrable Securities of the Company required to be covered by such Registration Statement until such time as all of such Registrable Securities shall have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof as set forth in such Registration Statement; provided, however, by 8:30 a.m. (New York time) on the Business Day immediately following each Effective Date, the Company shall file with the SEC in accordance with Rule 424(b) under the 1933 Act the final prospectus to be used in connection with sales pursuant to the applicable Registration Statement (whether or not such a prospectus is technically required by such rule). In the case of amendments and supplements to any Registration Statement which are required to be filed pursuant to this Agreement (including, without limitation, pursuant to this Section 3(b)) by reason of the Company filing a report on Form 20-F, Form 6-K or any analogous report under the Securities Exchange Act of 1934, as amended (the "**1934 Act**"), the Company shall have incorporated such report by reference into such Registration Statement, if applicable, or shall file such amendments or supplements with the SEC on the same day on which the 1934 Act report is filed which created the requirement for the Company to amend or supplement such Registration Statement.

(c) The Company shall (A) permit Legal Counsel to review and provide comments to the Company and Company Counsel, with respect to (i) each Registration Statement at least five (5) Business Days prior to its filing with the SEC and (ii) all amendments and supplements to each Registration Statement (including, without limitation, the prospectus contained therein) (except for Reports on Form 20-F, Form 6-K, and any similar or successor reports) within a reasonable number of days prior to their filing with the SEC, and (B) not file any Registration Statement or amendment or supplement thereto in a form to which Legal Counsel reasonably objects. The Company shall not submit a request for acceleration of the effectiveness of a Registration Statement or any amendment or supplement thereto or to any prospectus contained therein without the prior consent of Legal Counsel, which consent shall not be unreasonably withheld. The Company shall promptly furnish to Legal Counsel, without charge, (i) copies of any correspondence from the SEC or the Staff to the Company or its representatives relating to each Registration Statement, provided that such correspondence shall not contain any material, non-public information regarding the Company or any of its Subsidiaries (as defined in the Securities Purchase Agreement), (ii) after the same is prepared and filed with the SEC, one (1) copy of each Registration Statement and any amendment(s) and supplement(s) thereto, including, without limitation, financial statements and schedules, all documents incorporated therein by reference, if requested by an Investor, and all exhibits (unless such Registration Statement is available on EDGAR) and (iii) upon the effectiveness of each Registration Statement, one (1) copy of the prospectus included in such Registration Statement and all amendments and supplements thereto. The Company shall reasonably cooperate with Legal Counsel in performing the Company's obligations pursuant to this Section 3.

(d) The Company shall promptly furnish to each Investor whose Registrable Securities are included in any Registration Statement, without charge, (i) after the same is prepared and filed with the SEC, at least one (1) copy of each Registration Statement and any amendment(s) and supplement(s) thereto, including, without limitation, financial statements and schedules, all documents incorporated therein by reference, if requested by an Investor, all exhibits and each preliminary prospectus (unless such Registration Statement is available on EDGAR), (ii) upon the effectiveness of each Registration Statement, ten (10) copies of the prospectus included in such Registration Statement and all amendments and supplements thereto (unless such Registration Statement is available on EDGAR) and (iii) such other documents, including, without limitation, copies of any preliminary or final prospectus, as such Investor may reasonably request from time to time (unless such document is available on EDGAR) in order to facilitate the disposition of the Registrable Securities owned by such Investor.

(e) The Company shall use its reasonable best efforts to (i) register and qualify, unless an exemption from registration and qualification applies, the resale by Investors of the Registrable Securities covered by a Registration Statement under such other securities or "blue sky" laws of all applicable jurisdictions in the United States, (ii) prepare and file in those jurisdictions, such amendments (including, without limitation, post-effective amendments) and supplements to such registrations and qualifications as may be necessary to maintain the effectiveness thereof during the Registration Period, (iii) take such other actions as may be necessary to maintain such registrations and qualifications in effect at all times during the Registration Period, and (iv) take all other actions reasonably necessary or advisable to qualify the Registrable Securities for sale in such jurisdictions; provided, however, the Company shall not be required in connection therewith or as a condition thereto to (x) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(e), (y) subject itself to general taxation in any such jurisdiction, or (z) file a general consent to service of process in any such jurisdiction. The Company shall promptly notify Legal Counsel and each Investor who holds Registrable Securities of the receipt by the Company of any notification with respect to the suspension of the registration or qualification of any of the Registrable Securities for sale under the securities or "blue sky" laws of any jurisdiction in the United States or its receipt of actual notice of the initiation or threatening of any proceeding for such purpose.

(f) The Company shall notify Legal Counsel and each Investor in writing of the happening of any event, as promptly as practicable after becoming aware of such event, as a result of which the prospectus included in a Registration Statement, as then in effect, includes an untrue statement of a material fact or omission to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (provided that in no event shall such notice contain any material, non-public information regarding the Company or any of its Subsidiaries), and, subject to Section 3(r), promptly prepare a supplement or amendment to such Registration Statement and such prospectus contained therein to correct such untrue statement or omission and deliver ten (10) copies of such supplement or amendment to Legal Counsel and each Investor (or such other number of copies as Legal Counsel or such Investor may reasonably request) (unless such supplements or amendments are available on EDGAR). The Company shall also promptly notify Legal Counsel and each Investor in writing (i) when a prospectus or any prospectus supplement or post-effective amendment has been filed, when a Registration Statement or any post-effective amendment has become effective (notification of such effectiveness shall be delivered to Legal Counsel and each Investor by facsimile or e-mail on the same day of such effectiveness and by overnight mail), and when the Company receives written notice from the SEC that a Registration Statement or any post-effective amendment will be reviewed by the SEC, (ii) of any request by the SEC for amendments or supplements to a Registration Statement or related prospectus or related information, (iii) of the Company's reasonable determination that a post-effective amendment to a Registration Statement would be appropriate; and (iv) of the receipt of any request by the SEC or any other federal or state governmental authority for any additional information relating to the Registration Statement or any amendment or supplement thereto or any related prospectus. The Company shall respond as promptly as practicable to any comments received from the SEC with respect to each Registration Statement or any amendment thereto (it being understood and agreed that the Company's response to any such comments shall be delivered to the SEC no later than ten (10) Business Days after the receipt thereof).

(g) The Company shall (i) use its reasonable best efforts to prevent the issuance of any stop order or other suspension of effectiveness of each Registration Statement or the use of any prospectus contained therein, or the suspension of the qualification, or the loss of an exemption from qualification, of any of the Registrable Securities for sale in any jurisdiction and, if such an order or suspension is issued, to obtain the withdrawal of such order or suspension at the earliest possible moment and (ii) notify Legal Counsel and each Investor who holds Registrable Securities of the issuance of such order and the resolution thereof or its receipt of actual notice of the initiation or threat of any proceeding for such purpose.

(h) If any Investor is required under applicable securities law to be described in any Registration Statement as an underwriter and such Investor consents to so being named an underwriter, at the request of any Investor, the Company shall furnish to such Investor, on the date of the effectiveness of such Registration Statement and thereafter from time to time on such dates as an Investor may reasonably request (i) a "comfort letter", dated such date, from the Company's independent certified public accountants in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the Investors, and (ii) an opinion, dated as of such date, of counsel representing the Company for purposes of such Registration Statement, in form, scope and substance as is customarily given in an underwritten public offering, addressed to the Investors.

(i) If any Investor may be required under applicable securities law to be described in any Registration Statement as an underwriter and such Investor consents to so being named an underwriter, upon the written request of such Investor, the Company shall make available for inspection by (i) such Investor, (ii) legal counsel for such Investor and (iii) one (1) firm of accountants or other agents retained by such Investor (collectively, the "**Inspectors**"), all pertinent financial and other records, and pertinent corporate documents and properties of the Company (collectively, the "**Records**"), as shall be reasonably deemed necessary by each Inspector, and cause the Company's officers, directors and employees to supply all information which any Inspector may reasonably request; provided, however, each Inspector shall agree in writing to hold in strict confidence and not to make any disclosure (except to such Investor) or use of any Record or other information which the Company's board of directors determines in good faith to be confidential, and of which determination the Inspectors are so notified, unless (1) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in any Registration Statement or is otherwise required under the 1933 Act, (2) the release of such Records is ordered pursuant to a final, non-appealable subpoena or order from a court or government body of competent jurisdiction, or (3) the information in such Records has been made generally available to the public other than by disclosure in violation of this Agreement or any other Transaction Document (as defined in the Securities Purchase Agreement). Such Investor agrees that it shall, upon learning that disclosure of such Records is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt notice to the Company and allow the Company, at its expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, the Records deemed confidential. Nothing herein (or in any other confidentiality agreement between the Company and such Investor, if any) shall be deemed to limit any Investor's ability to sell Registrable Securities in a manner which is otherwise consistent with applicable laws and regulations.

(j) The Company shall hold in confidence and not make any disclosure of information concerning an Investor provided to the Company unless (i) disclosure of such information is necessary to comply with federal or state securities laws, (ii) the disclosure of such information is necessary to avoid or correct a misstatement or omission in any Registration Statement or is otherwise required to be disclosed in such Registration Statement pursuant to the 1933 Act, (iii) the release of such information is ordered pursuant to a subpoena or other final, non-appealable order from a court or governmental body of competent jurisdiction, or (iv) such information has been made generally available to the public other than by disclosure in violation of this Agreement or any other Transaction Document. The Company agrees that it shall, upon learning that disclosure of such information concerning an Investor is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt written notice to such Investor and allow such Investor, at such Investor's expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, such information.

(k) Without limiting any obligation of the Company under the Securities Purchase Agreement, on and after the Initial Quotation Date, the Company shall use its best efforts either to (i) cause all of the Registrable Securities covered by each Registration Statement to be listed on each securities exchange on which securities of the same class or series issued by the Company are then listed, if any, if the listing of such Registrable Securities is then permitted under the rules of such exchange, (ii) secure designation and quotation of all of the Registrable Securities covered by each Registration Statement on the OTC Bulletin Board, or (iii) if, despite the Company's best efforts to satisfy the preceding clauses (i) or (ii) the Company is unsuccessful in satisfying the preceding clauses (i) or (ii), without limiting the generality of the foregoing, to use its best efforts to arrange for at least two market makers to register with the Financial Industry Regulatory Authority, Inc. ("**FINRA**") as such with respect to such Registrable Securities. In addition, the Company shall cooperate with each Investor and any broker or dealer through which any such Investor proposes to sell its Registrable Securities in effecting a filing with FINRA pursuant to FINRA Rule 5110 as requested by such Investor. The Company shall pay all fees and expenses in connection with satisfying its obligations under this Section 3(k).

(l) The Company shall cooperate with the Investors who hold Registrable Securities being offered and, to the extent applicable, facilitate the timely preparation and delivery of certificates (not bearing any restrictive legend) representing the Registrable Securities to be offered pursuant to a Registration Statement and enable such certificates to be in such denominations or amounts (as the case may be) as the Investors may reasonably request from time to time and registered in such names as the Investors may request, or, if requested by an Investor and the Ordinary Shares are traded through the facilities of the DTC (as defined below), credit such aggregate number of Registrable Securities to be offered by such Investor to such Investor's or its designee's balance account with The Depository Trust Company ("**DTC**") through its Deposit/Withdrawal at Custodian system.

(m) If requested by an Investor, the Company shall as soon as practicable after receipt of notice from such Investor and subject to Section 3(r) hereof, (i) incorporate in a prospectus supplement or post-effective amendment such information as an Investor reasonably requests to be included therein, but only as to which information the Company Counsel, agrees (which agreement shall not be unreasonably withheld), relating to the sale and distribution of Registrable Securities, including, without limitation, information with respect to the number of Registrable Securities being offered or sold, the purchase price being paid therefor and any other terms of the offering of the Registrable Securities to be sold in such offering; (ii) make all required filings of such prospectus supplement or post-effective amendment after being notified of the matters to be incorporated in such prospectus supplement or post-effective amendment; and (iii) supplement or make amendments to any Registration Statement or prospectus contained therein if reasonably requested by an Investor holding any Registrable Securities.

(n) The Company shall use its reasonable best efforts to cause the Registrable Securities covered by a Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to consummate the disposition of such Registrable Securities.

(o) The Company shall make generally available to its security holders as soon as practical, but not later than ninety (90) days after the close of the period covered thereby, an earnings statement (in form complying with, and in the manner provided by, the provisions of Rule 158 under the 1933 Act) covering a twelve-month period beginning not later than the first day of the Company's fiscal quarter next following the applicable Effective Date of each Registration Statement.

(p) The Company shall otherwise use its best efforts to comply with all applicable rules and regulations of the SEC in connection with any registration hereunder.

(q) Within one (1) Business Day after a Registration Statement which covers Registrable Securities is declared effective by the SEC, the Company shall deliver, and shall cause Company Counsel to deliver, to the transfer agent for such Registrable Securities (with copies to the Investors whose Registrable Securities are included in such Registration Statement) confirmation that such Registration Statement has been declared effective by the SEC in the form attached hereto as **Exhibit A**.

(r) Notwithstanding anything to the contrary herein (but subject to the last sentence of this Section 3(r)), at any time after the Effective Date of a particular Registration Statement, the Company may delay the disclosure of material, non-public information concerning the Company or any of its Subsidiaries the disclosure of which at the time is not, in the good faith opinion of the board of directors of the Company, in the best interest of the Company and, in the opinion of Company Counsel, otherwise required (a "**Grace Period**"), provided that the Company shall promptly notify the Investors in writing of the (i) existence of material, non-public information giving rise to a Grace Period (provided that in each such notice the Company shall not disclose the content of such material, non-public information to any of the Investors) and the date on which such Grace Period will begin and (ii) date on which such Grace Period ends, provided further that (I) no Grace Period shall exceed ten (10) consecutive days and during any three hundred sixty five (365) day period all such Grace Periods shall not exceed an aggregate of thirty (30) days, (II) the first day of any Grace Period must be at least five (5) Trading Days after the last day of any prior Grace Period and (III) no Grace Period may exist during the thirty (30) Trading Day period immediately following the Effective Date of such Registration Statement (provided that such thirty (30) Trading Day period shall be extended by the number of Trading Days during such period and any extension thereof contemplated by this proviso during which such Registration Statement is not effective or the prospectus contained therein is not available for use) (each, an "**Allowable Grace Period**"). For purposes of determining the length of a Grace Period above, such Grace Period shall begin on and include the date the Investors receive the notice referred to in clause (i) above and shall end on and include the later of the date the Investors receive the notice referred to in clause (ii) above and the date referred to in such notice. The provisions of the first sentence of Section 3(f) and the provisions of Section 3(g) hereof shall not be applicable during the period of any Allowable Grace Period. Upon expiration of each Grace Period, the Company shall again be bound by the first sentence of Section 3(f) and the provisions of Section 3(g) with respect to the information giving rise thereto unless such material, non-public information is no longer applicable. Notwithstanding anything to the contrary contained in this Section 3(r), the Company shall cause its transfer agent to deliver unlegended Ordinary Shares to a transferee of an Investor in accordance with the terms of the Securities Purchase Agreement in connection with any sale of Registrable Securities with respect to which such Investor has entered into a contract for sale, and delivered a copy of the prospectus included as part of the particular Registration Statement (unless an exemption from such prospectus delivery requirement exists), prior to such Investor's receipt of the notice of a Grace Period and for which the Investor has not yet settled.

4. Obligations of the Investors.

(a) At least five (5) Business Days prior to the first anticipated filing date of each Registration Statement, the Company shall notify each Investor in writing of the information the Company requires from each such Investor with respect to such Registration Statement. It shall be a condition precedent to the obligations of the Company to complete the registration pursuant to this Agreement with respect to the Registrable Securities of a particular Investor that such Investor shall furnish to the Company such information regarding itself, the Registrable Securities held by it and the intended method of disposition of the Registrable Securities held by it, as shall be reasonably required to effect and maintain the effectiveness of the registration of such Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request.

(b) Each Investor, by such Investor's acceptance of the Registrable Securities, agrees to cooperate with the Company as reasonably requested by the Company in connection with the preparation and filing of each Registration Statement hereunder, unless such Investor has notified the Company in writing of such Investor's election to exclude all of such Investor's Registrable Securities from such Registration Statement.

(c) Each Investor agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3(g) or the first sentence of 3(f), such Investor will immediately discontinue disposition of Registrable Securities pursuant to any Registration Statement(s) covering such Registrable Securities until such Investor's receipt of the copies of the supplemented or amended prospectus contemplated by Section 3(g) or the first sentence of Section 3(f) or receipt of notice that no supplement or amendment is required. Notwithstanding anything to the contrary in this Section 4(c), the Company shall cause its transfer agent to deliver unlegended Ordinary Shares to a transferee of an Investor in accordance with the terms of the Securities Purchase Agreement in connection with any sale of Registrable Securities with respect to which such Investor has entered into a contract for sale prior to the Investor's receipt of a notice from the Company of the happening of any event of the kind described in Section 3(g) or the first sentence of Section 3(f) and for which such Investor has not yet settled.

(d) Each Investor covenants and agrees that it will comply with the prospectus delivery requirements of the 1933 Act as applicable to it in connection with sales of Registrable Securities pursuant to a Registration Statement.

5. Expenses of Registration.

All reasonable expenses, other than underwriting discounts and commissions, incurred in connection with registrations, filings or qualifications pursuant to Sections 2 and 3, including, without limitation, all registration, listing and qualifications fees, printers and accounting fees, FINRA filing fees (if any), blue sky fees and fees and disbursements of counsel for the Company shall be paid by the Company. The Company shall have no obligation to pay the expenses of Iroquois or any Investor incurred in connection with any registration, filing or qualification pursuant to Sections 2 and 3 of this Agreement, provided that the Company shall reimburse Iroquois for the fees and disbursements of Legal Counsel, which amount shall be limited to an aggregate total of $5,000.

6. Indemnification.

(a) To the fullest extent permitted by law, the Company will, and hereby does, indemnify, hold harmless and defend each Investor and each of its directors, officers, shareholders, members, partners, employees, agents, advisors, representatives (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding the lack of such title or any other title) and each Person, if any, who controls such Investor within the meaning of the 1933 Act or the 1934 Act and each of the directors, officers, shareholders, members, partners, employees, agents, advisors, representatives (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding the lack of such title or any other title) of such controlling Persons (each, an "**Indemnified Person**"), against any losses, obligations, claims, damages, liabilities, contingencies, judgments, fines, penalties, charges, costs (including, without limitation, court costs, reasonable attorneys' fees and costs of defense and investigation), amounts paid in settlement or expenses, joint or several, (collectively, "**Claims**") incurred in investigating, preparing or defending any action, claim, suit, inquiry, proceeding, investigation or appeal taken from the foregoing by or before any court or governmental, administrative or other regulatory agency, body or the SEC, whether pending or threatened, whether or not an indemnified party is or may be a party thereto ("**Indemnified Damages**"), to which any of them may become subject insofar as such Claims (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon: (i) any untrue statement or alleged untrue statement of a material fact in a Registration Statement or any post-effective amendment thereto or in any filing made in connection with the qualification of the offering under the securities or other "blue sky" laws of any jurisdiction in which Registrable Securities are offered ("**Blue Sky Filing**"), or the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus if used prior to the effective date of such Registration Statement, or contained in the final prospectus (as amended or supplemented, if the Company files any amendment thereof or supplement thereto with the SEC) or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in light of the circumstances under which the statements therein were made, not misleading or (iii) any violation or alleged violation by the Company of the 1933 Act, the 1934 Act, any other law, including, without limitation, any state securities law, or any rule or regulation thereunder relating to the offer or sale of the Registrable Securities pursuant to a Registration Statement (the matters in the foregoing clauses (i) through (iii) being, collectively, "**Violations**"). Subject to Section 6(c), the Company shall reimburse the Indemnified Persons, promptly as such expenses are incurred and are due and payable, for any legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(a): (i) shall not apply to a Claim by an Indemnified Person arising out of or based upon a Violation which occurs in reliance upon and in conformity with information furnished in writing to the Company by such Indemnified Person for such Indemnified Person expressly for use in connection with the preparation of such Registration Statement or any such amendment thereof or supplement thereto and (ii) shall not be available to a particular Investor to the extent such Claim is based on a failure of such Investor to deliver or to cause to be delivered the prospectus made available by the Company (to the extent applicable), including, without limitation, a corrected prospectus, if such prospectus or corrected prospectus was timely made available by the Company pursuant to Section 3(d) and then only if, and to the extent that, following the receipt of the corrected prospectus no grounds for such Claim would have existed; and (iii) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld or delayed. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Person and shall survive the transfer of any of the Registrable Securities by any of the Investors pursuant to Section 9.

(b) In connection with any Registration Statement in which an Investor is participating, such Investor agrees to severally and not jointly indemnify, hold harmless and defend, to the same extent and in the same manner as is set forth in Section 6(a), the Company, each of its directors, each of its officers who signs the Registration Statement and each Person, if any, who controls the Company within the meaning of the 1933 Act or the 1934 Act (each, an "**Indemnified Party**"), against any Claim or Indemnified Damages to which any of them may become subject, under the 1933 Act, the 1934 Act or otherwise, insofar as such Claim or Indemnified Damages arise out of or are based upon any Violation, in each case, to the extent, and only to the extent, that such Violation occurs in reliance upon and in conformity with written information furnished to the Company by such Investor expressly for use in connection with such Registration Statement; and, subject to Section 6(c) and the below provisos in this Section 6(b), such Investor will reimburse an Indemnified Party any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such Claim; provided, however, the indemnity agreement contained in this Section 6(b) and the agreement with respect to contribution contained in Section 7 shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of such Investor, which consent shall not be unreasonably withheld or delayed, provided further that such Investor shall be liable under this Section 6(b) for only that amount of a Claim or Indemnified Damages as does not exceed the net proceeds to such Investor as a result of the applicable sale of Registrable Securities pursuant to such Registration Statement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Indemnified Party and shall survive the transfer of any of the Registrable Securities by any of the Investors pursuant to Section 9.

(c) Promptly after receipt by an Indemnified Person or Indemnified Party (as the case may be) under this Section 6 of notice of the commencement of any action or proceeding (including, without limitation, any governmental action or proceeding) involving a Claim, such Indemnified Person or Indemnified Party (as the case may be) shall, if a Claim in respect thereof is to be made against any indemnifying party under this Section 6, deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume control of the defense thereof with counsel mutually satisfactory to the indemnifying party and the Indemnified Person or the Indemnified Party (as the case may be); provided, however, an Indemnified Person or Indemnified Party (as the case may be) shall have the right to retain its own counsel with the fees and expenses of such counsel to be paid by the indemnifying party if: (i) the indemnifying party has agreed in writing to pay such fees and expenses; (ii) the indemnifying party shall have failed promptly to assume the defense of such Claim and to employ counsel reasonably satisfactory to such Indemnified Person or Indemnified Party (as the case may be) in any such Claim; or (iii) the named parties to any such Claim (including, without limitation, any impleaded parties) include both such Indemnified Person or Indemnified Party (as the case may be) and the indemnifying party, and such Indemnified Person or such Indemnified Party (as the case may be) shall have been advised by counsel that a conflict of interest is likely to exist if the same counsel were to represent such Indemnified Person or such Indemnified Party and the indemnifying party (in which case, if such Indemnified Person or such Indemnified Party (as the case may be) notifies the indemnifying party in writing that it elects to employ separate counsel at the expense of the indemnifying party, then 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 further that in the case of clause (iii) above the indemnifying party shall not be responsible for the reasonable fees and expenses of more than one (1) separate legal counsel for such Indemnified Person or Indemnified Party (as the case may be). The Indemnified Party or Indemnified Person (as the case may be) shall reasonably cooperate with the indemnifying party in connection with any negotiation or defense of any such action or Claim by the indemnifying party and shall furnish to the indemnifying party all information reasonably available to the Indemnified Party or Indemnified Person (as the case may be) which relates to such action or Claim. The indemnifying party shall keep the Indemnified Party or Indemnified Person (as the case may be) reasonably apprised at all times as to the status of the defense or any settlement negotiations with respect thereto. No indemnifying party shall be liable for any settlement of any action, claim or proceeding effected without its prior written consent; provided, however, the indemnifying party shall not unreasonably withhold, delay or condition its consent. No indemnifying party shall, without the prior written consent of the Indemnified Party or Indemnified Person (as the case may be), consent to entry of any judgment or enter into any settlement or other compromise which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party or Indemnified Person (as the case may be) of a release from all liability in respect to such Claim or litigation, and such settlement shall not include any admission as to fault on the part of the Indemnified Party. Following indemnification as provided for hereunder, the indemnifying party shall be subrogated to all rights of the Indemnified Party or Indemnified Person (as the case may be) with respect to all third parties, firms or corporations relating to the matter for which indemnification has been made. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any liability to the Indemnified Person or Indemnified Party (as the case may be) under this Section 6, except to the extent that the indemnifying party is materially and adversely prejudiced in its ability to defend such action.

(d) No Person involved in the sale of Registrable Securities who is guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) in connection with such sale shall be entitled to indemnification from any Person involved in such sale of Registrable Securities who is not guilty of fraudulent misrepresentation.

(e) The indemnification required by this Section 6 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or Indemnified Damages are incurred.

(f) The indemnity and contribution agreements contained herein shall be in addition to (i) any cause of action or similar right of the Indemnified Party or Indemnified Person against the indemnifying party or others, and (ii) any liabilities the indemnifying party may be subject to pursuant to the law.

7. Contribution.

To the extent any indemnification by an indemnifying party is prohibited or limited by law, the indemnifying party agrees to make the maximum contribution with respect to any amounts for which it would otherwise be liable under Section 6 to the fullest extent permitted by law; provided, however: (i) no contribution shall be made under circumstances where the maker would not have been liable for indemnification under the fault standards set forth in Section 6 of this Agreement, (ii) no Person involved in the sale of Registrable Securities which Person is guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) in connection with such sale shall be entitled to contribution from any Person involved in such sale of Registrable Securities who was not guilty of fraudulent misrepresentation; and (iii) contribution by any seller of Registrable Securities shall be limited in amount to the amount of net proceeds received by such seller from the applicable sale of such Registrable Securities pursuant to such Registration Statement. Notwithstanding the provisions of this Section 7, no Investor shall be required to contribute, in the aggregate, any amount in excess of the amount by which the net proceeds actually received by such Investor from the applicable sale of the Registrable Securities subject to the Claim exceeds the amount of any damages that such Investor has otherwise been required to pay, or would otherwise be required to pay under Section 6(b), by reason of such untrue or alleged untrue statement or omission or alleged omission. Notwithstanding the foregoing, the contribution agreement contained in this Section 7 shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld or delayed

8. Reports Under the 1934 Act.

With a view to making available to the Investors the benefits of Rule 144, on and after the Self Filing Effective Date, the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144;

(b) file with the SEC in a timely manner all reports and other documents required of the Company under the 1933 Act and the 1934 Act so long as the Company remains subject to such requirements (it being understood and agreed that nothing herein shall limit any obligations of the Company under the Securities Purchase Agreement) and the filing of such reports and other documents is required for the applicable provisions of Rule 144; and

(c) furnish to each Investor so long as such Investor owns Registrable Securities, promptly upon request, (i) a written statement by the Company, if true, that it has complied with the reporting, submission and posting requirements of Rule 144 and the 1934 Act, (ii) a copy of the most recent Form 20-F of the Company and such other reports and documents so filed by the Company with the SEC if such reports are not publicly available via EDGAR, and (iii) such other information as may be reasonably requested to permit the Investors to sell such securities pursuant to Rule 144 without registration.

9. Assignment of Registration Rights.

All or any portion of the rights under this Agreement shall be automatically assignable by each Investor to any transferee or assignee (as the case may be) of all or any portion of such Investor's Registrable Securities, Notes or Warrants if: (i) such Investor agrees in writing with such transferee or assignee (as the case may be) to assign all or any portion of such rights, and a copy of such agreement is furnished to the Company within a reasonable time after such transfer or assignment (as the case may be); (ii) the Company is, within a reasonable time after such transfer or assignment (as the case may be), furnished with written notice of (a) the name and address of such transferee or assignee (as the case may be), and (b) the securities with respect to which such registration rights are being transferred or assigned (as the case may be); (iii) immediately following such transfer or assignment (as the case may be) the further disposition of such securities by such transferee or assignee (as the case may be) is restricted under the 1933 Act or applicable state securities laws if so required; (iv) at or before the time the Company receives the written notice contemplated by clause (ii) of this sentence such transferee or assignee (as the case may be) agrees in writing with the Company to be bound by all of the provisions contained herein; (v) such transfer or assignment (as the case may be) shall have been made in accordance with the applicable requirements of the Securities Purchase Agreement, the Notes, the Warrants and the other Transaction Documents (as defined in the Securities Purchase Agreement) (as the case may be); and (vi) such transfer or assignment (as the case may be) shall have been conducted in accordance with all applicable federal and state securities laws.

10. Amendment of Registration Rights.

Provisions of this Agreement may be amended only with the written consent of the Company and the Required Holders. Any amendment effected in accordance with this Section 10 shall be binding upon each Investor and the Company, provided that no such amendment shall be effective to the extent that it (1) applies to less than all of the holders of the holders of Registrable Securities, (2) imposes any obligation or liability on any Investor without such Investor's prior written consent (which may be granted or withheld in such Investor's sole discretion) or (3) applies retroactively. No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving party, provided that the Required Holders (in a writing signed by all of the Required Holders) may waive any provision of this Agreement, and any waiver of any provision of this Agreement made in conformity with the provisions of this Section 10 shall be binding on each Investor, provided that no such waiver shall be effective to the extent that it (1) applies to less than all the Investors (unless a party gives a waiver as to itself only) or (2) imposes any obligation or liability on any Investor without such Investor's prior written consent (which may be granted or withheld in such Investor's sole discretion). No consideration shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of this Agreement unless the same consideration also is offered to all of the parties to this Agreement.

11. Miscellaneous.

(a) Solely for purposes of this Agreement, a Person is deemed to be a holder of Registrable Securities whenever such Person owns, or is deemed to own, of record such Registrable Securities. If the Company receives conflicting instructions, notices or elections from two or more Persons with respect to the same Registrable Securities, the Company shall act upon the basis of instructions, notice or election received from such record owner of such Registrable Securities.

(b) Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); (iii) with respect to Section 3(c), by e-mail (provided confirmation of transmission is electronically generated and kept on file by the sending party); or (iv) one (1) Business Day after deposit with a nationally recognized overnight delivery service with next day delivery specified, in each case, properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company:

Mark Cohen
Chairman of the Board – Morria Biopharmaceuticals PLC
c/o Pearl Cohen Zedek Latzer, LLP
1500 Broadway
New York, NY 10036
Telephone: (646) 878-0804
Facsimile: (646) 878-0801
Email: markc@pczlaw.com

With a copy (for informational purposes only) to:

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
666 Third Avenue
New York, NY 10017
Telephone: (212) 935-3000
Facsimile: (212) 983-3115
Attention: Kenneth R. Koch, Esq.
Jeffrey P. Schultz, Esq.

If to Legal Counsel:

Ellenoff Grossman & Schole LLP
150 East 42nd Street
New York, New York 10017
Telephone: (212) 370-1300
Facsimile: (212) 370-7889
Attention: Robert F. Charron, Esq.

If to a Buyer, to its address, facsimile number or e-mail address (as the case may be) set forth on the Schedule of Buyers attached to the Securities Purchase Agreement, with copies to such Buyer's representatives as set forth on the Schedule of Buyers, or to such other address, facsimile number and/or e-mail address and/or to the attention of such other Person as the recipient party has specified by written notice given to each other party five (5) days prior to the effectiveness of such change, provided that EGS shall only be provided notices sent to Iroquois. Written confirmation of receipt (A) given by the recipient of such notice, consent, waiver or other communication, (B) mechanically or electronically generated by the sender's facsimile machine or e-mail transmission containing the time, date and recipient facsimile number or e-mail address or (C) provided by a courier or overnight courier service shall be rebuttable evidence of personal service, receipt by facsimile or receipt from a nationally recognized overnight delivery service in accordance with clause (i), (ii) or (iii) above, respectively.

(c) Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

(d) All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HEREWITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

(e) This Agreement, the other Transaction Documents, the schedules and exhibits attached hereto and thereto and the instruments referenced herein and therein constitute the entire agreement among the parties hereto and thereto solely with respect to the subject matter hereof and thereof. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein and therein. This Agreement, the other Transaction Documents, the schedules and exhibits attached hereto and thereto and the instruments referenced herein and therein supersede all prior agreements and understandings among the parties hereto solely with respect to the subject matter hereof and thereof; provided, however, nothing contained in this Agreement or any other Transaction Document shall (or shall be deemed to) (i) have any effect on any agreements any Investor has entered into with, or any instrument that any Investor received from, the Company or any of its Subsidiaries prior to the date hereof with respect to any prior investment made by such Investor in the Company, (ii) waive, alter, modify or amend in any respect any obligations of the Company or any of its Subsidiaries or any rights of or benefits to any Investor or any other Person in any agreement entered into prior to the date hereof between or among the Company and/or any of its Subsidiaries and any Investor or any instrument that any Investor received prior to the date hereof from the Company and/or any of its Subsidiaries and all such agreements and instruments shall continue in full force and effect or (iii) limit any obligations of the Company under any of the other Transaction Documents.

(f) Subject to compliance with Section 9 (if applicable), this Agreement shall inure to the benefit of and be binding upon the permitted successors and assigns of each of the parties hereto. This Agreement is not for the benefit of, nor may any provision hereof be enforced by, any Person, other than the parties hereto, their respective permitted successors and assigns and the Persons referred to in Sections 6 and 7 hereof.

(g) The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. Unless the context clearly indicates otherwise, each pronoun herein shall be deemed to include the masculine, feminine, neuter, singular and plural forms thereof. The terms "including," "includes," "include" and words of like import shall be construed broadly as if followed by the words "without limitation." The terms "herein," "hereunder," "hereof" and words of like import refer to this entire Agreement instead of just the provision in which they are found.

(h) This Agreement may be executed in two or more identical counterparts, all of which 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. In the event that any signature is delivered by facsimile transmission or by an e-mail which contains a portable document format (.pdf) file of an executed signature page, such signature page shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such signature page were an original thereof.

(i) Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents as any other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

(j) The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent and no rules of strict construction will be applied against any party. Notwithstanding anything to the contrary set forth in Section 10, terms used in this Agreement but defined in the other Transaction Documents shall have the meanings ascribed to such terms on the Closing Date in such other Transaction Documents unless otherwise consented to in writing by each Investor.

(k) All consents and other determinations required to be made by the Investors pursuant to this Agreement shall be made, unless otherwise specified in this Agreement, by the Required Holders.

(l) The obligations of each Investor under this Agreement and the other Transaction Documents are several and not joint with the obligations of any other Investor, and no Investor shall be responsible in any way for the performance of the obligations of any other Investor under this Agreement or any other Transaction Document. Nothing contained herein or in any other Transaction Document, and no action taken by any Investor pursuant hereto or thereto, shall be deemed to constitute the Investors as, and the Company acknowledges that the Investors do not so constitute, a partnership, an association, a joint venture or any other kind of group or entity, or create a presumption that the Investors are in any way acting in concert or as a group or entity with respect to such obligations or the transactions contemplated by the Transaction Documents or any matters, and the Company acknowledges that the Investors are not acting in concert or as a group, and the Company shall not assert any such claim, with respect to such obligations or the transactions contemplated by this Agreement or any of the other the Transaction Documents. Each Investor shall be entitled to independently protect and enforce its rights, including, without limitation, the rights arising out of this Agreement or out of any other Transaction Documents, and it shall not be necessary for any other Investor to be joined as an additional party in any proceeding for such purpose. The use of a single agreement with respect to the obligations of the Company contained herein was solely in the control of the Company, not the action or decision of any Investor, and was done solely for the convenience of the Company and not because it was required or requested to do so by any Investor. It is expressly understood and agreed that each provision contained in this Agreement and in each other Transaction Document is between the Company and an Investor, solely, and not between the Company and the Investors collectively and not between and among Investors.

[*signature pages follow*]

IN WITNESS WHEREOF, Buyer and the Company have caused their respective signature page to this Registration Rights Agreement to be duly executed as of the date first written above.

COMPANY:

MORRIA BIOPHARMACEUTICALS PLC

By: */s/ YUVAL COHEN*
Name: Yuval Cohen
Title: President

IN WITNESS WHEREOF, Buyer and the Company have caused their respective signature page to this Registration Rights Agreement to be duly executed as of the date first written above.

BUYERS:

IROQUOIS MASTER FUND LTD.

/s/ JOSHUA SILVERMAN

By: Joshua Silverman, Authorized Signatory

ALPHA CAPITAL ANSTALT

/s/ KONRAD ACKERMAN

By: **Konrad Ackerman, Director**

[ ]

By:

EXHIBIT A

FORM OF NOTICE OF EFFECTIVENESS
OF REGISTRATION STATEMENT

_____
_____
_____
Attention: _____

Re: [_____]

Ladies and Gentlemen:

[We are][I am] counsel to Morria Biopharmaceuticals PLC, a public limited company formed under the laws of England and Wales (the "**Company**"), and have represented the Company in connection with that certain Securities Purchase Agreement (the "**Securities Purchase Agreement**") entered into by and among the Company and the buyers named therein (collectively, the "**Holders**") pursuant to which the Company issued to the Holders (i) senior secured convertible notes (the "**Notes**") convertible into the Company's ordinary shares, par value £0.01 per share (the "**Ordinary Shares**") and (ii) warrants exercisable for Ordinary Shares (the "**Warrants**"). Pursuant to the Securities Purchase Agreement, the Company also has entered into a Registration Rights Agreement with the Holders (the "**Registration Rights Agreement**") pursuant to which the Company agreed, among other things, to register the Registrable Securities (as defined in the Registration Rights Agreement), including the Ordinary Shares issuable upon conversion of the Notes and exercise of the Warrants, under the Securities Act of 1933, as amended (the "**1933 Act**"). In connection with the Company's obligations under the Registration Rights Agreement, on _____ ___, 2012, the Company filed a Registration Statement on Form F-1 (File No. 333-_____) (the "**Registration Statement**") with the Securities and Exchange Commission (the "**SEC**") relating to the Registrable Securities which names each of the Holders as a selling shareholder thereunder.

In connection with the foregoing, [we][I] advise you that a member of the SEC's staff has advised [us][me] by telephone that the SEC has entered an order declaring the Registration Statement effective under the 1933 Act at [ENTER TIME OF EFFECTIVENESS] on [ENTER DATE OF EFFECTIVENESS] and [we][I] have no knowledge, after telephonic inquiry of a member of the SEC's staff, that any stop order suspending its effectiveness has been issued or that any proceedings for that purpose are pending before, or threatened by, the SEC and the Registrable Securities are available for resale under the 1933 Act pursuant to the Registration Statement.

This letter shall serve as our standing opinion to you that the Ordinary Shares underlying the Notes and the Warrants are freely transferable by the Holders pursuant to the Registration Statement. You need not require further letters from us to effect any future legend-free issuance or reissuance of such Ordinary Shares to the Holders as contemplated by the Company's Irrevocable Transfer Agent Instructions dated _____ __, 2012.

Very truly yours,

[ISSUER'S COUNSEL]

By: _____

CC: [**LIST NAMES OF HOLDERS**]

EXHIBIT B

SELLING STOCKHOLDERS

The ordinary shares being offered by the selling stockholders are those issuable to the selling stockholders upon conversion of the notes and exercise of the warrants. For additional information regarding the issuance of the notes and the warrants, see "Private Placement of Notes and Warrants" above. We are registering the ordinary shares in order to permit the selling stockholders to offer the shares for resale from time to time. Except for the ownership of the notes and the warrants issued pursuant to the Securities Purchase Agreement, the selling stockholders have not had any material relationship with us within the past three years.

The table below lists the selling stockholders and other information regarding the beneficial ownership (as determined under Section 13(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder) of the ordinary shares held by each of the selling stockholders. The second column lists the number of ordinary shares beneficially owned by the selling stockholders, based on their respective ownership of ordinary shares, notes and warrants, as of _____, 20__, assuming conversion of the notes and exercise of the warrants held by each such selling stockholder on that date, but taking account of any limitations on conversion and exercise set forth therein.

The third column lists the ordinary shares being offered by this prospectus by the selling stockholders and does not take into account any limitations on (i) conversion of the notes set forth therein or (ii) exercise of the warrants set forth therein.

In accordance with the terms of a registration rights agreement with the holders of the notes and the warrants, this prospectus generally covers the resale of 133% of the sum of (i) the maximum number of ordinary shares issuable upon conversion of the notes and (ii) the maximum number of ordinary shares issuable upon exercise of the warrants, in each case, determined as if the outstanding notes and warrants were converted or exercised (as the case may be) in full (without regard to any limitations on conversion or exercise contained therein) as of the trading day immediately preceding the date this registration statement was initially filed with the SEC. Because the conversion price of the notes and the exercise price of the warrants may be adjusted, the number of shares that will actually be issued may be more or less than the number of shares being offered by this prospectus. The fourth column assumes the sale of all of the shares offered by the selling stockholders pursuant to this prospectus.

Under the terms of the notes and the warrants, a selling stockholder may not convert the notes or exercise the warrants to the extent (but only to the extent) such selling stockholder or any of its affiliates would beneficially own a number of shares of our ordinary shares which would exceed 4.9%. The number of shares in the second column reflects these limitations. The selling stockholders may sell all, some or none of their shares in this offering. See "Plan of Distribution."

Name of Selling Stockholder	Number of Ordinary Shares Owned Prior to Offering	Maximum Number of Ordinary Shares to be Sold Pursuant to this Prospectus	Number of Ordinary Shares Owned After Offering

* Table to be completed based on information provided by the Buyers and their assignees.

PLAN OF DISTRIBUTION

We are registering the ordinary shares issuable upon conversion of the notes and exercise of the warrants to permit the resale of these ordinary shares by the holders of the notes and warrants from time to time after the date of this prospectus. We will not receive any of the proceeds from the sale by the selling stockholders of the ordinary shares. We will bear all fees and expenses incident to our obligation to register the ordinary shares.

The selling stockholders may sell all or a portion of the ordinary shares held by them and offered hereby from time to time directly or through one or more underwriters, broker-dealers or agents. If the ordinary shares are sold through underwriters or broker-dealers, the selling stockholders will be responsible for underwriting discounts or commissions or agent's commissions. The ordinary shares may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of the sale, at varying prices determined at the time of sale or at negotiated prices. These sales may be effected in transactions, which may involve crosses or block transactions, pursuant to one or more of the following methods:

- on any national securities exchange or quotation service on which the securities may be listed or quoted at the time of sale;
- in the over-the-counter market;
- in transactions otherwise than on these exchanges or systems or in the over-the-counter market;
- through the writing or settlement of options, whether such options are listed on an options exchange or otherwise;
- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- 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;
- privately negotiated transactions;
- short sales made after the date the Registration Statement is declared effective by the SEC;
- broker-dealers may agree with a selling securityholder to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale; and

- any other method permitted pursuant to applicable law.

The selling stockholders may also sell ordinary shares under Rule 144 promulgated under the Securities Act of 1933, as amended, if available, rather than under this prospectus. In addition, the selling stockholders may transfer the ordinary shares by other means not described in this prospectus. If the selling stockholders effect such transactions by selling ordinary shares to or through underwriters, broker-dealers or agents, such underwriters, broker-dealers or agents may receive commissions in the form of discounts, concessions or commissions from the selling stockholders or commissions from purchasers of the ordinary shares for whom they may act as agent or to whom they may sell as principal (which discounts, concessions or commissions as to particular underwriters, broker-dealers or agents may be in excess of those customary in the types of transactions involved). In connection with sales of the ordinary shares or otherwise, the selling stockholders may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the ordinary shares in the course of hedging in positions they assume. The selling stockholders may also sell ordinary shares short and deliver ordinary shares covered by this prospectus to close out short positions and to return borrowed shares in connection with such short sales. The selling stockholders may also loan or pledge ordinary shares to broker-dealers that in turn may sell such shares.

The selling stockholders may pledge or grant a security interest in some or all of the notes, warrants or ordinary shares owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the ordinary shares from time to time pursuant to this prospectus or any amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act amending, if necessary, the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus. The selling stockholders also may transfer and donate the ordinary shares in other circumstances in which case the transferees, donees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

To the extent required by the Securities Act and the rules and regulations thereunder, the selling stockholders and any broker-dealer participating in the distribution of the ordinary shares may be deemed to be "underwriters" within the meaning of the Securities Act, and any commission paid, or any discounts or concessions allowed to, any such broker-dealer may be deemed to be underwriting commissions or discounts under the Securities Act. At the time a particular offering of the ordinary shares is made, a prospectus supplement, if required, will be distributed, which will set forth the aggregate amount of ordinary shares being offered and the terms of the offering, including the name or names of any broker-dealers or agents, any discounts, commissions and other terms constituting compensation from the selling stockholders and any discounts, commissions or concessions allowed or re-allowed or paid to broker-dealers.

Under the securities laws of some states, the ordinary shares may be sold in such states only through registered or licensed brokers or dealers. In addition, in some states the ordinary shares may not be sold unless such shares have been registered or qualified for sale in such state or an exemption from registration or qualification is available and is complied with.

There can be no assurance that any selling stockholder will sell any or all of the ordinary shares registered pursuant to the registration statement, of which this prospectus forms a part.

The selling stockholders and any other person participating in such distribution will be subject to applicable provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, including, without limitation, to the extent applicable, Regulation M of the Exchange Act, which may limit the timing of purchases and sales of any of the ordinary shares by the selling stockholders and any other participating person. To the extent applicable, Regulation M may also restrict the ability of any person engaged in the distribution of the ordinary shares to engage in market-making activities with respect to the ordinary shares. All of the foregoing may affect the marketability of the ordinary shares and the ability of any person or entity to engage in market-making activities with respect to the ordinary shares.

We will pay all expenses of the registration of the ordinary shares pursuant to the registration rights agreement, estimated to be $[ ] in total, including, without limitation, Securities and Exchange Commission filing fees and expenses of compliance with state securities or "blue sky" laws; provided, however, a selling stockholder will pay all underwriting discounts and selling commissions, if any. We will indemnify the selling stockholders against liabilities, including some liabilities under the Securities Act in accordance with the registration rights agreements or the selling stockholders will be entitled to contribution. We may be indemnified by the selling stockholders against civil liabilities, including liabilities under the Securities Act that may arise from any written information furnished to us by the selling stockholder specifically for use in this prospectus, in accordance with the related registration rights agreements or we may be entitled to contribution.

Once sold under the registration statement, of which this prospectus forms a part, the ordinary shares will be freely tradable in the hands of persons other than our affiliates.

SECURITY AGREEMENT

This **SECURITY AGREEMENT** (this "**Agreement**"), dated as of April 4, 2012, is made by and among the grantors listed on the signature pages hereof (collectively, jointly and severally, the "**Grantors**" and each, individually, a "**Grantor**"), and the secured parties listed on the signature pages hereof (collectively, the "**Secured Parties**" and each, individually, a "**Secured Party**").

RECITALS

WHEREAS, pursuant to that certain Securities Purchase Agreement, dated as of March __, 2012 (as may be amended, restated, supplemented, or otherwise modified from time to time, including all schedules thereto, collectively, the "**Securities Purchase Agreement**"), by and among Morria Biopharmaceuticals PLC, a public limited company formed under the laws of England and Wales ("**Parent**"), and each of the Secured Parties, Parent has agreed to sell, and each of the Secured Parties have each agreed to purchase, severally and not jointly, the Securities (as defined in the Securities Purchase Agreement); and

WHEREAS, each Grantor other than Parent is a direct or indirect wholly-owned Subsidiary (as defined below) of Parent and will receive direct and substantial benefits from the purchase by each of the Secured Parties of the Securities; and

WHEREAS, in order to induce the Secured Parties to purchase, severally and not jointly, the Securities as provided for in the Securities Purchase Agreement, Grantors have agreed to grant a continuing security interest in and to the Collateral in order to secure the prompt and complete payment, observance and performance of the Secured Obligations.

AGREEMENTS

NOW, THEREFORE, for and in consideration of the recitals made above and other good and valuable consideration, the receipt, sufficiency and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. Defined Terms. All capitalized terms used herein (including in the preamble and recitals hereof) without definition shall have the meanings ascribed thereto in the Notes. Any terms used in this Agreement that are defined in the Code shall be construed and defined as set forth in the Code unless otherwise defined herein or in the Notes; provided, however, if the Code is used to define any term used herein and if such term is defined differently in different Articles of the Code, the definition of such term contained in Article 9 of the Code shall govern. In addition to those terms defined elsewhere in this Agreement, as used in this Agreement, the following terms shall have the following meanings:

(a) "**Account**" means an account (as that term is defined in the Code).

(b) "**Account Debtor**" means an account debtor (as that term is defined in the Code).

(c) "**Bankruptcy Code**" means title 11 of the United States Code, as in effect from time to time.

(d) "**Books**" means books and records (including, without limitation, each Grantor's Records) indicating, summarizing, or evidencing each Grantor's assets (including the Collateral) or liabilities, each Grantor's Records relating to its business operations (including, without limitation, stock ledgers) or financial condition, and each Grantor's goods or General Intangibles related to such information.

(e) "**Chattel Paper**" means chattel paper (as that term is defined in the Code) and includes tangible chattel paper and electronic chattel paper.

(f) "**Closing Date**" shall have the meaning ascribed to such term in the Securities Purchase Agreement.

(g) "**Code**" means the New York Uniform Commercial Code, as in effect from time to time; provided, however, in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection, priority, or remedies with respect to any Secured Party's Lien on any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of New York, the term "Code" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority, or remedies.

(h) "**Collateral**" has the meaning specified therefor in Section 2.

(i) "**Commencement Notice**" means a written notice, given by any Secured Party to the other Secured Parties in accordance with the notice provisions set forth in the Securities Purchase Agreement, pursuant to which such Secured Party notifies the other Secured Parties of the existence of one or more Events of Default and of such Secured Party's intent to commence the exercise of one or more of the remedies provided for under this Agreement with respect to all or any portion of the Collateral as a consequence thereof, which notice shall incorporate a reasonably detailed description of each Event of Default then existing and of the remedial action proposed to be taken.

(j) "**Commercial Tort Claims**" means commercial tort claims (as that term is defined in the Code), and includes those commercial tort claims listed on **Schedule 1** attached hereto.

(k) "**Copyrights**" means all copyrights and copyright registrations, and also includes (i) the copyright registrations and recordings thereof and all applications in connection therewith listed on **Schedule 2** attached hereto and made a part hereof, (ii) all reissues, continuations, extensions or renewals thereof, (iii) all income, royalties, damages and payments now and hereafter due or payable under and with respect thereto, including payments under all licenses entered into in connection therewith and damages and payments for past or future infringements or dilutions thereof, (iv) the right to sue for past, present and future infringements and dilutions thereof, (v) the goodwill of each Grantor's business symbolized by the foregoing or connected therewith, and (vi) all of each Grantor's rights corresponding thereto throughout the world.

(l) "**Copyright Security Agreement**" means each Copyright Security Agreement among Grantors, or any of them, and Secured Parties, in substantially the form of **Exhibit A** attached hereto, pursuant to which Grantors have granted to each Secured Party a security interest in all their respective Copyrights, as may be amended, restated, supplemented, or otherwise modified from time to time.

(m) "**Deposit Account**" means a deposit account (as that term is defined in the Code).

(n) "**Equipment**" means all equipment (as that term is defined in the Code) in all of its forms of the applicable Grantor, wherever located, and including, without limitation, all machinery, apparatus, installation facilities and other tangible personal property, and all parts thereof and all accessions, additions, attachments, improvements, substitutions, replacements and proceeds thereto and therefor.

(o) "**Event of Default**" has the meaning specified therefor in the Notes.

(p) "**General Intangibles**" means general intangibles (as that term is defined in the Code) and, in any event, includes payment intangibles, contract rights, rights to payment, rights arising under common law, statutes, or regulations, choses or things in action, goodwill (including the goodwill associated with any Trademark, Patent, or Copyright), Patents, Trademarks, Copyrights, URLs and domain names, industrial designs, other industrial or Intellectual Property or rights therein or applications therefor, whether under license or otherwise, programs, programming materials, blueprints, drawings, purchase orders, customer lists, monies due or recoverable from pension funds, route lists, rights to payment and other rights under any royalty or licensing agreements, including Intellectual Property Licenses, infringement claims, computer programs, information contained on computer disks or tapes, software, literature, reports, catalogs, pension plan refunds, pension plan refund claims, insurance premium rebates, tax refunds, and tax refund claims, interests in a partnership or limited liability company which do not constitute a security under Article 8 of the Code, and any other personal property other than Commercial Tort Claims, money, Accounts, Chattel Paper, Deposit Accounts, goods, Investment Related Property, Negotiable Collateral, and oil, gas, or other minerals before extraction.

(q) "**Governmental Authority**" means any domestic or foreign federal, state, local, or other governmental or administrative body, instrumentality, board, department, or agency or any court, tribunal, administrative hearing body, arbitration panel, commission, or other similar dispute-resolving panel or body.

(r) "**Guaranty**" means each Guaranty, in the form attached hereto as **Exhibit D**, executed by each Guarantor in favor of any or all of the Secured Parties, together with any other guaranty or similar agreement now or hereafter executed by a Guarantor in favor of any or all of the Secured Parties in connection with the Notes or any of the other Transaction Documents, as may be amended, restated, supplemented, or otherwise modified from time to time, and all of the foregoing are collectively referred to herein as the "**Guaranties**."

(s) "**Guarantor**" means each Grantor, other than Parent, and each other Person that now or hereafter executes a Guaranty.

(t) "**Insolvency Proceeding**" means any proceeding commenced by or against any Person under any provision of the Bankruptcy Code or under any other state or federal bankruptcy or insolvency law or any equivalent laws in any other jurisdiction, assignments for the benefit of creditors, formal or informal moratoria, compositions, extensions generally with creditors, or proceedings seeking reorganization, arrangement, or other similar relief.

(u) "**Intellectual Property**" means Patents, Copyrights, Trademarks, the goodwill associated with such Trademarks, trade secrets and customer lists, and Intellectual Property Licenses.

(v) "**Intellectual Property Licenses**" means rights under or interests in any patent, trademark, copyright or other intellectual property, including software license agreements with any other party, whether the applicable Grantor is a licensee or licensor under any such license agreement, including the license agreements listed on **Schedule 3** attached hereto and made a part hereof, as may be amended, restated, supplemented, or otherwise modified from time to time. Notwithstanding anything to the contrary in the Security Documents, and for the avoidance of doubt, the term Intellectual Property Licenses shall in no manner be deemed to include any of the patents, trademarks, copyrights or other intellectual property that are the subject matter of any Intellectual Property Licenses pursuant to which the Grantor is a licensee, except to the extent that the Grantor has rights to such patents, trademarks, copyrights or other intellectual property without consideration to, and independent of, the rights provided under the related Intellectual Property Licenses.

(w) "**Inventory**" means all inventory (as that term is defined in the Code) in all of its forms of the applicable Grantor, wherever located, including, without limitation, (i) all goods in which the applicable Grantor has an interest in mass or a joint or other interest or right of any kind (including goods in which the applicable Grantor has an interest or right as consignee), and (ii) all goods which are returned to or repossessed by the applicable Grantor, and all accessions thereto, products thereof and documents therefor.

(x) "**Investment Related Property**" means (i) investment property (as that term is defined in the Code), and (ii) all of the following (regardless of whether classified as investment property under the Code): all Pledged Interests, Pledged Operating Agreements, and Pledged Partnership Agreements.

(y) "**Lien**" has the meaning specified therefor in the Notes.

(z) "**Negotiable Collateral**" means letters of credit, letter-of-credit rights, instruments, promissory notes, drafts, and documents.

(aa) "**New Subsidiary**" has the meaning specified therefor in the Notes.

(bb) "**Notes**" has the meaning specified therefor in the Securities Purchase Agreement.

(cc) "**Patents**" means all patents and patent applications, and also includes (i) the patents and patent applications listed on **Schedule 4** attached hereto and made a part hereof, (ii) all renewals thereof, (iii) all income, royalties, damages and payments now and hereafter due or payable under and with respect thereto, including payments under all licenses entered into in connection therewith and damages and payments for past or future infringements or dilutions thereof, (iv) the right to sue for past, present and future infringements and dilutions thereof, and (v) all of each Grantor's rights corresponding thereto throughout the world.

(dd) "**Patent Security Agreement**" means each Patent Security Agreement among Grantors and Secured Parties in substantially the form of **Exhibit B** attached hereto, pursuant to which Grantors have granted to each Secured Party a security interest in all their respective Patents, as may be amended, restated, supplemented, or otherwise modified from time to time.

(ee) "**Permitted Liens**" has the meaning specified therefor in the Notes.

(ff) "**Permitted Secured Party**" means, with respect to the exercise of any remedy provided for under this Agreement, any Secured Party that has delivered a Commencement Notice with respect to the exercise of such remedy to the other Secured Parties and has not received a Veto Notice with respect thereto within the Veto Period; provided, however, there shall only be a single Permitted Secured Party that may exercise any specific remedy at any one time (it being agreed that if a Commencement Notice is delivered by more than one Secured Party with respect to any remedy provided for under this Agreement, then the first Secured Party to deliver a Commencement Notice and not receive a Veto Notice within the Veto Period shall be the only Secured Party that may exercise such remedy).

(gg) "**Person**" has the meaning specified therefor in the Securities Purchase Agreement.

(hh) "**Pledged Companies**" means, each Person listed on **Schedule 5** hereto as a "Pledged Company," together with each other Person all or a portion of whose Stock is acquired or otherwise owned by a Grantor after the date hereof.

(ii) "**Pledged Interests**" means all of each Grantor's right, title and interest in and to all of the Stock now or hereafter owned by such Grantor, regardless of class or designation, including all substitutions therefor and replacements thereof, all proceeds thereof and all rights relating thereto, also including any certificates representing the Stock, the right to receive any certificates representing any of the Stock, all warrants, options, share appreciation rights and other rights, contractual or otherwise, in respect thereof, and the right to receive dividends, distributions of income, profits, surplus, or other compensation by way of income or liquidating distributions, in cash or in kind, and cash, instruments, and other property from time to time received, receivable, or otherwise distributed in respect of or in addition to, in substitution of, on account of, or in exchange for any or all of the foregoing.

(jj) "**Pledged Operating Agreements**" means all of each Grantor's rights, powers, and remedies under the limited liability company operating agreements of each of the Pledged Companies that are limited liability companies, as may be amended, restated, supplemented, or otherwise modified from time to time.

(kk) "**Pledged Partnership Agreements**" means all of each Grantor's rights, powers, and remedies under the partnership agreements of each of the Pledged Companies that are partnerships, as may be amended, restated, supplemented, or otherwise modified from time to time.

(ll) "**Proceeds**" has the meaning specified therefor in Section 2.

(mm) "**Real Property**" means any estates or interests in real property now owned or hereafter acquired by any Grantor and the improvements thereto.

(nn) "**Records**" means information that is inscribed on a tangible medium or which is stored in an electronic or other medium and is retrievable in perceivable form.

(oo) "**Secured Obligations**" mean all of the present and future payment obligations of Grantors arising under this Agreement, the Notes, the Guaranties, and the other Transaction Documents, including, without duplication, reasonable attorneys' fees and expenses and any interest, fees, or expenses that accrue after the filing of an Insolvency Proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any Insolvency Proceeding.

(pp) "**Securities Account**" means a securities account (as that term is defined in the Code).

(qq) "**Security Documents**" means, collectively, this Agreement, each Copyright Security Agreement, each Patent Security Agreement, each Trademark Security Agreement and each other security agreement, pledge agreement, assignment, mortgage, security deed, deed of trust, and other agreement or document executed and delivered by a Grantor as security for any of the Secured Obligations, as may be amended, restated, supplemented, or otherwise modified from time to time.

(rr) "**Security Interest**" and "**Security Interests**" have the meanings specified therefor in Section 2.

(ss) "**Significant Secured Party**" means, on any date of determination, any Secured Party holding twenty percent (20%) or more of the aggregate principal amount of Notes outstanding on such date.

(tt) "**Stock**" means all shares, options, warrants, interests (including, without limitation, membership and partnership interests), participations, or other equivalents (regardless of how designated) of or in a Person, whether voting or nonvoting, including common stock, preferred stock, or any other "equity security" (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the United States Securities and Exchange Commission and any successor thereto under the Securities Exchange Act of 1934, as in effect from time to time).

(uu) "**Subsidiaries**" and "**Subsidiary**" each have the meanings specified therefor in the Notes.

(vv) "**Supporting Obligations**" means supporting obligations (as such term is defined in the Code).

(ww) "**Trademarks**" means all trademarks, trade names, trademark applications, service marks, service mark applications, and also includes (i) the trade names, trademarks, trademark applications, service marks, and service mark applications listed on **Schedule 6** attached hereto and made a part hereof, and (ii) all renewals thereof, (iii) all income, royalties, damages and payments now and hereafter due or payable under and with respect thereto, including payments under all licenses entered into in connection therewith and damages and payments for past or future infringements or dilutions thereof, (iv) the right to sue for past, present and future infringements and dilutions thereof, (v) the goodwill of each Grantor's business symbolized by the foregoing or connected therewith, and (vi) all of each Grantor's rights corresponding thereto throughout the world.

(xx) "**Trademark Security Agreement**" means each Trademark Security Agreement among Grantors and Secured Parties in substantially the form of **Exhibit C** attached hereto, pursuant to which Grantors have granted to each Secured Party a security interest in all their respective Trademarks.

(yy) "**Transaction Documents**" has the meaning specified therefor in the Securities Purchase Agreement.

(zz) "**URL**" means "uniform resource locator," an internet web address.

(aaa) "**Veto Notice**" means, with respect to any Commencement Notice, a written notice given by any Significant Secured Party to the other Secured Parties in accordance with the notice provisions set forth in the Securities Purchase Agreement pursuant to which such Significant Secured Party notifies the other Secured Parties of its objection to the commencement of the remedial action specified in such Commencement Notice and certifies that, to the best of its knowledge, it is a Significant Secured Party.

(bbb) "**Veto Period**" means, with respect to any Commencement Notice (other than a Commencement Notice given by a Significant Secured Party at a time when such Significant Secured Party is the only the Significant Secured Party), the period of ten (10) consecutive calendar days following the delivery of such Commencement Notice to the Secured Parties (it being understood and agreed that there shall be no Veto Period with respect to a Commencement Notice given by a Significant Secured Party at a time when such Significant Secured Party is the only the Significant Secured Party).

2 . Grant of Security. Each Grantor hereby unconditionally grants, assigns, and pledges to each Secured Party a separate, continuing security interest (each, a "**Security Interest**" and, collectively, the "**Security Interests**") in all assets of such Grantor (other than Real Property) whether now owned or hereafter acquired or arising and wherever located (collectively, the "**Collateral**"), including, without limitation, such Grantor's right, title, and interest in and to the following, whether now owned or hereafter acquired or arising and wherever located:

(a) all of such Grantor's Accounts;

(b) all of such Grantor's Books;

(c) all of such Grantor's Chattel Paper;

(d) all of such Grantor's Deposit Accounts;

(e) all of such Grantor's Equipment and fixtures;

(f) all of such Grantor's General Intangibles;

(g) all of such Grantor's Inventory;

(h) all of such Grantor's Investment Related Property;

(i) all of such Grantor's Negotiable Collateral;

(j) all of such Grantor's rights in respect of Supporting Obligations;

(k) all of such Grantor's Commercial Tort Claims;

(l) all of such Grantor's money, cash, cash equivalents, or other assets of each such Grantor that now or hereafter come into the possession, custody, or control of any Secured Party;

(m) all of the proceeds and products, whether tangible or intangible, of any of the foregoing, including proceeds of insurance or Commercial Tort Claims covering or relating to any or all of the foregoing, and any and all Accounts, Books, Chattel Paper, Deposit Accounts, Equipment, General Intangibles, Inventory, Investment Related Property, Negotiable Collateral, Supporting Obligations, money, or other tangible or intangible property resulting from the sale, lease, license, exchange, collection, or other disposition of any of the foregoing, the proceeds of any award in condemnation with respect to any of the foregoing, any rebates or refunds, whether for taxes or otherwise, and all proceeds of any such proceeds, or any portion thereof or interest therein, and the proceeds thereof, and all proceeds of any loss of, damage to, or destruction of the above, whether insured or not insured, and, to the extent not otherwise included, any indemnity, warranty, or guaranty payable by reason of loss or damage to, or otherwise with respect to any of the foregoing (the "**Proceeds**"). Without limiting the generality of the foregoing, the term "Proceeds" includes whatever is receivable or received when Investment Related Property or proceeds are sold, exchanged, collected, or otherwise disposed of, whether such disposition is voluntary or involuntary, and includes proceeds of any indemnity or guaranty payable to any Grantor or any Secured Party from time to time with respect to any of the Investment Related Property;

provided, however, that for the avoidance of doubt (and notwithstanding anything to the contrary in the Security Documents), no Security Interest shall be granted pursuant to the Security Documents in respect of any Patents, Trademarks, Copyrights or other Intellectual Property that are the subject matter of any Intellectual Property Licenses pursuant to which the Grantor is a licensee, except to the extent that the Grantor has rights to such Patents, Trademarks, Copyrights or other Intellectual Property without consideration to, and independent of, the rights provided under the related Intellectual Property Licenses.

3 . Security for Obligations. This Agreement and the Security Interests created hereby secure the payment and performance of the Secured Obligations, whether now existing or arising hereafter. Without limiting the generality of the foregoing, this Agreement secures the payment of all amounts which constitute part of the Secured Obligations and would be owed by Grantors, or any of them, to Secured Parties, or any of them, but for the fact that they are unenforceable or not allowable due to the existence of an Insolvency Proceeding involving any Grantor.

4 . Grantors Remain Liable. Anything herein to the contrary notwithstanding, (a) each of the Grantors shall remain liable under the contracts and agreements included in the Collateral, including the Pledged Operating Agreements and the Pledged Partnership Agreements, to perform all of the duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by Secured Parties, or any of them, of any of the rights hereunder shall not release any Grantor from any of its duties or obligations under such contracts and agreements included in the Collateral, and (c) no Secured Party shall have any obligation or liability under such contracts and agreements included in the Collateral by reason of this Agreement, nor shall any Secured Party be obligated to perform any of the obligations or duties of any Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder. Until an Event of Default shall occur and be continuing, except as otherwise provided in this Agreement or any other Transaction Document, Grantors shall have the right to possession and enjoyment of the Collateral for the purpose of conducting the ordinary course of their respective businesses, subject to and upon the terms hereof and the other Transaction Documents. Without limiting the generality of the foregoing, it is the intention of the parties hereto that record and beneficial ownership of the Pledged Interests, including all voting, consensual, and dividend rights, shall remain in the applicable Grantor until the occurrence of an Event of Default and until any Secured Party shall notify the applicable Grantor of such Secured Party's exercise of voting, consensual, or dividend rights with respect to the Pledged Interests pursuant to Section 15 hereof.

5. Representations and Warranties. Each Grantor hereby represents and warrants as follows:

(a) The exact legal name of each of the Grantors is set forth on the signature pages of this Agreement.

(b) **Schedule 7** attached hereto sets forth (i) all Real Property owned or leased by Grantors, together with all other locations of Collateral, as of the date hereof, and (ii) the chief executive office of each Grantor as of the date hereof.

(c) As of the date hereof, no Grantor has any interest in, or title to, any Copyrights, Intellectual Property Licenses, Patents, or Trademarks except as set forth on **Schedules 2, 3, 4** and **6**, respectively, attached hereto. This Agreement is effective to create a valid and continuing Lien on such Copyrights, Intellectual Property Licenses, Patents and Trademarks and, upon filing of the Copyright Security Agreement with the United States Copyright Office and filing of the Patent Security Agreement and the Trademark Security Agreement with the United States Patent and Trademark Office, and the filing of appropriate financing statements in the jurisdictions listed on **Schedule 8** hereto, all action necessary or desirable to protect and perfect the Security Interests in and to each Grantor's Patents, Trademarks, or Copyrights has been taken and such perfected Security Interests are enforceable as such as against any and all creditors of and purchasers from any Grantor; provided, however, that for the avoidance of doubt, no Security Interest shall be granted pursuant to the Security Documents in respect of any Patents, Trademarks, Copyrights or other Intellectual Property that are the subject matter of any Intellectual Property Licenses pursuant to which the Grantor is a licensee, except to the extent that the Grantor has rights to such Patents, Trademarks, Copyrights or other Intellectual Property without consideration to, and independent of, the rights provided under the related Intellectual Property Licenses. No Grantor has any interest in any Copyright that is necessary in connection with the operation of such Grantor's business, except for those Copyrights identified on **Schedule 2** attached hereto which have been registered with the United States Copyright Office.

(d) This Agreement creates a valid security interest in all of the Collateral of each Grantor, to the extent a security interest therein can be created under the Code, securing the payment of the Secured Obligations. Except to the extent a security interest in the Collateral cannot be perfected by the filing of a financing statement under the Code, all filings and other actions necessary or desirable to perfect and protect such security interest have been duly taken or will have been taken upon the filing of financing statements listing each applicable Grantor, as a debtor, and Secured Parties, as secured parties, in the jurisdictions listed next to such Grantor's name on **Schedule 8** attached hereto. Upon the making of such filings, Secured Parties shall each have a first priority perfected security interest in all of the Collateral of each Grantor to the extent such security interest can be perfected by the filing of a financing statement. All action by any Grantor necessary to protect and perfect such security interest on each item of Collateral has been duly taken.

(e) (i) Except for the Security Interests created hereby, such Grantor is and will at all times be the sole holder of record and the legal and beneficial owner, free and clear of all Liens other than Permitted Liens, of the Pledged Interests indicated on **Schedule 5** as being owned by such Grantor and, when acquired by such Grantor, any Pledged Interests acquired after the date hereof; (ii) all of the Pledged Interests are duly authorized, validly issued, fully paid and non-assessable and the Pledged Interests constitute or will constitute the percentage of the issued and outstanding Stock of the Pledged Companies of such Grantor identified on **Schedule 5** hereto; (iii) such Grantor has the right and requisite authority to pledge all Investment Related Property pledged by such Grantor to each Secured Party as provided herein; (iv) except as set forth on **Schedule 5**, all actions necessary or desirable to perfect, establish the first priority of, or otherwise protect, Secured Parties' respective Liens in the Investment Related Property pledged hereunder, and the proceeds thereof, have been duly taken, (A) upon the execution and delivery of this Agreement; (B) upon the taking of possession by any Secured Party of any certificates constituting the Pledged Interests, to the extent such Pledged Interests are represented by certificates, together with undated powers endorsed in blank by the applicable Grantor; and (C) upon the filing of financing statements in the applicable jurisdiction set forth on **Schedule 8** attached hereto for such Grantor with respect to the Pledged Interests of such Grantor that are not represented by certificates; and (v) except as set forth on **Schedule 5**, each Grantor has delivered to and deposited with any Secured Party (or, with respect to any Pledged Interests created or obtained after the date hereof, will deliver and deposit in accordance with Sections 6(a) and 8 hereof) all certificates representing the Pledged Interests now or hereafter owned by such Grantor to the extent such Pledged Interests are represented by certificates, and undated powers endorsed in blank with respect to such certificates. None of the Pledged Interests owned or held by such Grantor has been issued or transferred in violation of any securities registration, securities disclosure, or similar laws of any jurisdiction to which such issuance or transfer may be subject.

(f) No consent, approval, authorization, or other order or other action by, and no notice to or filing with, any Governmental Authority or any other Person is required (i) for the grant of a Security Interest by such Grantor in and to the Collateral pursuant to this Agreement or for the execution, delivery, or performance of this Agreement by such Grantor, or (ii) for the exercise by any Secured Party of the voting or other rights provided in this Agreement with respect to Investment Related Property pledged hereunder or the remedies in respect of the Collateral pursuant to this Agreement, except (A) as may be required in connection with such disposition of Investment Related Property by laws affecting the offering and sale of securities generally and (B) for any consent that may be required for the assignment of any Intellectual Property License that expressly provides that such Intellectual Property License is not assignable (or is not assignable without the consent of the other party to such Intellectual Property License).

(g) **Schedule 9** contains a complete and accurate list of all of each Grantor's Deposit Accounts and Securities Accounts, including, without limitation, with respect to each bank or securities intermediary (a) the name and address of such Person and (b) the account numbers of such accounts maintained with such Person.

6. Covenants. Each Grantor, jointly and severally, covenants and agrees with each Secured Party that from and after the date of this Agreement and until the date of termination of this Agreement in accordance with Section 24 hereof (but only to the extent the particular assets described in this Section 6 constitute Collateral hereunder):

(a) Possession of Collateral. In the event that any Collateral, including proceeds, is evidenced by or consists of Negotiable Collateral, Investment Related Property, or Chattel Paper, and if and to the extent that perfection or priority of Secured Parties' respective Security Interests is dependent on or enhanced by possession, the applicable Grantor, immediately upon the request of any Secured Party, shall execute such other documents and instruments as shall be requested by such Secured Party or, if applicable, endorse and deliver physical possession of such Negotiable Collateral, Investment Related Property, or Chattel Paper to such Secured Party, together with such undated powers endorsed in blank as shall be requested by such Secured Party.

(b) Chattel Paper.

(i) Each Grantor shall take all steps reasonably necessary to grant each Secured Party control of all Chattel Paper in accordance with the Code and all "transferable records" as that term is defined in Section 16 of the Uniform Electronic Purchase Act and Section 201 of the federal Electronic Signatures in Global and National Commerce Act as in effect in any relevant jurisdiction; and

(ii) If any Grantor retains possession of any Chattel Paper or instruments (which retention of possession shall be subject to the extent permitted hereby and by the Securities Purchase Agreement), promptly upon the request of any Secured Party, such Chattel Paper and instruments shall be marked with the following legend: "This writing and the obligations evidenced or secured hereby are subject to the Security Interests of [names of Secured Parties]."

(c) [RESERVED]

(d) Letter-of-Credit Rights. Each Grantor that is or becomes the beneficiary of a letter of credit shall promptly (and in any event within 2 Business Days after becoming a beneficiary) notify Secured Parties thereof and, upon the request by any Secured Party, enter into a multi-party agreement with Secured Parties and the issuing or confirming bank with respect to letter-of-credit rights assigning such letter-of-credit rights to Secured Parties and directing all payments thereunder to Secured Parties, all in form and substance satisfactory to Secured Parties.

(e) Commercial Tort Claims. Each Grantor shall promptly (and in any event within 2 Business Days of receipt thereof) notify Secured Parties in writing upon incurring or otherwise obtaining a Commercial Tort Claim after the date hereof and, upon request of any Secured Party, promptly amend **Schedule 1** to this Agreement to describe such after-acquired Commercial Tort Claim in a manner that reasonably identifies such Commercial Tort Claim, and hereby authorizes the filing of additional financing statements or amendments to existing financing statements describing such Commercial Tort Claims, and agrees to do such other acts or things deemed necessary or desirable by any Secured Party to give Secured Parties a first priority, perfected security interest in any such Commercial Tort Claim.

(f) Government Contracts. If any Account or Chattel Paper arises out of a contract or contracts with the United States of America or any department, agency, or instrumentality thereof, Grantors shall promptly (and in any event within 2 Business Days of the creation thereof) notify Secured Parties thereof in writing and execute any instruments or take any steps reasonably required by any Secured Party in order that all moneys due or to become due under such contract or contracts shall be assigned to Secured Parties, and shall provide written notice thereof and take all other appropriate actions under the Assignment of Claims Act or other applicable law to provide each Secured Party a first-priority perfected security interest in such contract.

(g) Intellectual Property.

(i) Upon request of any Secured Party, in order to facilitate filings with the United States Patent and Trademark Office and the United States Copyright Office or any other applicable Governmental Authority, each Grantor shall execute and deliver to Secured Parties one or more Copyright Security Agreements, Trademark Security Agreements, or Patent Security Agreements to further evidence Secured Parties' respective Liens on such Grantor's Copyrights, Trademarks or Patents.

(ii) Each Grantor shall have the duty (A) to promptly sue for infringement, misappropriation, or dilution with respect to its material rights in Intellectual Property and to recover any and all damages for such infringement, misappropriation, or dilution, (B) to prosecute diligently any material trademark application or service mark application that is part of the Trademarks pending as of the date hereof or hereafter until the termination of this Agreement, (C) to prosecute diligently any material patent application that is part of the Patents pending as of the date hereof or hereafter until the termination of this Agreement, and (D) to take all reasonable and necessary action to preserve and maintain all of each Grantor's material Trademarks, Patents, Copyrights, Intellectual Property Licenses, and its rights therein, including the filing of applications for renewal, affidavits of use, affidavits of noncontestability and opposition and interference and cancellation proceedings. Each Grantor shall promptly file an application with the United States Copyright Office for any Copyright that has not been registered with the United States Copyright Office. Each Grantor shall promptly file an application with the United States Patent and Trademark Office for any material Patent or Trademark that has not been registered with the United States Patent and Trademark Office. Any expenses incurred in connection with the foregoing shall be borne by Grantors. Each Grantor further agrees not to abandon any material Trademark, Patent, Copyright, or Intellectual Property License.

(iii) Grantors acknowledge and agree that Secured Parties shall have no duties with respect to the Trademarks, Patents, Copyrights, or Intellectual Property Licenses. Without limiting the generality of this Section 6(g), Grantors acknowledge and agree that no Secured Party shall be under any obligation to take any steps necessary to preserve rights in the Trademarks, Patents, Copyrights, or Intellectual Property Licenses against any other Person, but any Secured Party may do so at its option from and after the occurrence and during the continuance of an Event of Default, and all expenses incurred in connection therewith (including fees and expenses of attorneys and other professionals) shall be for the sole account of the Grantors and shall be deemed to be Secured Obligations.

(h) Investment Related Property.

(i) If any Grantor shall receive or become entitled to receive any Pledged Interests after the date hereof, it shall promptly (and in any event within 2 Business Days of receipt thereof) identify such Pledged Interests in a written notice to Secured Parties;

(ii) All sums of money and property paid or distributed in respect of the Investment Related Property pledged hereunder which are received by any Grantor shall be held by the Grantors in trust for the benefit of Secured Parties segregated from such Grantor's other property, and such Grantor shall deliver it forthwith to the Secured Parties in the exact form received;

(iii) Each Grantor shall promptly deliver to Secured Parties a copy of each notice or other communication received by it in respect of any Pledged Interests;

(iv) No Grantor shall make or consent to any material amendment or other modification or waiver with respect to any Pledged Interests, Pledged Operating Agreement, or Pledged Partnership Agreement, or enter into any agreement or permit to exist any restriction with respect to any Pledged Interests;

(v) Each Grantor agrees that it will cooperate with Secured Parties in obtaining all necessary approvals and making all necessary filings under federal, state, local, or foreign law in connection with the Security Interests on the Investment Related Property pledged hereunder or any sale or transfer thereof; and

(vi) As to all limited liability company or partnership interests issued under any Pledged Operating Agreement or Pledged Partnership Agreement, each Grantor hereby represents, warrants and covenants that the Pledged Interests issued pursuant to such agreement (A) are not and shall not be dealt in or traded on securities exchanges or in securities markets, (B) do not and will not constitute investment company securities, and (C) are not and will not be held by such Grantor in a securities account. In addition, none of the Pledged Operating Agreements, the Pledged Partnership Agreements, or any other agreements governing any of the Pledged Interests issued under any Pledged Operating Agreement or Pledged Partnership Agreement, provide or shall provide that such Pledged Interests are securities governed by Article 8 of the Uniform Commercial Code as in effect in any relevant jurisdiction.

(i) Transfers and Other Liens. Grantors shall not (i) sell, lease, license, assign (by operation of law or otherwise), transfer or otherwise dispose of, or grant any option with respect to, any of the Collateral, except as expressly permitted by this Agreement and the other Transaction Documents, or (ii) create or permit to exist any Lien upon or with respect to any of the Collateral of any of Grantors, except for Permitted Liens. The inclusion of Proceeds in the Collateral shall not be deemed to constitute consent by any Secured Party to any sale or other disposition of any of the Collateral except as expressly permitted in this Agreement or the other Transaction Documents. Notwithstanding anything contained in this Agreement to the contrary, Permitted Liens shall not be permitted with respect to any Pledged Interests.

(j) Preservation of Existence. Each Grantor shall maintain and preserve its existence, rights and privileges, and become or remain duly qualified and in good standing in each jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business makes such qualification necessary.

(k) Maintenance of Properties. Each Grantor shall maintain and preserve all of its properties which are necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear and tear excepted, and comply at all times with the provisions of all leases to which it is a party as lessee or under which it occupies property, so as to prevent any loss or forfeiture thereof or thereunder.

(l) Maintenance of Insurance. Each Grantor shall maintain insurance with responsible and reputable insurance companies or associations (including, without limitation, comprehensive general liability, property, hazard, rent and business interruption insurance) with respect to all of its assets and properties (including, without limitation, all real properties leased or owned by it and any and all Inventory and Equipment) and business, in such amounts and covering such risks as is required by any governmental authority having jurisdiction with respect thereto or as is carried generally in accordance with sound business practice by companies in similar businesses similarly situated, in each case, acceptable to the Secured Parties.

(m) Additional Grantors. Each Grantor shall cause each Subsidiary of such Grantor to immediately become a party hereto (an "**Additional Grantor**"), by executing and delivering an Additional Grantor Joinder in substantially the form of Annex A attached hereto (the "**Additional Grantor Joinder**") and comply with the provisions hereof applicable to the Grantors. Concurrent therewith, the Additional Grantor shall deliver replacement schedules for, or supplements to all other Schedules to (or referred to in) this Agreement, as applicable, which replacement schedules shall supersede, or supplements shall modify, the Schedules then in effect. The Additional Grantor shall also deliver such opinions of counsel, authorizing resolutions, good standing certificates, incumbency certificates, organizational documents, financing statements and other information and documentation as the Agent may reasonably request. Upon delivery of the Additional Grantor Joinder to the Secured Parties, the Additional Grantor shall be and become a party to this Agreement with the same rights and obligations as the Grantors, for all purposes hereof as fully and to the same extent as if it were an original signatory hereto and shall be deemed to have made the representations, warranties and covenants set forth herein as of the date of execution and delivery of such Additional Grantor Joinder, and all references herein to the "Grantors" shall be deemed to include each Additional Grantor

(n) Other Actions as to Any and All Collateral. Each Grantor shall promptly (and in any event within 5 Business Days of acquiring or obtaining such Collateral) notify Secured Parties in writing upon (i) acquiring or otherwise obtaining any Collateral after the date hereof consisting of Trademarks, Patents, registered Copyrights, Intellectual Property Licenses, Investment Related Property, Chattel Paper (electronic, tangible or otherwise), documents (as defined in Article 9 of the Code), promissory notes (as defined in the Code), or instruments (as defined in the Code) or (ii) any amount payable under or in connection with any of the Collateral being or becoming evidenced after the date hereof by any Chattel Paper, documents, promissory notes, or instruments and, in each such case upon the request of any Secured Party, promptly execute such other documents, or if applicable, deliver such Chattel Paper, other documents or certificates evidencing any Investment Related Property and do such other acts or things deemed necessary or desirable by any Secured Party to protect Secured Parties' respective Security Interests therein.

7. Relation to Other Transaction Documents. The provisions of this Agreement shall be read and construed with the Transaction Documents referred to below in the manner so indicated.

(a) Securities Purchase Agreement and Notes. In the event of any conflict between any provision in this Agreement and any provision in the Securities Purchase Agreement or Notes, such provision of the Securities Purchase Agreement or Notes shall control, except to the extent the applicable provision in this Agreement is more restrictive with respect to the rights of Grantors or imposes more burdensome or additional obligations on Grantors, in which event the applicable provision in this Agreement shall control.

(b) Patent, Trademark, Copyright Security Agreements. The provisions of the Copyright Security Agreements, Trademark Security Agreements, and Patent Security Agreements are supplemental to the provisions of this Agreement, and nothing contained in the Copyright Security Agreements, Trademark Security Agreements or the Patent Security Agreements shall limit any of the rights or remedies of any Secured Party hereunder.

(c) UK Security Agreement. The provisions of the UK Security Agreement are supplemental to the provisions of this Agreement, and nothing contained in the UK Security Agreement shall limit any of the rights or remedies of any Secured Party hereunder.

8. Further Assurances.

(a) Each Grantor agrees that from time to time, at its own expense, such Grantor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or that any Secured Party may reasonably request, in order to perfect and protect the Security Interests granted or purported to be granted hereby or to enable any Secured Party to exercise and enforce its rights and remedies hereunder with respect to any of the Collateral.

(b) Each Grantor authorizes the filing by any Secured Party of financing or continuation statements, or amendments thereto, and such Grantor will execute and deliver to such Secured Party such other instruments or notices, as may be necessary or as such Secured Party may reasonably request, in order to perfect and preserve the Security Interests granted or purported to be granted hereby.

(c) Each Grantor authorizes any Secured Party at any time and from time to time to file, transmit, or communicate, as applicable, financing statements and amendments (i) describing the Collateral as "all personal property of debtor" or "all assets of debtor" or words of similar effect, (ii) describing the Collateral as being of equal or lesser scope or with greater detail, or (iii) that contain any information required by part 5 of Article 9 of the Code for the sufficiency or filing office acceptance. Each Grantor also hereby ratifies any and all financing statements or amendments previously filed by any Secured Party in any jurisdiction.

(d) Each Grantor acknowledges that it is not authorized to file any financing statement or amendment or termination statement with respect to any financing statement filed in connection with this Agreement without the prior written consent of each Secured Party affected thereby, subject to such Grantor's rights under Section 9-509(d)(2) of the Code.

(e) Each Grantor shall permit each Secured Party or its employees, accountants, attorneys or agents, to examine and inspect any Collateral or any other property of such Grantor at any time during ordinary business hours.

9. Secured Parties' Right to Perform Contracts, Exercise Rights, etc. Upon the occurrence and during the continuance of an Event of Default, any Secured Party (a) may proceed to perform any and all of the obligations of any Grantor contained in any contract, lease, or other agreement and exercise any and all rights of any Grantor therein contained as fully as such Grantor itself could, (b) shall have the right to use any Grantor's rights under Intellectual Property Licenses in connection with the enforcement of the Secured Party's rights hereunder, including the right to prepare for sale and sell any and all Inventory and Equipment now or hereafter owned by any Grantor and now or hereafter covered by such licenses, and (c) shall have the right to request that any Stock that is pledged hereunder be registered in the name of such Secured Party or any of its nominees.

10. Secured Parties Appointed Attorney-in-Fact. Until the discharge of all Secured Obligations hereunder, each Grantor, hereby irrevocably appoints each Secured Party as the attorney-in-fact of such Grantor with full authority in the place and stead of such Grantor and in the name of such Grantor, the Secured Party or otherwise, at such time as an Event of Default has occurred and is continuing, to take any action and to execute any instrument which such Secured Party may reasonably deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation:

(a) to ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in connection with any Collateral of such Grantor or New Subsidiary;

(b) to receive and open all mail addressed to such Grantor or New Subsidiary and to notify postal authorities to change the address for the delivery of mail to such Grantor or New Subsidiary to that of such Secured Party;

(c) to receive, indorse, and collect any drafts or other instruments, documents, Negotiable Collateral or Chattel Paper;

(d) to file any claims or take any action or institute any proceedings which such Secured Party may deem necessary or desirable for the collection of any of the Collateral of such Grantor or New Subsidiary or otherwise to enforce the rights of any Secured Party with respect to any of the Collateral;

(e) to repair, alter, or supply goods, if any, necessary to fulfill in whole or in part the purchase order of any Person obligated to such Grantor or New Subsidiary in respect of any Account of such Grantor or New Subsidiary;

(f) to use any labels, Patents, Trademarks, trade names, URLs, domain names, industrial designs, Copyrights, customer lists, advertising matter or other industrial or intellectual property rights, in advertising for sale and selling Inventory and other Collateral and to collect any amounts due under Accounts, contracts or Negotiable Collateral of such Grantor or New Subsidiary; and

(g) such Secured Party shall have the right, but shall not be obligated, to bring suit in its own name to enforce the Trademarks, Patents, Copyrights and Intellectual Property Licenses and, if such Secured Party shall commence any such suit, the appropriate Grantor or New Subsidiary shall, at the request of such Secured Party, do any and all lawful acts and execute any and all proper documents reasonably required by such Secured Party in aid of such enforcement.

To the extent permitted by law, each Grantor hereby ratifies, for itself and each of its New Subsidiaries, all that such attorney-in-fact shall lawfully do or cause to be done by virtue hereof. Such power-of-attorney granted pursuant to this Section 10 is coupled with an interest and shall be irrevocable until this Agreement is terminated.

11. Secured Parties May Perform. If any Grantor fails to perform any agreement contained herein, any Secured Party may itself perform, or cause performance of, such agreement, and the reasonable expenses of such Secured Party incurred in connection therewith shall be payable, jointly and severally, by Grantors.

12. Secured Parties' Duties; Bailee for Perfection. The powers conferred on Secured Parties hereunder are solely to protect the Secured Parties' respective interests in the Collateral and shall not impose any duty upon any Secured Party in favor of any Grantor or any other Secured Party to exercise any such powers. Except for the safe custody of any Collateral in its actual possession and the accounting for moneys actually received by it hereunder, no Secured Party shall have any duty to any Grantor or any other Secured Party as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. A Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its actual possession if such Collateral is accorded treatment substantially equal to that which such Secured Party accords its own property. Each Secured Party agrees that, with respect to any Collateral at any time or times in its possession and in which any other Secured Party has a Lien, the Secured Party in possession of any such Collateral shall be the bailee of each other Secured Party solely for purposes of perfecting (to the extent not otherwise perfected) each other Secured Party's Lien in such Collateral, provided that no Secured Party shall be obligated to obtain or retain possession of any such Collateral. Without limiting the generality of the foregoing, Secured Parties and Grantors hereby agree that any Secured Party that is in possession of any Collateral at such time as the Secured Obligations owing to such Secured Party have been paid in full may re-deliver such Collateral to the applicable Grantor or, if requested by any Secured Party prior to such re-delivery, may deliver such Collateral (unless otherwise restricted by applicable law or court order and subject in all events to the receipt of an indemnification of all liabilities arising from such delivery) to the requesting Secured Party, without recourse to or representation or warranty by the Secured Party in such possession.

13. Collection of Accounts, General Intangibles and Negotiable Collateral. At any time upon the occurrence and during the continuation of an Event of Default, any Secured Party may (a) notify Account Debtors of any Grantor that the Accounts, General Intangibles, Chattel Paper or Negotiable Collateral have been assigned to such Secured Party or that such Secured Party has a security interest therein, and (b) collect the Accounts, General Intangibles and Negotiable Collateral directly, and any collection costs and expenses shall constitute part of the Secured Obligations.

14. Disposition of Pledged Interests by Secured Party. None of the Pledged Interests existing as of the date of this Agreement are, and none of the Pledged Interests hereafter acquired on the date of acquisition thereof will be, registered or qualified under the various federal, state or other securities laws of the United States or any other jurisdiction, and disposition thereof after an Event of Default may be restricted to one or more private (instead of public) sales in view of the lack of such registration. Each Grantor understands that in connection with such disposition, any Secured Party may approach only a restricted number of potential purchasers and further understands that a sale under such circumstances may yield a lower price for the Pledged Interests than if the Pledged Interests were registered and qualified pursuant to federal, state and other securities laws and sold on the open market. Each Grantor, therefore, agrees that: (a) if a Secured Party shall, pursuant to the terms of this Agreement, sell or cause the Pledged Interests or any portion thereof to be sold at a private sale, such Secured Party shall have the right to rely upon the advice and opinion of any nationally recognized brokerage or investment firm (but shall not be obligated to seek such advice and the failure to do so shall not be considered in determining the commercial reasonableness of such action) as to the best manner in which to offer the Pledged Interest or any portion thereof for sale and as to the best price reasonably obtainable at the private sale thereof; and (b) such reliance shall be conclusive evidence that such Secured Party has handled the disposition in a commercially reasonable manner.

15. Voting Rights.

(a) Upon the occurrence and during the continuation of an Event of Default, (i) any Secured Party may, at its option, and with 2 Business Days prior notice to any Grantor, and in addition to all rights and remedies available to Secured Parties under any other agreement, at law, in equity, or otherwise, exercise all voting rights, and all other ownership or consensual rights in respect of the Pledged Interests owned by such Grantor, but under no circumstances is any Secured Party obligated by the terms of this Agreement to exercise such rights, and (ii) if such Secured Party duly exercises its right to vote any of such Pledged Interests, each Grantor hereby appoints such Secured Party as such Grantor's true and lawful attorney-in-fact and IRREVOCABLE PROXY to vote such Pledged Interests in any manner that such Secured Party deems advisable for or against all matters submitted or which may be submitted to a vote of shareholders, partners or members, as the case may be. Such power-of-attorney granted pursuant to this Section 15 is coupled with an interest and shall be irrevocable until this Agreement is terminated.

(b) For so long as any Grantor shall have the right to vote the Pledged Interests owned by it, such Grantor covenants and agrees that it will not, without the prior written consent of Secured Parties, vote or take any consensual action with respect to such Pledged Interests which would materially or adversely affect the rights of Secured Parties exercising the voting rights owned by such Grantor or the value of the Pledged Interests.

16. Remedies. Upon the occurrence and during the continuance of an Event of Default:

(a) Any Secured Party may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein, in the other Transaction Documents, or otherwise available to it, all the rights and remedies of a secured party on default under the Code or any other applicable law. Without limiting the generality of the foregoing, each Grantor expressly agrees that, in any such event, any Secured Party without any demand, advertisement, or notice of any kind (except a notice specified below of time and place of public or private sale) to or upon any Grantor or any other Person (all and each of which demands, advertisements and notices are hereby expressly waived to the maximum extent permitted by the Code or by any other applicable law), may take immediate possession of all or any portion of the Collateral and (i) require Grantors to, and each Grantor hereby agrees that it will at its own expense and upon request of such Secured Party forthwith, assemble all or part of the Collateral as directed by such Secured Party and make it available to such Secured Party at one or more locations where such Grantor regularly maintains Inventory, and (ii) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of such Secured Party's offices or elsewhere, for cash, on credit, and upon such other terms as such Secured Party may deem commercially reasonable. Each Grantor agrees that, to the extent notice of sale shall be required by law, at least 10 days notice to any Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification and specifically such notice shall constitute a reasonable "authenticated notification of disposition" within the meaning of Section 9-611 of the Code. No Secured Party shall be obligated to make any sale of Collateral regardless of notice of sale having been given. Any Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) Each Secured Party is hereby granted a license or other right to use, without liability for royalties or any other charge, each Grantor's labels, Patents, Copyrights, rights of use of any name, trade secrets, trade names, Trademarks, service marks and advertising matter, URLs, domain names, industrial designs, other industrial or intellectual property or any property of a similar nature, whether owned by any Grantor or with respect to which any Grantor has rights under license, sublicense, or other agreements (but only to the extent (i) such license, sublicense or agreement does not prohibit such use by such Secured Party and (ii) such Grantor will not be in default under such license, sublicense, or other agreement as a result of such use by such Secured Party), as it pertains to the Collateral, in preparing for sale, advertising for sale and selling any Collateral, and each Grantor's rights under all licenses and all franchise agreements shall inure to the benefit of such Secured Party.

(c) Any cash held by any Secured Party as Collateral and all proceeds received by any Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Collateral shall be applied against the Secured Obligations in the order set forth in Section 17 hereof. In the event the proceeds of Collateral are insufficient for the Satisfaction in Full of the Secured Obligations (as defined below), each Grantor shall remain jointly and severally liable for any such deficiency.

(d) Each Grantor hereby acknowledges that the Secured Obligations arose out of a commercial transaction, and agrees that if an Event of Default shall occur and be continuing any Secured Party shall have the right to an immediate writ of possession without notice of a hearing. Each Secured Party shall have the right to the appointment of a receiver for the properties and assets of each Grantor, and each Grantor hereby consents to such rights and such appointment and hereby waives any objection such Grantor may have thereto or the right to have a bond or other security posted by any Secured Party.

(e) Notwithstanding anything in this Agreement to the contrary, each Secured Party agrees that it will not exercise any remedy provided for under this Agreement with respect to all or any portion of the Collateral unless such Secured Party is a Permitted Secured Party (provided that the foregoing shall not prevent any Secured Party from commencing or participating in any Insolvency Proceeding or taking any action (other than with respect to the Collateral) to enforce the payment or performance of any Grantors' obligations under any of the Notes, Guaranties or other Transaction Documents). This Section 16(e) is not intended to confer any rights or benefits upon Grantors, or any of them, or any other Person except Secured Parties, and no Person (including any or all Grantors) other than Secured Parties shall have any right to enforce any of the provisions of this Section 16(e). As between Grantors, or any of them, and any Secured Party, any action that such Secured Party may take under this Agreement shall be conclusively presumed to have been authorized and approved by the other Secured Parties.

(f) Each Secured Party may, in addition to other rights and remedies provided for herein, in the other Transaction Documents, or otherwise available to it under applicable law and without the requirement of notice to or upon any Grantor or any other Person (which notice is hereby expressly waived to the maximum extent permitted by the Code or any other applicable law), (i) with respect to any Grantor's Deposit Accounts in which any such Secured Party's Liens are perfected by control under Section 9-104 of the Code, instruct the bank maintaining such Deposit Account for the applicable Grantor to pay the balance of such Deposit Account to or for the benefit of such Secured Party, and (ii) with respect to any Grantor's Securities Accounts in which such Secured Party's Liens are perfected by control under Section 9-106 of the Code, instruct the securities intermediary maintaining such Securities Account for the applicable Grantor to (A) transfer any cash in such Securities Account to or for the benefit of such Secured Party, or (B) liquidate any financial assets in such Securities Account that are customarily sold on a recognized market and transfer the cash proceeds thereof to or for the benefit of such Secured Party.

17. Priority of Liens; Application of Proceeds of Collateral. Each Secured Party hereby acknowledges and agrees that, notwithstanding the time or order of the filing of any financing statement or other registration or document with respect to the Collateral and the Security Interests, or any provision of this Agreement, any other Security Document, the Code or other applicable law, solely as amongst the Secured Parties, the separate Security Interests of the Secured Parties shall have the same rank and priority; provided, that, the foregoing shall not apply to any Security Interest of a Secured Party that is void or voidable as a matter of law. In furtherance thereof, all proceeds of Collateral received by any Secured Party shall be applied as follows:

(a) first, ratably to pay any expenses due to any of the Secured Parties (including, without limitation, the reasonable costs and expenses paid or incurred by any Secured Party to correct any default under or enforce any provision of the Transaction Documents, or after the occurrence of any Event of Default in gaining possession of, maintaining, handling, preserving, storing, shipping, selling, preparing for sale, or advertising to sell the Collateral, or any portion thereof, irrespective of whether a sale is consummated) or indemnities then due to any of the Secured Parties under the Transaction Documents, until paid in full;

(b) second, ratably to pay any fees or premiums then due to any of the Secured Parties under the Transaction Documents, until paid in full;

(c) third, ratably to pay interest due in respect of the Secured Obligations then due to any of the Secured Parties, until paid in full;

(d) fourth, ratably to pay the principal amount of all Secured Obligations then due to any of the Secured Parties, until paid in full;

(e) fifth, ratably to pay any other Secured Obligations then due to any of the Secured Parties; and

(f) sixth, to Grantors or such other Person entitled thereto under applicable law.

18. Remedies Cumulative. Each right, power, and remedy of any Secured Party as provided for in this Agreement or in any other Transaction Document or now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power, or remedy provided for in this Agreement or in the other Transaction Documents or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by any Secured Party, of any one or more of such rights, powers, or remedies shall not preclude the simultaneous or later exercise by such Secured Party of any or all such other rights, powers, or remedies. Each Grantor acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to each Secured Party and that the remedy at law for any such breach may be inadequate. Each Grantor therefore agrees that, in the event of any breach or any threatened breach, each Secured Party shall be entitled, in addition to all other available remedies, to an injunction restraining any such breach or any such threatened breach, without the necessity of showing economic loss and without any bond or other security being required.

19. Marshaling. No Secured Party shall be required to marshal any present or future collateral security (including but not limited to the Collateral) for, or other assurances of payment of, the Secured Obligations or any of them or to resort to such collateral security or other assurances of payment in any particular order, and all of its rights and remedies hereunder and in respect of such collateral security and other assurances of payment shall be cumulative and in addition to all other rights and remedies, however existing or arising. To the extent that it lawfully may, each Grantor hereby agrees that it will not invoke any law relating to the marshaling of collateral which might cause delay in or impede the enforcement of any Secured Party's rights and remedies under this Agreement or under any other instrument creating or evidencing any of the Secured Obligations or under which any of the Secured Obligations is outstanding or by which any of the Secured Obligations is secured or payment thereof is otherwise assured, and, to the extent that it lawfully may, each Grantor hereby irrevocably waives the benefits of all such laws.

20. Acknowledgment.

(a) Each Secured Party hereby agrees and acknowledges that no other Secured Party has agreed to act for it as an administrative or collateral agent, and each Secured Party is and shall remain solely responsible for the attachment, perfection and priority of all Liens created by this Agreement or any other Security Document in favor of such Secured Party. No Secured Party shall have by reason of this Agreement or any other Transaction Document an agency or fiduciary relationship with any other Secured Party. No Secured Party (which term, as used in this sentence, shall include reference to each Secured Party's officers, directors, employees, attorneys, agents and affiliates and to the officers, directors, employees, attorneys and agents of such Secured Party's affiliates) shall: (i) have any duties or responsibilities except those expressly set forth in this Agreement and the other Security Documents or (ii) be required to take, initiate or conduct any enforcement action (including any litigation, foreclosure or collection proceedings hereunder or under any of the other Security Documents). Without limiting the foregoing, no Secured Party shall have any right of action whatsoever against any other Secured Party as a result of such Secured Party acting or refraining from acting hereunder or under any of the Security Documents except as a result and to the extent of losses caused by such Secured Party's actual gross negligence or willful misconduct (it being understood and agreed by each Secured Party that the delivery by any Significant Secured Party of one or more Veto Notices shall not be deemed to be or construed as gross negligence or willful misconduct on the part of the Secured Party delivering any such Veto Notice). No Secured Party assumes any responsibility for any failure or delay in performance or breach by any Grantor or any Secured Party of its obligations under this Agreement or any other Transaction Document. No Secured Party makes to any other Secured Party any express or implied warranty, representation or guarantee with respect to any Secured Obligations, Collateral, Transaction Document or Grantor. No Secured Party nor any of its officers, directors, employees, attorneys or agents shall be responsible to any other Secured Party or any of its officers, directors, employees, attorneys or agents for: (i) any recitals, statements, information, representations or warranties contained in any of the Transaction Documents or in any certificate or other document furnished pursuant to the terms hereof; (ii) the execution, validity, genuineness, effectiveness or enforceability of any of the Transaction Documents; (iii) the validity, genuineness, enforceability, collectability, value, sufficiency or existence of any Collateral, or the attachment, perfection or priority of any Lien therein; or (iv) the assets, liabilities, financial condition, results of operations, business, creditworthiness or legal status of any Grantor or any Account Debtor. No Secured Party nor any of its officers, directors, employees, attorneys or agents shall have any obligation to any other Secured Party to ascertain or inquire into the existence of any default or Event of Default, the observance or performance by any Grantor of any of the duties or agreements of such Grantor under any of the Transaction Documents or the satisfaction of any conditions precedent contained in any of the Transaction Documents.

(b) Each Secured Party hereby acknowledges and represents that it has, independently and without reliance upon any other Secured Party, and based upon such documents, information and analyses as it has deemed appropriate, made its own credit analysis of each Grantor and its own decision to enter into the Transaction Documents and to purchase the Securities, and each Secured Party has made such inquiries concerning the Transaction Documents, the Collateral and each Grantor as such Secured Party feels necessary and appropriate, and has taken such care on its own behalf as would have been the case had it entered into the Transaction Documents without any other Secured Party. Each Secured Party hereby further acknowledges and represents that the other Secured Parties have not made any representations or warranties to it concerning any Grantor, any of the Collateral or the legality, validity, sufficiency or enforceability of any of the Transaction Documents. Each Secured Party also hereby acknowledges that it will, independently and without reliance upon the other Secured Parties, and based upon such financial statements, documents and information as it deems appropriate at the time, continue to make and rely upon its own credit decisions in taking or refraining to take any other action under this Agreement or the Transaction Documents. No Secured Party shall have any duty or responsibility to provide any other Secured Party with any notices, reports or certificates furnished to such Secured Party by any Grantor or any credit or other information concerning the affairs, financial condition, business or assets of any Grantor (or any of its affiliates) which may come into possession of such Secured Party.

21. Indemnity and Expenses.

(a) Without limiting any obligations of Parent under the Securities Purchase Agreement, each Grantor agrees to indemnify all Secured Parties from and against all claims, lawsuits and liabilities (including reasonable attorneys' fees) arising out of or resulting from this Agreement (including enforcement of this Agreement) or any other Transaction Document, except claims, losses or liabilities resulting from the gross negligence or willful misconduct of the party seeking indemnification as determined by a final non-appealable order of a court of competent jurisdiction. This provision shall survive the termination of this Agreement and the Transaction Documents and the Satisfaction in Full of the Secured Obligations.

(b) Grantors, jointly and severally, shall, upon demand, pay to each Secured Party all of the costs and expenses which such Secured Party may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or, upon an Event of Default, the sale of, collection from, or other realization upon, any of the Collateral in accordance with this Agreement and the other Transaction Documents, (iii) the exercise or enforcement of any of the rights of such Secured Party hereunder or (iv) the failure by any Grantor to perform or observe any of the provisions hereof.

22. Merger, Amendments; Etc. THIS AGREEMENT, TOGETHER WITH THE OTHER TRANSACTION DOCUMENTS, REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES SOLELY WITH RESPECT TO THE SUBJECT MATTER HEREOF AND THEREOF AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN AGREEMENTS BETWEEN THE PARTIES. No provision of this Agreement may be amended other than by an instrument in writing signed by each Grantor and each Significant Secured Party, and any amendment to any provision of this Agreement made in conformity with the provisions of this Section 22 shall be binding on all Secured Parties, provided that no such amendment shall be effective to the extent that it (1) applies to less than all of the Secured Parties or (2) imposes any obligation or liability on any Secured Party without such Secured Party's prior written consent (which may be granted or withheld in such Secured Party's sole discretion). No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving party, provided that all of the Significant Secured Parties (in a writing signed by all of the Significant Secured Parties) may waive any provision of this Agreement, and any waiver of any provision of this Agreement made in conformity with the provisions of this Section 22 shall be binding on all Secured Parties, provided that no such waiver shall be effective to the extent that it (1) applies to less than all the Secured Parties (unless a party gives a waiver as to itself only) or (2) imposes any obligation or liability on any Secured Party without such Secured Party's prior written consent (which may be granted or withheld in such Secured Party's sole discretion).

23. Addresses for Notices. All notices and other communications provided for hereunder (a) shall be given in the form and manner set forth in the Securities Purchase Agreement and (b) shall be delivered, (i) in the case of notice to any Grantor, by delivery of such notice to Parent at Parent's address specified in the Securities Purchase Agreement or at such other address as shall be designated by Parent in a written notice to each of the Secured Parties in accordance with the provisions thereof, and (ii) in the case of notice to any Secured Party, by delivery of such notice to such Secured Party at its address specified in the Securities Purchase Agreement or at such other address as shall be designated by such Secured Party in a written notice to Parent and each other Secured Party in accordance with the provisions thereof.

24. Separate, Continuing Security Interests; Assignments under Transaction Documents. This Agreement shall create a separate, continuing security interest in the Collateral in favor of each Secured Party and shall (a) remain in full force and effect until Satisfaction in Full of the Secured Obligations, (b) be binding upon each of Grantors, and their respective permitted successors and permitted assigns, and (c) inure to the benefit of, and be enforceable by, the Secured Parties and their respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), any Secured Party may, in accordance with the provisions of the Transaction Documents, assign or otherwise transfer all or any portion of its rights and obligations under the Transaction Documents to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Secured Party herein or otherwise. Upon Satisfaction in Full of the Secured Obligations, the Security Interests granted hereby shall terminate and all rights to the Collateral shall revert to Grantors or any other Person entitled thereto. At such time, each Secured Party will authorize the filing of appropriate termination statements to terminate such Security Interests. No transfer or renewal, extension, assignment, or termination of this Agreement or any other Transaction Document, or any other instrument or document executed and delivered by any Grantor to any Secured Party nor any additional loans made by any Secured Party to any Grantor, nor the taking of further security, nor the retaking or re-delivery of the Collateral to Grantors, or any of them, by any Secured Party, nor any other act of Secured Parties, or any of them, shall release any of Grantors from any obligation, except a release or discharge executed in writing by all Secured Parties; provided, however, that no release or discharge in writing shall be required in respect of the release of the Security Interests granted by this Agreement upon the Satisfaction in Full of the Secured Obligations. No Secured Party shall by any act, delay, omission or otherwise, be deemed to have waived any of its rights or remedies hereunder, unless such waiver is in writing and signed by such Secured Party and then only to the extent therein set forth. A waiver by any Secured Party of any right or remedy on any occasion shall not be construed as a bar to the exercise of any such right or remedy which such Secured Party would otherwise have had on any other occasion.

25. Governing Law; Jurisdiction; Service of Process; Jury Trial. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper; provided, however, any suit seeking enforcement against any Collateral or other property may be brought, at any Secured Party's option, in the courts of any jurisdiction where such Secured Party elects to bring such action or where such Collateral or other property may be found. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Without limitation of the foregoing, each Grantor other than Parent hereby irrevocably appoints Parent as such Grantor's agent for purposes of receiving and accepting any service of process hereunder or under any of the other Security Documents. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

26. Miscellaneous.

(a) This Agreement may be executed in two or more identical counterparts, all of which 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. In the event that any signature is delivered by facsimile transmission or by an e-mail which contains a portable document format (.pdf) file of an executed signature page, such signature page shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such signature page were an original thereof. Any party delivering an executed counterpart of this Agreement by facsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement. The foregoing shall apply to each other Security Document *mutatis mutandis*.

(b) Any provision of this Agreement which is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof in that jurisdiction or affecting the validity or enforceability of such provision in any other jurisdiction.

(c) Headings used in this Agreement are for convenience only and shall not be used in connection with the interpretation of any provision hereof.

(d) The pronouns used herein shall include, when appropriate, either gender and both singular and plural, and the grammatical construction of sentences shall conform thereto.

(e) The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party. For clarification purposes, the Recitals are part of this Agreement.

(f) Unless the context of this Agreement or any other Transaction Document clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the terms "includes" and "including" are not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or." The words "hereof," "herein," "hereby," "hereunder," and similar terms in this Agreement or any other Transaction Document refer to this Agreement or such other Transaction Document, as the case may be, as a whole and not to any particular provision of this Agreement or such other Transaction Document, as the case may be. Section, subsection, clause, schedule, and exhibit references herein are to this Agreement unless otherwise specified. Any reference in this Agreement or in any other Transaction Document to any agreement, instrument, or document shall include all alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements, thereto and thereof, as applicable (subject to any restrictions on such alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements set forth herein). "**Satisfaction in Full of the Secured Obligations**" shall mean the indefeasible payment in full in cash and discharge, or other satisfaction in accordance with the terms of the Transaction Documents and discharge, of all Secured Obligations in full. For the avoidance of doubt, the "Satisfaction in Full of the Secured Obligations" shall be deemed to have occurred upon the indefeasible payment in full and discharge, or other satisfaction, of (i) the Notes in accordance with their terms and (ii) all other Secured Obligations as of such date. Any reference herein to any Person shall be construed to include such Person's permitted successors and permitted assigns. Any requirement of a writing contained herein or in any other Transaction Document shall be satisfied by the transmission of a Record and any Record so transmitted shall constitute a representation and warranty as to the accuracy and completeness of the information contained therein.

(g) All dollar amounts referred to in this Agreement and the other Transaction Documents are in United States Dollars ("**U.S. Dollars**"), and all amounts owing under this Agreement and all other Transaction Documents shall be paid in U.S. Dollars. All amounts denominated in other currencies shall be converted into the U.S. Dollar equivalent amount in accordance with the Exchange Rate on the date of calculation. "**Exchange Rate**" means, in relation to any amount of currency to be converted into U.S. Dollars pursuant to this Agreement, the U.S. Dollar exchange rate as published in the Wall Street Journal on the relevant date of calculation.

[*signature pages follow*]

IN WITNESS WHEREOF, the undersigned parties hereto have executed this Agreement by and through their duly authorized officers, as of the day and year first above written.

GRANTORS:

MORRIA BIOPHARMACEUTICALS PLC

By: /s/ *YUVAL COHEN*
Name: Yuval Cohen
Title: President

MORRIA BIOPHARMACEUTICALS INC.

By: /s/ YUVAL COHEN
Name: Yuval Cohen
Title: President

SECURED PARTIES:

IROQUOIS MASTER FUND LTD.

/s/ JOSHUA SILVERMAN
By: Joshua Silverman, Authorized Signatory

ALPHA CAPITAL ANSTALT

/s/ KONRAD ACKERMAN
By: Konrad Ackerman, Director

SCHEDULE 1

COMMERCIAL TORT CLAIMS

SCHEDULE 2

COPYRIGHTS

SCHEDULE 3

INTELLECTUAL PROPERTY LICENSES

SCHEDULE 4

PATENTS

SCHEDULE 5

PLEDGED COMPANIES

Name of Pledgor	Name of Pledged Company	Percentage of Class Owned
		[100% of Common Stock]
		[100% of Common Stock]
		[100% of Common Stock]
		[100% of Common Stock]
		[100% of Common Stock]

* The security interest in the Pledged Interests listed on this Schedule 5 will be perfected on the Closing Date by the delivery to Iroquois Master Fund Ltd. of all certificates representing the Pledged Interests of such Pledged Companies now owned by such Grantor to the extent such Pledged Interests are represented by certificates, and undated powers endorsed in blank with respect to such certificates.

SCHEDULE 6

TRADEMARKS

Grantor	Description of Trademark	Registration Number	Issue Date

SCHEDULE 7

REAL PROPERTY

Owned Real Property:

Leased Real Property:

Other Collateral Location:

Chief Executive Office of Each Grantor:

SCHEDULE 8

LIST OF UNIFORM COMMERCIAL CODE FILING JURISDICTIONS

Grantor	Jurisdictions

SCHEDULE 9

DEPOSIT ACCOUNTS AND SECURITIES ACCOUNTS

Deposit Accounts

Grantor	Name of Depositary Bank	Account Number	Account Name

Securities Accounts

Grantor	Share of Securities Intermediary	Account Number	Account Name

EXHIBIT A

COPYRIGHT SECURITY AGREEMENT

This COPYRIGHT SECURITY AGREEMENT (this "**Copyright Security Agreement**") is made this __ day of March 2012, by the Grantors listed on the signature pages hereof (collectively, jointly and severally, "**Grantors**" and each individually "**Grantor**"), in favor of the Secured Parties under and as defined in the below-described Security Agreement.

RECITALS

WHEREAS, pursuant to that certain Securities Purchase Agreement, dated as of March __, 2012 (as may be amended, restated, supplemented, or otherwise modified from time to time, including all schedules thereto, collectively, the "**Securities Purchase Agreement**"), by and among Morria Biopharmaceuticals PLC, a public limited company formed under the laws of England and Wales ("**Parent**"), and each of the Secured Parties, Parent has agreed to sell, and each of the Secured Parties have each agreed to purchase, severally and not jointly, the Securities (as defined in the Securities Purchase Agreement); and

WHEREAS, in order to induce each of the Secured Parties to purchase, severally and not jointly, the Securities as provided for in the Securities Purchase Agreement, Grantors have executed and delivered to each of the Secured Parties that certain Security Agreement of even date herewith (including all annexes, exhibits or schedules thereto, as from time to time amended, restated, supplemented or otherwise modified, the "**Security Agreement**"); and

WHEREAS, pursuant to the Security Agreement, Grantors are required to execute and deliver to each of the Secured Parties this Copyright Security Agreement.

AGREEMENTS

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantors hereby agree as follows:

1. DEFINED TERMS. All capitalized terms used but not otherwise defined herein have the meanings given to them in the Security Agreement.

2. GRANT OF SECURITY INTEREST IN COPYRIGHT COLLATERAL. Each Grantor hereby grants to each Secured Party a continuing first priority security interest in all of such Grantor's right, title and interest in, to and under the following, whether presently existing or hereafter created or acquired (collectively, the "**Copyright Collateral**"):

(a) all of each Grantor's Copyrights and Copyright Intellectual Property Licenses to which it is a party including those referred to on **Schedule I** hereto;

(b) all reissues, continuations or extensions of the foregoing; and

(c) all products and proceeds of the foregoing, including any claim by such Grantor against third parties for past, present or future infringement or dilution of any Copyright or any Copyright licensed under any Intellectual Property License;

provided, however, that for the avoidance of doubt (and notwithstanding anything to the contrary in the Security Documents), no Security Interest shall be granted pursuant to the Security Documents in respect of any Copyrights or other Intellectual Property that are the subject matter of any Intellectual Property Licenses pursuant to which the Grantor is a licensee, except to the extent that the Grantor has rights to such Copyrights or other Intellectual Property without consideration to, and independent of, the rights provided under the related Intellectual Property Licenses.

3. SECURITY FOR OBLIGATIONS. This Copyright Security Agreement and the Security Interests created hereby secures the payment and performance of all the Secured Obligations, whether now existing or arising hereafter. Without limiting the generality of the foregoing, this Copyright Security Agreement secures the payment of all amounts which constitute part of the Secured Obligations and would be owed by Grantors, or any of them, to Secured Parties, or any of them, whether or not they are unenforceable or not allowable due to the existence of an Insolvency Proceeding involving any Grantor.

4. SECURITY AGREEMENT. The security interests granted pursuant to this Copyright Security Agreement are granted in conjunction with the security interests granted to Secured Parties pursuant to the Security Agreement. Each Grantor hereby acknowledges and affirms that the rights and remedies of Secured Parties with respect to their respective security interests in the Copyright Collateral made and granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

5. AUTHORIZATION TO SUPPLEMENT. To the extent required under the Security Agreement, Grantors shall give Secured Parties prompt notice in writing of any additional copyright registrations or applications therefor after the date hereof. Grantors hereby authorize Secured Parties unilaterally to modify this Agreement by amending **Schedule I** to include any future registered copyrights or applications therefor of Grantors. Notwithstanding the foregoing, no failure to so modify this Copyright Security Agreement or amend **Schedule I** shall in any way affect, invalidate or detract from any Secured Party's continuing security interest in all Collateral, whether or not listed on **Schedule I**.

6. COUNTERPARTS. This Copyright Security Agreement may be executed in two or more identical counterparts, all of which 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. In the event that any signature is delivered by facsimile transmission or by an e-mail which contains a portable document format (.pdf) file of an executed signature page, such signature page shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such signature page were an original thereof. In proving this Copyright Security Agreement or any other Transaction Document in any judicial proceedings, it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom such enforcement is sought.

7. CONSTRUCTION. Unless the context of this Copyright Security Agreement or any other Transaction Document clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the terms "includes" and "including" are not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or." The words "hereof," "herein," "hereby," "hereunder," and similar terms in this Copyright Security Agreement or any other Transaction Document refer to this Copyright Security Agreement or such other Transaction Document, as the case may be, as a whole and not to any particular provision of this Copyright Security Agreement or such other Transaction Document, as the case may be. Section, subsection, clause, schedule, and exhibit references herein are to this Copyright Security Agreement unless otherwise specified. Any reference in this Copyright Security Agreement or in any other Transaction Document to any agreement, instrument, or document shall include all alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements, thereto and thereof, as applicable (subject to any restrictions on such alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements set forth herein). Any reference herein to any Person shall be construed to include such Person's permitted successors and permitted assigns. Any requirement of a writing contained herein or in any other Transaction Document shall be satisfied by the transmission of a Record and any Record so transmitted shall constitute a representation and warranty as to the accuracy and completeness of the information contained therein. The language used in this Copyright Security Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party. For clarification purposes, the Recitals are part of this Copyright Security Agreement.

8. Governing Law; Jurisdiction; Service of Process; Jury Trial. All questions concerning the construction, validity, enforcement and interpretation of this Copyright Security Agreement shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper; provided, however, any suit seeking enforcement against any Copyright Collateral or other property may be brought, at any Secured Party's option, in the courts of any jurisdiction where such Secured Party elects to bring such action or where such Copyright Collateral or other property may be found. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Copyright Security Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Without limitation of the foregoing, each Grantor other than Parent hereby irrevocably appoints Parent as such Grantor's agent for purposes of receiving and accepting any service of process hereunder or under any of the other Security Documents. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

[*signature pages follow*]

IN WITNESS WHEREOF, each Grantor has caused this Copyright Security Agreement to be executed and delivered by its duly authorized officer as of the date first set forth above.

GRANTORS:

MORRIA BIOPHARMACEUTICALS PLC

By: _____
Name: Yuval Cohen
Title: President

MORRIA BIOPHARMACEUTICALS INC.

By: _____
Name: _____
Title: _____

SCHEDULE I
to
COPYRIGHT SECURITY AGREEMENT

Copyright Registrations

Grantor	Country	Copyright	Registration No.	Registration Date

Copyright Licenses

EXHIBIT B

PATENT SECURITY AGREEMENT

This PATENT SECURITY AGREEMENT (this "**Patent Security Agreement**") is made this ___ day of March 2012, by the Grantors listed on the signature pages hereof (collectively, jointly and severally, "**Grantors**" and each individually "**Grantor**"), in favor of the Secured Parties under and as defined in the below-described Security Agreement.

RECITALS

WHEREAS, pursuant to that certain Securities Purchase Agreement, dated as of March __ 2012 (as may be amended, restated, supplemented, or otherwise modified from time to time, including all schedules thereto, collectively, the "**Securities Purchase Agreement**"), by and among Morria Biopharmaceuticals PLC, a public limited company formed under the laws of England and Wales ("**Parent**"), and each of the Secured Parties, Parent has agreed to sell, and each of the Secured Parties have each agreed to purchase, severally and not jointly, the Securities (as defined in the Securities Purchase Agreement); and

WHEREAS, in order to induce each of the Secured Parties to purchase, severally and not jointly, the Securities as provided for in the Securities Purchase Agreement, Grantors have executed and delivered to each of the Secured Parties that certain Security Agreement of even date herewith (including all annexes, exhibits or schedules thereto, as from time to time amended, restated, supplemented or otherwise modified, the "**Security Agreement**"); and

WHEREAS, pursuant to the Security Agreement, Grantors are required to execute and deliver to each of the Secured Parties this Patent Security Agreement.

AGREEMENTS

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantors hereby agree as follows:

1. DEFINED TERMS. All capitalized terms used but not otherwise defined herein have the meanings given to them in the Security Agreement.

2. GRANT OF SECURITY INTEREST IN PATENT COLLATERAL . Each Grantor hereby grants to each Secured Party a continuing first priority security interest in all of such Grantor's right, title and interest in, to and under the following, whether presently existing or hereafter created or acquired (collectively, the "**Patent Collateral**"):

(a) all of its Patents and Patent Intellectual Property Licenses to which it is a party including those referred to on **Schedule I** hereto;

(b) all reissues, continuations or extensions of the foregoing; and

(c) all products and proceeds of the foregoing, including any claim by such Grantor against third parties for past, present or future infringement or dilution of any Patent or any Patent licensed under any Intellectual Property License;

provided, however, that for the avoidance of doubt (and notwithstanding anything to the contrary in the Security Documents), no Security Interest shall be granted pursuant to the Security Documents in respect of any Patents or other Intellectual Property that are the subject matter of any Intellectual Property Licenses pursuant to which the Grantor is a licensee, except to the extent that the Grantor has rights to such Patents or other Intellectual Property without consideration to, and independent of, the rights provided under the related Intellectual Property Licenses.

3. SECURITY FOR OBLIGATIONS. This Patent Security Agreement and the Security Interests created hereby secures the payment and performance of all the Secured Obligations, whether now existing or arising hereafter. Without limiting the generality of the foregoing, this Patent Security Agreement secures the payment of all amounts which constitute part of the Secured Obligations and would be owed by Grantors, or any of them, to Secured Parties, or any of them, whether or not they are unenforceable or not allowable due to the existence of an Insolvency Proceeding involving any Grantor.

4. SECURITY AGREEMENT. The security interests granted pursuant to this Patent Security Agreement are granted in conjunction with the security interests granted to Secured Parties pursuant to the Security Agreement. Each Grantor hereby acknowledges and affirms that the rights and remedies of Secured Parties with respect to their respective security interests in the Patent Collateral made and granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

5. AUTHORIZATION TO SUPPLEMENT. If any Grantor shall obtain rights to any new patentable inventions or become entitled to the benefit of any patent application or patent for any reissue, division, or continuation, of any patent, the provisions of this Patent Security Agreement shall automatically apply thereto. To the extent required under the Security Agreement, Grantors shall give prompt notice in writing to Secured Parties with respect to any such new patent rights. Without limiting each Grantor's obligations under this Section 5, Grantors hereby authorize Secured Parties unilaterally to modify this Agreement by amending **Schedule I** to include any such new patent rights of Grantors. Notwithstanding the foregoing, no failure to so modify this Patent Security Agreement or amend **Schedule I** shall in any way affect, invalidate or detract from any Secured Party's continuing security interest in all Collateral, whether or not listed on **Schedule I**.

6. COUNTERPARTS. This Patent Security Agreement may be executed in two or more identical counterparts, all of which 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. In the event that any signature is delivered by facsimile transmission or by an e-mail which contains a portable document format (.pdf) file of an executed signature page, such signature page shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such signature page were an original thereof. In proving this Patent Security Agreement or any other Transaction Document in any judicial proceedings, it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom such enforcement is sought.

7. CONSTRUCTION. Unless the context of this Patent Security Agreement or any other Transaction Document clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the terms "includes" and "including" are not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or." The words "hereof," "herein," "hereby," "hereunder," and similar terms in this Patent Security Agreement or any other Transaction Document refer to this Patent Security Agreement or such other Transaction Document, as the case may be, as a whole and not to any particular provision of this Patent Security Agreement or such other Transaction Document, as the case may be. Section, subsection, clause, schedule, and exhibit references herein are to this Patent Security Agreement unless otherwise specified. Any reference in this Patent Security Agreement or in any other Transaction Document to any agreement, instrument, or document shall include all alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements, thereto and thereof, as applicable (subject to any restrictions on such alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements set forth herein). Any reference herein to any Person shall be construed to include such Person's permitted successors and permitted assigns. Any requirement of a writing contained herein or in any other Transaction Document shall be satisfied by the transmission of a Record and any Record so transmitted shall constitute a representation and warranty as to the accuracy and completeness of the information contained therein. The language used in this Patent Security Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party. For clarification purposes, the Recitals are part of this Patent Security Agreement.

8. Governing Law; Jurisdiction; Service of Process; Jury Trial. All questions concerning the construction, validity, enforcement and interpretation of this Patent Security Agreement shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper; provided, however, any suit seeking enforcement against any Patent Collateral or other property may be brought, at any Secured Party's option, in the courts of any jurisdiction where such Secured Party elects to bring such action or where such Patent Collateral or other property may be found. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Patent Security Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Without limitation of the foregoing, each Grantor other than Parent hereby irrevocably appoints Parent as such Grantor's agent for purposes of receiving and accepting any service of process hereunder or under any of the other Security Documents. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

[*signature pages follow*]

IN WITNESS WHEREOF, each Grantor has caused this Patent Security Agreement to be executed and delivered by its duly authorized officer as of the date first set forth above.

GRANTORS:

MORRIA BIOPHARMACEUTICALS PLC

By: _____
Name: Yuval Cohen
Title: President

MORRIA BIOPHARMACEUTICALS INC.

By: _____
Name: _____
Title: _____

SCHEDULE I
to
PATENT SECURITY AGREEMENT

Patents

Patent Licenses

EXHIBIT C

TRADEMARK SECURITY AGREEMENT

This TRADEMARK SECURITY AGREEMENT (this "**Trademark Security Agreement**") is made this ___ day of March 2012, by the Grantors listed on the signature pages hereof (collectively, jointly and severally, "**Grantors**" and each individually "**Grantor**"), in favor of the Secured Parties under and as defined in the below-described Security Agreement.

RECITALS

WHEREAS, pursuant to that certain Securities Purchase Agreement, dated as of March __, 2012 (as may be amended, restated, supplemented, or otherwise modified from time to time, including all schedules thereto, collectively, the "**Securities Purchase Agreement**"), by and among Morria Biopharmaceuticals PLC, a public limited company formed under the laws of England and Wales ("**Parent**"), and each of the Secured Parties, Parent has agreed to sell, and each of the Secured Parties have each agreed to purchase, severally and not jointly, the Securities (as defined in the Securities Purchase Agreement); and

WHEREAS, in order to induce each of the Secured Parties to purchase, severally and not jointly, the Securities as provided for in the Securities Purchase Agreement, Grantors have executed and delivered to each of the Secured Parties that certain Security Agreement of even date herewith (including all annexes, exhibits or schedules thereto, as from time to time amended, restated, supplemented or otherwise modified, the "**Security Agreement**"); and

WHEREAS, pursuant to the Security Agreement, Grantors are required to execute and deliver to each of the Secured Parties this Trademark Security Agreement.

AGREEMENTS

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantors hereby agree as follows:

1. DEFINED TERMS. All capitalized terms used but not otherwise defined herein have the meanings given to them in the Security Agreement.

2. GRANT OF SECURITY INTEREST IN TRADEMARK COLLATERAL. Each Grantor hereby grants to each Secured Party a continuing first priority security interest in all of such Grantor's right, title and interest in, to and under the following, whether presently existing or hereafter created or acquired (collectively, the "**Trademark Collateral**"):

(a) all of its Trademarks and Trademark Intellectual Property Licenses to which it is a party including those referred to on **Schedule I** hereto;

(b) all goodwill, trade secrets, proprietary or confidential information, technical information, procedures, formulae, quality control standards, designs, operating and training manuals, customer lists, and other General Intangibles with respect to the foregoing;

(c) all reissues, continuations or extensions of the foregoing;

(d) all goodwill of the business connected with the use of, and symbolized by, each Trademark and each Trademark Intellectual Property License; and

(e) all products and proceeds of the foregoing, including any claim by such Grantor against third parties for past, present or future (i) infringement or dilution of any Trademark or any Trademark licensed under any Intellectual Property License or (ii) injury to the goodwill associated with any Trademark or any Trademark licensed under any Intellectual Property License;

provided, however, that for the avoidance of doubt (and notwithstanding anything to the contrary in the Security Documents), no Security Interest shall be granted pursuant to the Security Documents in respect of any Trademarks or other Intellectual Property that are the subject matter of any Intellectual Property Licenses pursuant to which the Grantor is a licensee, except to the extent that the Grantor has rights to such Trademarks or other Intellectual Property without consideration to, and independent of, the rights provided under the related Intellectual Property Licenses.

3. SECURITY FOR OBLIGATIONS. This Trademark Security Agreement and the Security Interests created hereby secures the payment and performance of all the Secured Obligations, whether now existing or arising hereafter. Without limiting the generality of the foregoing, this Trademark Security Agreement secures the payment of all amounts which constitute part of the Secured Obligations and would be owed by Grantors, or any of them, to Secured Parties, or any of them, whether or not they are unenforceable or not allowable due to the existence of an Insolvency Proceeding involving any Grantor.

4. SECURITY AGREEMENT. The security interests granted pursuant to this Trademark Security Agreement are granted in conjunction with the security interests granted to Secured Parties pursuant to the Security Agreement. Each Grantor hereby acknowledges and affirms that the rights and remedies of Secured Parties with respect to their respective security interests in the Trademark Collateral made and granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

5. AUTHORIZATION TO SUPPLEMENT. If any Grantor shall obtain rights to any new trademarks, the provisions of this Trademark Security Agreement shall automatically apply thereto. To the extent required under the Security Agreement, Grantors shall give prompt notice in writing to Secured Parties with respect to any such new trademarks or renewal or extension of any trademark registration. Without limiting each Grantor's obligations under this Section 5, Grantors hereby authorize Secured Parties unilaterally to modify this Agreement by amending **Schedule I** to include any such new trademark rights of Grantors. Notwithstanding the foregoing, no failure to so modify this Trademark Security Agreement or amend **Schedule I** shall in any way affect, invalidate or detract from any Secured Party's continuing security interest in all Collateral, whether or not listed on **Schedule I**.

6. COUNTERPARTS. This Trademark Security Agreement may be executed in two or more identical counterparts, all of which 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. In the event that any signature is delivered by facsimile transmission or by an e-mail which contains a portable document format (.pdf) file of an executed signature page, such signature page shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such signature page were an original thereof. In proving this Trademark Security Agreement or any other Transaction Document in any judicial proceedings, it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom such enforcement is sought.

7. CONSTRUCTION. Unless the context of this Trademark Security Agreement or any other Transaction Document clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the terms "includes" and "including" are not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or." The words "hereof," "herein," "hereby," "hereunder," and similar terms in this Trademark Security Agreement or any other Transaction Document refer to this Trademark Security Agreement or such other Transaction Document, as the case may be, as a whole and not to any particular provision of this Trademark Security Agreement or such other Transaction Document, as the case may be. Section, subsection, clause, schedule, and exhibit references herein are to this Agreement unless otherwise specified. Any reference in this Trademark Security Agreement or in any other Transaction Document to any agreement, instrument, or document shall include all alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements, thereto and thereof, as applicable (subject to any restrictions on such alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements set forth herein). Any reference herein to any Person shall be construed to include such Person's permitted successors and permitted assigns. Any requirement of a writing contained herein or in any other Transaction Document shall be satisfied by the transmission of a Record and any Record so transmitted shall constitute a representation and warranty as to the accuracy and completeness of the information contained therein. The language used in this Trademark Security Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party. For clarification purposes, the Recitals are part of this Trademark Security Agreement.

8. Governing Law; Jurisdiction; Service of Process; Jury Trial. All questions concerning the construction, validity, enforcement and interpretation of this Trademark Security Agreement shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper; provided, however, any suit seeking enforcement against any Trademark Collateral or other property may be brought, at any Secured Party's option, in the courts of any jurisdiction where such Secured Party elects to bring such action or where such Trademark Collateral or other property may be found. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Trademark Security Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Without limitation of the foregoing, each Grantor other than Parent hereby irrevocably appoints Parent as such Grantor's agent for purposes of receiving and accepting any service of process hereunder or under any of the other Security Documents. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

[*signature pages follow*]

IN WITNESS WHEREOF, each Grantor has caused this Trademark Security Agreement to be executed and delivered by its duly authorized officer as of the date first set forth above.

GRANTORS:

MORRIA BIOPHARMACEUTICALS PLC

By: _____
Name: Yuval Cohen
Title: President

MORRIA BIOPHARMACEUTICALS INC.

By: _____
Name: _____
Title: _____

SCHEDULE I
to
TRADEMARK SECURITY AGREEMENT

Trademark Registrations/Applications

Grantor	Description of Trademark	Registration Number	Issue Date

Trade Names

Common Law Trademarks

Trademarks Not Currently In Use

Trademark Licenses

EXHIBIT D

FORM OF GUARANTY

See attached.

ANNEX A
to
SECURITY
AGREEMENT

FORM OF ADDITIONAL GRANTOR JOINDER

Security Agreement dated as of March ___, 2012 made by
Morria Biopharmaceuticals PLC
and its Subsidiaries party thereto from time to time, as Grantors
to and in favor of
the Secured Parties identified therein (the "Security Agreement")

Reference is made to the Security Agreement as defined above; capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in, or by reference in, the Security Agreement.

The undersigned hereby agrees that upon delivery of this Additional Grantor Joinder to the Secured Parties referred to above, the undersigned shall (a) be an Additional Grantor under the Security Agreement, (b) have all the rights and obligations of the Grantors under the Security Agreement as fully and to the same extent as if the undersigned was an original signatory thereto and (c) be deemed to have made the representations and warranties set forth therein as of the date of execution and delivery of this Additional Grantor Joinder. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, THE UNDERSIGNED SPECIFICALLY GRANTS TO THE SECURED PARTIES A SECURITY INTEREST IN THE COLLATERAL AS MORE FULLY SET FORTH IN THE SECURITY AGREEMENT AND ACKNOWLEDGES AND AGREES TO THE WAIVER OF JURY TRIAL PROVISIONS SET FORTH THEREIN.

Attached hereto are supplemental and/or replacement Schedules to the Security Agreement, as applicable.

An executed copy of this Joinder shall be delivered to the Secured Parties, and the Secured Parties may rely on the matters set forth herein on or after the date hereof. This Joinder shall not be modified, amended or terminated without the prior written consent of the Secured Parties.

IN WITNESS WHEREOF, the undersigned has caused this Joinder to be executed in the name and on behalf of the undersigned.

[Name of Additional Grantor

By:
Name:
Title:

Address:

Dated:

CLYDE&CO

Morria Biopharmaceuticals PLC
Company

and

Iroquois Master Fund Ltd.

and

Alpha Capital Anstalt
Secured Parties

Security Agreement

Contents

This Security Agreement is made on: **April 2012**

Between:

(1) **Morria Biopharmaceutricals PLC**, an unlisted public company incorporated and registered in England and Wales with company number 05252842 whose registered office is at Thames House, Portsmouth Road, Esher, Surrey, KT10 9AD (**Company**);

and

(2) **Iroquois Master Fund Ltd.** of 641 Lexington Avenue, 20th Floor, New York, NY (**Iroquois**); and

(3) **Alpha Capital Anstalt** of Pradafant 7, LI-9490, Vaduz, Furstentum, Liechtenstein (**Alpha** and, together with Iroquois, the **Secured Parties**).

It is agreed as follows:

1 **Definitions and Interpretation**

1.1 **Definitions**

The following definitions and rules of interpretation in this clause apply in this Agreement:

Account means any account opened or maintained by the Company with any of the Secured Parties or any other person (and any replacement account or subdivision or subaccount of that account), the debts or debts represented thereby and all Related Rights and includes, for the avoidance of doubt, the Restricted Account;

Administrator means an administrator appointed to manage the affairs, business and property of the Company;

Authorisation means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration;

Book Debts means all present and future book and other debts and monetary claims due or owing to the Company and any proceeds of such debts and claims (including any claims or sums of money deriving from or in relation to any Intellectual Property, any Investment, the proceeds of any Insurance Policy, any court order or judgment, any contract or agreement to which the Company is a party and any other assets, property, rights or undertaking of the Company);

Business Day means a day (other than a Saturday or Sunday) on which commercial banks are open for general business in London and New York;

Charged Assets means all the assets, property and undertaking for the time being subject to the security interests created by this Agreement (and references to the Charged Assets shall include references to any part of it);

Commencement Notice means a written notice, given by any Secured Party to the other Secured Parties in accordance with the notice provisions set forth in the Securities Purchase Agreement, pursuant to which such Secured Party notifies the other Secured Parties of the existence of one or more Events of Default and of such Secured Party's intent to commence the exercise of one or more of the remedies provided for under this Agreement with respect to all or any portion of the Charged Assets as a consequence thereof, which notice shall incorporate a reasonably detailed description of each Event of Default then existing and of the remedial action proposed to be taken;

Costs means all costs, charges, expenses and liabilities of any kind including, without limitation, costs and damages in connection with litigation, professional fees, disbursements and any value added tax charged on Costs;

Equipment means all present and future equipment, plant, machinery, office equipment, computers, tools, vehicles, furniture, fittings, installations and apparatus and other tangible moveable property for the time being owned by the Company, including any part of it and all spare parts, replacements, modifications and additions, and all Related Rights;

Event of Default means any of the following events:

(a) any of the Secured Liabilities are not paid or discharged when the same ought to be paid or discharged by the Company (whether on demand, at scheduled maturity, or by acceleration or otherwise, as the case may be) other than where such failure to pay is the result of an administrative or technical failure and payment is made within 3 days of its due date; and

(b) any "Event of Default" as such term is defined in the Notes;

Financial Collateral means shall have the meaning given to that expression in the Financial Collateral Regulations;

Financial Collateral Regulations means the Financial Collateral Arrangements (No. 2) Regulations 2003 (SI 2003/3226);

Grantors has the meaning given to such term in the Security Agreement (as defined in the Securities Purchase Agreement);

Group means the Company and each of its subsidiaries;

Insolvency Proceeding has the meaning given to such term in the Securities Purchase Agreement;

Insurance Policy means any policy of insurance in which the Company may from time to time have an interest;

Intellectual Property means the Company's present and future patents, trade marks, service marks, trade names, business names, design rights, copyrights, moral rights, inventions, topographical or similar rights, confidential information, know-how and other intellectual property rights and interests, and any interest in any of these rights, whether or not registered, the benefit of all applications and rights to rights to use such assets, including such assets set out in Schedule 2, and all Related Rights;

Investments means:

(a) any stocks, shares, debentures, securities and certificates of deposit;

(b) all interests in collective investment schemes; and

(c) all warrants, options and other rights to subscribe or acquire any of the investments described in (a) and (b),

in each case whether held directly by or to the order of the Company or by any trustee, nominee, fiduciary or clearance system on its behalf and all Related Rights (including all rights against any such trustee, nominee, fiduciary or clearance system);

Material Adverse Effect means a material adverse effect upon:

(a) the business, operations, property, condition (financial or otherwise) or prospects of the Company;

(b) the ability of the Company to perform or comply with any of its payment and/or its other obligations under this Agreement; or

(c) the validity or enforceability of, or the effectiveness or ranking of any Security granted or purporting to be granted pursuant to this Agreement or the rights or remedies of the Secured Parties under this Agreement;

Notes has the meaning given to such term in the Securities Purchase Agreement;

Permitted Liens has the meaning given to such term in the Notes;

Permitted Secured Party means, with respect to the exercise of any remedy provided for under this Agreement, any Secured Party that has delivered a Commencement Notice with respect to the exercise of such remedy to the other Secured Parties and has not received a Veto Notice with respect thereto within the Veto Period; provided, however, there shall only be a single Permitted Secured Party that may exercise any specific remedy at any one time (it being agreed that if a Commencement Notice is delivered by more than one Secured Party with respect to any remedy provided for under this Agreement, then the first Secured Party to deliver a Commencement Notice and not receive a Veto Notice within the Veto Period shall be the only Secured Party that may exercise such remedy);

Properties means all freehold and leasehold properties (whether registered or unregistered) and all commonhold properties, now or in the future (and from time to time) owned by the Company, or in which the Company holds an interest and Property means any of them;

Receiver means a receiver or receiver and manager or, where permitted by law, an administrative receiver of the whole or any part of the Charged Assets and that term will include any appointee made under a joint and/or several appointment;

Related Rights means, in relation to any asset:

(a) the proceeds of sale of any part of that asset;

(b) all rights under any licence, agreement for sale or agreement for lease in respect of that asset;

(c) all rights, powers, benefits, claims, contracts, warranties, remedies, security, guarantees, indemnities or covenants for title in respect of that asset; and

(d) any monies and proceeds paid or payable in respect of that asset;

Relevant Jurisdiction means, in relation to the Company:

(a) its jurisdiction of incorporation;

(b) any jurisdiction where any asset subject to or intended to be subject to the Security to be created by it pursuant to this Agreement is situated; and

(c) any jurisdiction where it conducts its business;

Restricted Account means the account to be confirmed in writing by the Company to the Secured Parties into which all Restricted Insurance Proceeds are to be paid;

Restricted Insurance Proceeds means any proceeds received by the Company for its benefit from time to time under its directors and officers insurance policy number WD104000a issued by Howden Insurance Brokers Limited and any replacement policy in respect thereof, provided that any proceeds received by the Company as a conduit of payment of such funds to its directors and/or officers, or any funds received by the Company as reimbursement for payments made or to be made to its directors or officers, shall not be deemed to be Restricted Insurance Proceeds;

Secured Liabilities mean all obligations which the Company and each of the other Grantors may at any time have to the Secured Parties arising under this Agreement, the Notes, the Guaranties, and the other Transaction Documents (as each such term in defined in the Securities Purchase Agreement, whether present or future, actual or contingent (and whether incurred solely or jointly and whether as principal or as surety or in some other capacity) and including, without duplication, reasonable attorneys' fees and expenses and any interest, fees, or expenses that accrue after the filing of an Insolvency Proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any Insolvency Proceeding;

Securities Purchase Agreement means a securities purchase Agreement dated on or around the date hereof (as may be amended, restated, supplemented, or otherwise modified from time to time) between the Company and the Secured Parties;

Security means any mortgage, charge (whether fixed or floating, legal or equitable), pledge, lien, assignment by way of security or other security interest securing any obligation of any person, or any other agreement or arrangement having a similar effect;

Security Documents has the meaning given to such term in the Securities Purchase Agreement;

Security Financial Collateral Arrangement means shall have the meaning given to that expression in the Financial Collateral Regulations;

Security Period means the period starting on the date of this Agreement and ending on the date on which all the Secured Liabilities have been unconditionally and irrevocably paid and discharged in full and no further Secured Liabilities are capable of being outstanding;

Significant Secured Party means, on any date of determination, any Secured Party holding twenty percent (20%) or more of the aggregate principal amount of Notes outstanding on such date;

Veto Notice means, with respect to any Commencement Notice, a written notice given by any Significant Secured Party to the other Secured Parties in accordance with the notice provisions set forth in the Securities Purchase Agreement pursuant to which such Significant Secured Party notifies the other Secured Parties of its objection to the commencement of the remedial action specified in such Commencement Notice and certifies that, to the best of its knowledge, it is a Significant Secured Party; and

Veto Period means, with respect to any Commencement Notice (other than a Commencement Notice given by a Significant Secured Party at a time when such Significant Secured Party is the only the Significant Secured Party), the period of ten (10) consecutive calendar days following the delivery of such Commencement Notice to the Secured Parties (it being understood and agreed that there shall be no Veto Period with respect to a Commencement Notice given by a Significant Secured Party at a time when such Significant Secured Party is the only the Significant Secured Party).

1.2 **Interpretation**

Unless otherwise defined herein, a term defined in the Securities Purchase Agreement shall have the same meaning in this Agreement and, unless the context otherwise requires:

(a) a reference to a statute or statutory provision includes a reference to any subordinate legislation made under that statute or statutory provision, to any modification, re-enactment or extension of that statute or statutory provision and to any former statute or statutory provision which it consolidated or re-enacted before the date of this Agreement;

(b) a reference to one gender includes a reference to the other genders;

(c) words in the singular include the plural and in the plural include the singular;

(d) a reference to a Clause or Schedule is to a Clause of, or Schedule to, this Agreement and references to paragraphs are to paragraphs of the relevant Schedule;

(e) a reference to **this Agreement** (or any specified provision of it) or any other document shall be construed as a reference to this Agreement, that provision or that document as in force for the time being and as amended or novated from time to time;

(f) a reference to a **person** shall include a reference to an individual, firm, corporation, unincorporated body of persons, or any state or any agency of a person;

(g) a reference to an **amendment** includes a supplement, variation, novation or re-enactment (and **amended** shall be construed accordingly);

(h) a reference to **assets** includes present and future properties, undertakings, revenues, rights and benefits of every description;

(i) a reference to a **regulation** includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, inter-governmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation; and

(j) clause, schedule and paragraph headings shall not affect the interpretation of this Agreement.

1.3 **Nature of security over real property**

A reference in this Agreement to a charge or mortgage of any freehold, leasehold or commonhold property includes:

(a) all buildings and fixtures (including trade and tenant's fixtures) which are situated on that property at any time;

(b) the proceeds of the sale of any part of that property; and

(c) the benefit of any covenants for title given, or entered into, by any predecessor in title of the Company in respect of that property, and any monies paid or payable in respect of those covenants.

1.4 **Law of Property (Miscellaneous Provisions) Act 1989**

For the purposes of section 2 of the Law of Property (Miscellaneous Provisions) Act 1989, the terms of the Securities Purchase Agreement and of any side letters between any parties in relation to the Securities Purchase Agreement are incorporated into this Agreement.

1.5 **Third party rights**

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce, or to enjoy the benefit of, any term of this Agreement.

1.6 **Perpetuity period**

If the rule against perpetuities applies to any trust created by this Agreement, the perpetuity period shall be 125 years (as specified by section 5(1) of the Perpetuities and Accumulations Act 2009).

1.7 **Schedules**

The schedules form part of this Debenture and shall have effect as if set out in full in the body of this Debenture. Any reference to this Debenture includes the schedules.

2 **Payment of Secured Liabilities**

The Company covenants with each of the Secured Parties separately that it shall on demand pay and discharge the Secured Liabilities when they become due and payable provided that neither such covenant nor the Security constituted by this Deed shall extend to or include any liability or sum which would, but for this proviso, cause such covenant or security to be unlawful or prohibited by any applicable law.

3 **Grant of Security**

3.1 **Fixed Security**

As a continuing security for the payment and discharge of the Secured Liabilities, the Company with full title guarantee charges and agrees to charge to each of the Secured Parties separately, by way of first fixed charge all the Company's right, title and interest from time to time in and to:

(a) all Properties acquired by the Company in the future;

(b) all present and future interests of the Company not effectively mortgaged or charged under the preceding provisions of this Clause 3 in, or over, freehold or leasehold property;

(c) all present and future rights, licences, guarantees, rents, deposits, contracts, covenants and warranties relating to the Properties;

(d) all licences, consents and Authorisations (statutory or otherwise) held or required in connection with the Company's business or the use of any Charged Assets, and all rights in connection with them;

(e) all present and future goodwill and rights in relation to uncalled capital for the time being of the Company;

(f) all the Equipment;

(g) all the Intellectual Property;

(h) all the Book Debts;

(i) all the Investments; and

(j) all Accounts.

3.2 **Assignment**

As a continuing security for the payment and discharge of the Secured Liabilities, the Company assigns and agrees to assign absolutely with full title guarantee to each of the Secured Parties separately all the Company's rights, title and interest from time to time in and to the proceeds of any Insurance Policy (including without limitation, any insurances relating to the Properties or the Equipment but excluding any Restricted Insurance Proceeds) and all Related Rights.

3.3 **Floating Charge**

3.3.1 The Company with full title guarantee charges to each of the Secured Parties separately, by way of first floating charge, all present and future undertaking, property, assets and rights of the Company at any time.

3.3.2 The floating charge created by sub-Clause 3.3.1 above shall be deferred in priority to all fixed Security validly and effectively created by the Company pursuant to Clauses 3.1 (*Fixed Security*) and Clause 3.2 (*Assignments*) above.

3.3.3 Paragraph 14 of Schedule B1 of the Insolvency Act 1986 applies to the floating charge created pursuant to this Clause 3.3.

3.4 **Automatic conversion of floating charge**

Notwithstanding Clause 3.5 (*Conversion of floating charge by notice*) and without prejudice to any law which may have a similar effect, the floating charge created by Clause 3.3 (*Floating Charge*) shall automatically and immediately (without notice) be converted into a fixed charge over all the assets subject to the floating charge if, without the prior written consent of the Secured Parties or unless otherwise permitted by the Transaction Documents,:

(a) the Company:

(i) creates or attempts to create any Security (other than any Permitted Lien) over all or any part of the Charged Assets; or

(ii) disposes, or attempts to dispose of, all or any part of the Charged Assets; or

(b) any person levies (or attempts to levy) any distress, attachment, execution or other process against all or any part of the Charged Assets;

(c) a meeting is convened for the passing of a resolution for the voluntary winding-up of the Company;

(d) a petition is presented for the compulsory winding-up of the Company;

(e) a petition or application is presented for the making of an administration order in relation to the Company; or

(f) any person gives notices of its intention to appoint an administrator to the Company of files such a notice with the court.

3.5 **Conversion of floating charge by notice**

Each Secured Party shall be entitled to, in its sole discretion, by written notice to the Company, convert the floating charge created under this Agreement with immediate effect into a fixed charge as regards any part of the Charged Assets specified by the relevant Secured Party in that notice if:

(a) an Event of Default occurs and is continuing;

(b) the relevant Secured Party reasonably consider those assets to be in danger of being seized or sold under any form of distress, attachment, execution or other legal process of to be otherwise in jeopardy; or

(c) the relevant Secured Party reasonably consider that it is desirable in order to protect the priority of the security.

3.6 **Assets acquired after any floating charge crystallisation**

Any asset acquired by the Company after any crystallisation of the floating charge created under this Agreement which, but for such crystallisation, would be subject to a floating charge shall (unless the Secured Parties confirm in writing to the contrary) on the date of such acquisition be charged by the Company in favour of each of the Secured Parties separately by way of first fixed charge.

4 **Perfection of Security**

4.1 **Title Documents**

The Company shall, on the execution of this Agreement (or, if later, the date of acquisition of the relevant Charged Asset), deposit with the Secured Parties (for the purpose of security only) and the Secured Parties shall, for the duration of this Agreement be entitled to hold (for the purpose of security only):

(a) all deeds and documents of title relating to the Charged Assets which are in the possession or control of the Company (if these are not within the possession and/or control of the Company, the Company undertakes to obtain possession of all such deeds and documents of title);

(b) all Insurance Policies; and

(c) all certificates or other documents of title to the Investments, and relevant stock transfer forms executed in blank by the Company.

4.2 **Notices to be given by the Company**

The Company shall immediately on the execution of this Agreement;

4.2.1 give notice to the relevant insurers of the assignment of the Company's rights and interest in and under all policies of insurance (and for the avoidance of doubt, no notice of assignment will be required in respect of the Company's directors and officers insurance policy number WD104000a issued by Howden Insurance Brokers Limited and any replacement policy in respect thereof) pursuant to Clause 3.2 substantially in the form set out in Part A of Schedule 1 and procure that each addressee of such notice promptly provides an acknowledgement of the Secured Parties' interest to the Secured Parties, substantially in the form set out in Part B of Schedule 1; and

4.2.2 give notice to any bank, financial institution or other person (excluding the Secured Parties) with whom the Company has an account substantially in the form set out in Part A of Schedule 2 of the charging to the Secured Parties pursuant to Clause 3.1(j) of the Company's rights and interests under such accounts and procure that each addressee of such notice promptly provides an acknowledgement of the Secured Parties' interest to the Secured Parties, substantially in the form set out in Part B of Schedule 2.

5 **Further Assurance**

The Company, at its own cost, shall prepare and execute such further legal or other mortgages, charges or transfers (containing a power of sale and such other provisions as any Secured Party may reasonably require) in favour of the Secured Parties as any Secured Party may, in its absolute discretion, require from time to time over all or any part of the Charged Assets and give all notices, orders and directions which any Secured Party may require in its absolute discretion for perfecting, protecting or facilitating the realisation of its security over the Charged Assets.

6 **Representations and Warranties**

The Company represents and warrants to each Secured Party in the terms set out in this Clause 6.

6.1 **The Company**

6.1.1 The Company is a limited liability corporation, duly incorporated and validly existing under the law of its jurisdiction of incorporation.

6.1.2 The Company has the power to own its assets and carry on its business as it is being conducted.

6.1.3 The obligations expressed to be assumed by it in this Agreement are legal, valid, binding and enforceable obligations and (without limiting the generality of the foregoing, this Agreement creates the security interests which it purports to create and those security interests are valid and effective.

6.1.4 The entry into and performance by it of, and the transactions contemplated by, this Agreement do not and will not conflict with:

(a) any law or regulation applicable to it;

(b) its constitutional documents; or

(c) any agreement or instrument binding upon it or any of its assets or constitute a default or termination event (however described) under any such agreement or instrument.

6.1.5 The Company has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, this Agreement and the transactions contemplated by this Agreement.

6.1.6 No limit on the Company's powers will be exceeded as a result of the grant of security contemplated by this Agreement.

6.1.7 All Authorisations required or desirable:

(a) to enable it lawfully to enter into, exercise its rights and comply with its obligations in this Agreement; and

(b) to make this Agreement admissible in evidence in its jurisdiction of incorporation,

have been obtained or effected and are in full force and effect.

6.1.8 All Authorisations necessary for the conduct of the business, trade and ordinary activities of members of the Group have been obtained or effected and are in full force and effect if failure to obtain or effect those Authorisations has or is reasonably likely to have a Material Adverse Effect.

6.1.9 The choice of English law as the governing law of this Agreement will be recognised and enforced in each of the Relevant Jurisdictions.

6.1.10 Any judgment obtained in England in relation to this Agreement will be recognised and enforced in the Relevant Jurisdictions.

6.1.11 Its irrevocable submission under Clause 29.2 (*Jurisdiction*) to the jurisdiction of the Courts of England and agreement not to claim any immunity to which its assets may be entitled are legal valid and binding under the laws of the Relevant Jurisdictions.

6.1.12 No litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency which, if adversely determined, might reasonably be expected to have a Material Adverse Effect have (to the best of its knowledge and belief) been started or threatened against it.

6.1.13 No Insolvency Proceeding as been taken or, to its knowledge, threatened in relation to it.

6.1.14 It is not unable to pay its debts as they fall due and the value of the Company's assets is not less than the amount of its liabilities, taking into account the Company's contingent and prospective liabilities.

6.2 **The Charged Assets**

6.2.1 The Company is the absolute legal and beneficial owner of all the Charged Assets free from any Security (other than any Security created pursuant to the Security Documents or any Permitted Lien).

6.2.2 The Company has not received or acknowledged notice of any adverse claim by any person in respect of the Charged Assets or any interest in it.

6.2.3 No Security expressed to be created under this Agreement is liable to be avoided, or otherwise set aside, on the liquidation or administration of the Company or otherwise.

6.2.4 There are no covenants, agreements, reservations, conditions, interests, rights or other matters whatever, which materially adversely affect the Charged Assets.

6.2.5 There is no breach of any law or regulation which materially adversely affects the Charged Assets.

6.2.6 No facility necessary for the enjoyment and use of the Charged Assets is subject to terms entitling any person to terminate or curtail its use.

6.2.7 The Insurances Policies are in full force and effect and free from Security (other than under this Agreement or the other Security Documents) and there has been no material breach of any of the obligations under the Insurance Policies.

6.2.8 There is no prohibition on assignment in any Insurance Policies, or the relevant clauses of any of them, and the entry into this Agreement by the Company does not and will not constitute a breach of any Insurance Policy or any other agreement or instrument binding on the Company or its assets.

6.2.9 The Company is not aware of any adverse circumstance relating to the validity, subsistence or use of any of its Intellectual Property could reasonably be expected to have a Material Adverse Effect.

6.2.10 The Company holds no interest in any Properties.

6.3 **Time when representations are made**

The representations and warranties set out in this Clause 6 are made on the date of this Agreement and shall be deemed to be made on each day of the Security Period with reference to the facts and circumstances then existing.

7 **Negative Pledge and Disposals**

The Company undertakes that it shall not at any time during the Security Period, except with the prior written consent of the Secured Parties:

(a) create, purport to create or permit to subsist any Security on, or in relation to, any of the Charged Assets (other than any Permitted Lien or any Security created pursuant to the Security Documents), other than the Security created by this Agreement; or

(b) sell, assign, transfer, grant, lease, part with possession of or otherwise dispose of in any manner (or purport to do so) all or any part of, or any interest in, the Charged Assets; or

(c) create or grant (or purport to create or grant) any interest in the Charged Assets in favour of a third party.

8 **General Undertakings**

8.1 **Preservation of Charged Assets**

The Company shall not do, or permit to be done, any act or thing which would or might depreciate, jeopardise or otherwise prejudice the security held by the Secured Parties or materially diminish the value of any of the Charged Assets or the effectiveness of the security created by this Agreement.

8.2 **Enforcement of rights**

The Company shall use its best endeavours to:

(a) procure the prompt observance and performance of the covenants and other obligations imposed on the Company's counterparties; and

(b) enforce any rights and institute, continue or defend any proceedings relating to any of the Charged Assets which any Secured Party may require from time to time.

8.3 **Notice of Breaches**

The Company shall promptly on becoming aware of any of the same give the Secured Parties notice in writing of any breach of representation or warranty, or covenant set out in this Agreement.

8.4 **Book Debts**

8.4.1 The Company shall not (except as provided below or with the prior written consent of the Secured Parties) release, exchange, compound, set-off, grant time or indulgence in respect of, or in any other manner deal with, all or any of the Book Debts.

8.4.2 Subject to Clause 10.2 (*Operation Before Event of Default*) below, the Company shall on behalf of the Secured Parties, collect in and realise all Book Debts and hold those proceeds in trust for the Secured Parties.

8.4.3 Prior to the occurrence of an Event of Default, the proceeds of the realisation of Book Debts (other than the Restricted Insurance Proceeds) shall (subject to any restriction on the application of such proceeds contained in this Agreement or in the other Transaction Documents) be released from the fixed charge created pursuant to Clause 3.1 (*Fixed Security*) and the Company shall be entitled to apply such proceeds as it see fit provided that such proceeds shall continue to be subject to the floating charge created pursuant to Clause 3.3 (*Floating Charge*) and the terms of this Agreement.

8.4.4 Prior to the occurrence of an Event of Default, the Company shall pay all Restricted Insurance Proceeds into the Restricted Account.

8.4.5 After the occurrence of an Event of Default, the Company shall pay the proceeds of the realisation of any Book Debts (including the Restricted Insurance Proceeds) to the Secured Parties or into such account as the Secured Parties may nominate.

8.5 **Intellectual Property**

The Company shall:

(a) take all such steps and do all such acts as may be necessary to maintain the subsistence and validity of the Intellectual Property and, where appropriate, use all reasonable endeavours to protect and safeguard the Intellectual Property against theft, loss, destruction, unauthorised access, copying or use by third parties

(b) pay all renewal and other fees which may become payable in respect of any of the Intellectual Property before or as soon as they become due and produce to the Secured Parties on demand a receipt for such fees or other evidence of payment of those fees;

(c) not, without the prior written consent of the Secured Parties abandon, cancel or allow any of the Intellectual Property to become void, lapse or to become vulnerable to attack for non-use or otherwise;

(d) use all reasonable endeavours to detect any material infringement of, or challenge to, any of the Intellectual Property and, immediately after becoming aware thereof, inform the Secured Parties and take such steps at the cost of the Company, as the Secured Parties may from time to time reasonably direct in relation to such infringement or challenge Provided that the Company shall not be precluded from taking such steps as it shall consider necessary or desirable in relation to any infringement of or challenge to any of the Intellectual Property;

(e) not, without the prior written consent of the Secured Parties apply to amend the specification or drawing of any of the letters patent or registered trade or service marks forming part of the Intellectual Property or enter any conditions, restrictions or disclaimers in relation to any registered Intellectual Property; and

(f) not use or allow to be used, or take any step or omit to take any step in respect of, any of the Intellectual Property which may in any way materially and adversely affect its value,

provided that at all times the Company shall be permitted, without the consent of the Secured Parties, to make any amendments to the Intellectual Property in the ordinary course of patent prosecution in order to advance prosecution.

9 Investments

9.1 Investments – Prior to an Event of Default

Notwithstanding any other terms of this Agreement, prior to the occurrence of an Event of Default:

(a) the Company shall be entitled to receive all dividends, interest and other monies in respect of the Investments free from the security created by this Agreement; and

(b) the Company shall be entitled to exercise all voting rights attached to the Investments provided that it shall not exercise (and shall procure that any nominee acting on its behalf does not exercise) such voting rights in any manner, or otherwise permit or agree to any (a) variation of the rights attaching to or conferred by any of the Investments (including any amendment to the memorandum or articles of association or any other constitutional documents of any issuer) or (b) increase in the issued share capital of any company whose shares are charged pursuant to this Agreement or (c) take any other action or do any other thing, which, in the reasonable opinion of any Secured Party, would prejudice the value of, or the ability of any Secured Party to realise, the Security created by this Agreement.

9.2 Investments – After an Event of Default

Each Secured Party may, upon the occurrence of an Event of Default, at its discretion (in the name of the Company or otherwise and without any further consent or authority from the Company):

(a) exercise (or refrain from exercising) any voting rights in respect of the Investments;

(b) apply all dividends, interest and other monies arising from the Investments in accordance with Clause 17 (*Application of Monies*);

(c) transfer the Investments into the name of such nominee(s) of the relevant Secured Party as they shall require; and

(d) exercise (or refrain from exercising) the powers and rights conferred on or exercisable by the legal or beneficial owner of the Investments,

in such manner and on such terms as the relevant Secured Party may think fit, and the proceeds of any such action shall form part of the Charged Assets.

9.3 **Payment of Calls**

The Company shall pay when due all calls or other payments which may be or become due in respect of any of the Investments, and in any case of default by the Company in such payment, each Secured Parties may, if it thinks fit, make such payment on behalf of the Company in which case any sums paid by that Secured Party shall be reimbursed by the Company to that Secured Party on demand.

9.4 **Delivery of Documents of Title**

The Company shall promptly on the request of any Secured Party, deliver (or procure delivery) to that Secured Party, and that Secured Party shall be entitled to retain, all of the Investments and any certificates and other documents of title representing the Investments to which the Company (or its nominee(s)) is or becomes entitled together with any other document which that Secured Party may reasonably request (in such form and executed as that Secured Party may reasonably require) with a view to perfecting or improving the security of the Secured Parties over the Investments or to registering any Investment in its name or the name of any nominee(s).

10 **Accounts**

10.1 **Notification and Variation**

The Company, during the subsistence of this Agreement:

(a) shall promptly deliver to the Secured Parties on or prior to the date of this Agreement (and, if any change occurs thereafter, on the date of such change), details of each Account maintained by it with any bank or financial institution (other than with a Secured Party); and

(b) shall not, without the Secured Parties prior written consent, permit or agree to any variation of the rights attaching to any Account or close any Account.

10.2 **Operation Before Event of Default**

Notwithstanding any other term of this Agreement, the Company shall prior to the occurrence of an Event of Default be entitled to receive, withdraw or otherwise transfer any credit balance from time to time on any Account other than the Restricted Account.

10.3 **Operation After Event of Default**

After the occurrence of an Event of Default, the Company shall not be entitled to receive, withdraw or otherwise transfer any credit balance from time to time on any Account except with the prior consent of the Secured Parties.

10.4 **Restricted Account**

10.4.1 Prior to the expiry of the Security Period, the Company shall not be entitled to receive, withdraw or otherwise transfer any credit balance from the Restricted Account except with the prior consent of the Secured Parties.

10.4.2 If, on or prior to such time as Restricted Insurance Proceeds are first received by the Company following the execution of this Agreement,:

(a) the Company chooses to open a new bank account and notifies the Secured Parties in writing that this is the Restricted Account for the purposes of this Agreement, the Company shall promptly give notice to the relevant bank or financial institution with whom the Restricted Account is opened, substantially in the form set out in Part A of Schedule 2 of the charging to the Secured Parties pursuant to Clause 3.1(j) of the Company's rights and interests under the Restricted Account (and instructing the relevant bank or financial institution that, prior to the end of the Security Period, the Company shall not be entitled to make withdrawals from such account without the written consent of the Secured Parties) and procure that each addressee of such notice promptly provides an acknowledgement of the Secured Parties' interest to the Secured Parties, substantially in the form set out in Part B of Schedule 2); or

(b) the Company chooses to designate one of its existing bank accounts, its right, title and interest in respect of which is to be charged on the date of this Agreement pursuant to Clause 3.1(j) above, and notifies the Secured Parties in writing that this is the Restricted Account for the purposes of this Agreement, the Company shall promptly instruct the relevant bank or financial institution with whom the Restricted Account is held that, prior to the end of the Security Period, the Company shall not be entitled to make withdrawals from such account without the written consent of the Secured Parties.

10.4.3 Upon its first receipt of Restricted Insurance Proceeds following the execution of this Agreement, to the extent it has not already done so, the Company shall notify the Secured Parties in writing as soon as reasonably practicable and in any event within three Business Days of such receipt as to the identity of the Restricted Account.

10.5 **Application of Monies**

Each Secured Party shall, following the occurrence of an Event of Default, be entitled without notice to apply, transfer or set-off any or all of the credit balances from time to time on any Account in or towards the payment or other satisfaction of all or part of the Secured Liabilities in accordance with Clause 17 (*Application of Monies*).

11 **Property**

The Company shall:

(a) notify the Secured Parties forthwith upon the acquisition by the Company of any freehold or leasehold property;

(b) on demand by the Secured Parties and at the cost of the Company execute and deliver to the Secured Parties a legal mortgage in favour of the Secured Parties of any freehold or leasehold property which becomes vested in it after the date of this Agreement in form and substance satisfactory to the Secured Parties.

12 **Insurance**

The Company shall at all times during the subsistence of this Agreement:

(a) keep the Charged Assets with reputable and responsible insurers previously approved by the Secured Parties in such manner and to such extent as is reasonable and customary for an enterprise engaged in the same or similar business and in the same or similar localities against such risks and contingencies as the Secured Parties may in its absolute discretion require;

(b) if required by any Secured Party, cause each insurance policy or policies relating to the Charged Assets other than any Insurance Policy which has been the subject of a Notice of Assignment pursuant to Clause 4 (*Perfection of Security*) to contain (in form and substance reasonably satisfactory to the Secured Parties) an endorsement naming the Secured Parties as sole loss payee in respect of all claims**;**

(c) promptly pay all premiums and other monies payable under all its Insurance Policies and promptly upon request, produce to the Secured Parties a copy of each policy and evidence (reasonably acceptable to the Secured Parties) of the payment of such sums; and

(d) if required by the Secured Parties (but subject to the provisions of any lease of the Charged Assets), deposit all Insurance Policies relating to the Charged Assets with the Secured Parties.

13 Powers of the Secured Parties

13.1 Power to Remedy

If the Company fails to comply with any of its obligations under this Agreement and that failure is not remedied within seven days of any Secured Party giving notice of such failure to the Company, each Secured Party shall be entitled (but shall not be bound) to remedy such non-compliance and the Company irrevocably authorises each Secured Party and its agents to do all such things as are necessary or desirable for that purpose.

13.2 Exercise of Rights

The rights of the Secured Parties under Clause 13.1 are without prejudice to any other rights of the Secured Parties under this Agreement. The exercise of those rights shall not make the Secured Parties liable to account as a mortgagee in possession.

13.3 Indulgence

Each Secured Party may, at its discretion, grant time or other indulgence or make any other arrangement, variation or release with any person or persons not being a party to this Agreement (whether or not such person or persons is jointly liable with the Company) in respect of any of the Secured Liabilities, or of any other security for them without prejudice either to this Agreement or to the liability of the Company for the Secured Liabilities.

14 Enforcement and Powers of the Secured Parties

14.1 When Security becomes enforceable

The power of sale and other powers conferred by section 101 of the Law of Property Act 1925 and all other enforcement powers conferred by this Agreement shall be immediately exercisable at any time after an Event of Default has occurred.

14.2 **Statutory Power of Sale**

The statutory powers of sale and other powers conferred by the Law of Property Act 1925 shall, as between a Secured Party and a purchaser from the Secured Parties, arise on and be exercisable at any time after the execution of this Agreement, but no Secured Party shall exercise such power of sale until the security constituted by this Agreement has become enforceable.

14.3 **Extension of Statutory Powers**

The statutory powers of leasing conferred on each Secured Party are extended so as to authorise each Secured Party to lease, make agreements for leases at a premium or otherwise, accept surrenders or leases and grant options or vary or reduce any sum payable under any leases or tenancy agreements as the Secured Parties may think fit, without the need to comply with any provision of Section 99 or 100 of the Law of Property Act 1925.

14.4 **Power to Dispose of Chattels**

At any time after the security constituted by this Agreement has become enforceable, each Secured Party or any Receiver:

(a) may dispose of any chattels or produce found on any Property as agent for the Company; and

(b) without prejudice to any obligation to account for the proceeds of any sale of such chattels or produce, shall be indemnified by the Company against any liability arising from such disposal.

14.5 **Prior Security**

At any time after the security constituted by this Agreement has become enforceable, or after any powers conferred by any Security having priority to this Agreement shall have become exercisable, each Secured Party may:

(a) redeem such or any other prior Security, or procure its transfer to itself; and

(b) settle any account of the holder of any prior Security.

14.6 Any accounts so settled and passed shall be, in the absence of manifest error, conclusive and binding on the Company. All monies paid by a Secured Party to prior security holder in settlement of such an account shall, as from its payment by the relevant Secured Party, be due from the Company to the Secured Parties on current account and be secured as part of the Secured Liabilities.

14.7 **Right of appropriation**

To the extent that the Charged Assets constitute Financial Collateral and this Agreement and the obligations of the Company hereunder constitute a Security Financial Collateral Arrangement, each Secured Party shall have the right, at any time after the security constituted this Agreement has become enforceable, to appropriate all or any of the Charged Assets in or towards the payment and/or discharge of the Secured Liabilities in such order as that Secured Party in its absolute discretion may from time to time determine. The value of any Charged Asset appropriated in accordance with this clause shall be the price of that Charged Asset at the time the right of appropriation is exercised as listed on any recognised market index, or determined by such other method as that Secured Party may select (including independent valuation). The Company agrees that the methods of valuation provided for in this clause are commercially reasonable for the purposes of the Financial Collateral Regulations.

14.8 **Restrictions**

Section 103 of the Law of Property Act 1925 (restricting the power of sale) and Section 93 of the Law of Property Act 1925 (restricting the right of consolidation) do not apply to the security constituted by this Agreement.

14.9 **No Liability as Mortgagee in Possession**

Neither the Secured Parties, nor any Receiver nor any Administrator shall be liable to account as mortgagee in possession in respect of all or any of the Charged Assets, nor shall any of them be liable for any loss on realisation of, or for any neglect or default of any nature in connection with, all or any of the Charged Assets for which a mortgagee in possession might be liable as such.

14.10 **Protection of Third Parties**

No purchaser, mortgagee or other person dealing with a Secured Party or any Receiver shall be concerned:

(a) to enquire whether any of the Secured Liabilities have become due or payable, or remain unpaid or undischarged, or whether the power the relevant Secured Party or a Receiver is purporting to exercise has become exercisable; or

(b) to see to the application of any money paid to the relevant Secured Party or any Receiver.

15 **Receiver**

15.1 **Appointment of Receiver**

15.1.1 At any time after the security constituted by this Agreement has become enforceable, or at the request of the Company, each Secured Party may, without further notice:

(a) appoint by way of deed, or otherwise in writing, any one or more person or persons to be a receiver, or a receiver and manager, of all or any part of the Charged Assets; and

(b) (subject to section 45 of the Insolvency Act 1986) from time to time, by way of deed, or otherwise in writing, remove any person appointed to be Receiver and may, in a similar manner, appoint another in his place.

Where more than one person is appointed Receiver, they shall have power to act separately (unless the appointment by the Secured Party specifies to the contrary).

15.1.2 The relevant Secured Party may fix the remuneration of any Receiver appointed by it without the restrictions contained in section 109 of the Law of Property Act 1925 and the remuneration of the Receiver shall be a debt secured by this Agreement which shall be due and payable immediately upon its being paid by the relevant Secured Party.

15.2 **Agent of the Company**

Any Receiver appointed by a Secured Party under this Agreement shall be the agent of the Company and the Company shall be solely responsible for his acts and remuneration, as well as for any defaults committed by him.

16 **Powers of Receiver**

16.1 **Powers of Receiver**

Any Receiver appointed by a Secured Party under this Agreement shall, in addition to the powers conferred on him by the Law of Property Act 1925 and the Insolvency Act 1986, have the power to do all such acts and things as an absolute owner could do in the management of such of the Charged Assets over which the Receiver is appointed and, in particular, a Receiver may:

(a) undertake or complete any works of repair, building or development on the Properties;

(b) grant, or accept surrenders of, any leases or tenancies affecting the Properties on such terms and subject to such conditions as he thinks fit;

(c) provide services and employ, or engage, such managers, contractors and other personnel and professional advisors on such terms as he deems expedient;

(d) make such elections for value added tax purposes as he thinks fit;

(e) charge and receive such sum by way of remuneration (in addition to all costs, charges and expenses incurred by him) as the Secured Parties may prescribe or agree with him;

(f) collect and get in the Charged Assets or any part of it in respect of which he is appointed and make such demands and take such proceedings as may seem expedient for that purpose, and to take possession of the Charged Assets with like rights;

(g) carry on, manage, develop, reconstruct, amalgamate or diversify or concur in carrying on, managing, developing, reconstructing, amalgamating or diversifying the business of the Company;

(h) grant options and licences over all or any part of the Charged Assets, sell or concur in selling, assign or concur in assigning, lease or concur in leasing and accept or concur in accepting surrenders of leases of, all or any of the property of the Company in respect of which he is appointed in such manner and generally on such terms and conditions as he thinks fit (fixtures and plant and machinery may be severed and sold separately from the premises in which they are contained without the consent of the Company), and to carry any such sale, assignment, leasing or surrender into effect. Any such sale may be for such consideration as the Receiver thinks fit and he may promote, or concur in promoting, a company to purchase the property to be sold;

(i) sell and assign all or any of the Book Debts in respect of which he is appointed in such manner, and generally on such terms and conditions, as he thinks fit;

(j) make any arrangement, settlement or compromise between the Company and any other person which he may think expedient;

(k) make substitutions of, or improvements to, the Equipment as he may think expedient;

(l) make calls conditionally or unconditionally on the members of the Company in respect of the uncalled capital with such and the same powers for that purpose, and for the purpose of enforcing payments of any calls so made, as are conferred by the Articles of Association of the Company on its directors in respect of calls authorised to be made by them;

(m) appoint managers, officers, servants, workmen and agents for the purposes of this Clause 16 at such salaries, for such periods and on such terms as he may determine;

(n) if he thinks fit, but without prejudice to the indemnity in Clause 19, effect with any insurer any policy of insurance either in lieu or satisfaction of, or in addition to, such insurance;

(o) exercise all powers provided for in the Law of Property Act 1925 in the same way as if he had been duly appointed under that act, and exercise all powers provided for an administrative receiver in Schedule 1 of the Insolvency Act 1986;

(p) for any of the purposes authorised by this Clause 16 raise money by borrowing from the Secured Parties (or from any other person) on the security of all or any of the Charged Assets in respect of which he is appointed on such terms as he shall think fit (including, if the Secured Parties consents, terms under which such security ranks in priority to this Agreement);

(q) redeem any prior Security and settle and pass the accounts to which the Security relates. Any accounts so settled and passed shall be conclusive and binding on the Company, and the monies so paid shall be deemed to be an expense properly incurred by him; and

(r) do all such other acts and things as he may consider incidental or conducive to any of the matters or powers in this Clause 16, or which he lawfully may or can do as agent for the Company.

16.2 **Scope of powers**

Any exercise of any of the powers given by this Clause 16 may be on behalf of the Company, the directors of the Company (in the case of the power contained in paragraph (l) of this Clause 16) or himself.

17 **Application of Monies**

17.1 Each Secured Party hereby acknowledges and agrees that, notwithstanding the time or order of any registration document with respect to the Charged Assets and the Security constituted under this Agreement, or other applicable law, solely as amongst the Secured Parties, the separate Security of the Secured Parties with respect to the Charged Assets shall have the same rank and priority provided, that, the foregoing shall not apply to any Security of a Secured Party that is void or voidable as a matter of law.

17.2 All monies received by any Secured Party or a Receiver in the exercise of any enforcement powers conferred by this Agreement shall be applied:

(a) first, ratably in paying all unpaid fees, costs and other liability incurred by or on behalf of any of the Secured Parties (and any Receiver, attorney or agent appointed by them) or indemnities then due to any of the Secured Parties under the Transaction Documents, until paid in full;

(b) second in paying the remuneration of any Receiver (as agreed between the Receiver and the Secured Parties);

(c) third, ratably to pay any fees or premiums then due to any of the Secured Parties under the Transaction Documents, until paid in full; and

(d) fourth, ratably to pay the principal amount of all Secured Liabilities then due to any of the Secured Parties, until paid in full;

(e) fifth, ratably to pay any other Secured Liabilities then due to any of the Secured Parties; and

(f) sixth, the surplus to the Company or such other person entitled thereto under applicable law.

17.3 **Suspense Account**

All monies received by the Secured Parties or a Receiver under this Agreement may, at the discretion of the Secured Parties or Receiver, be credited to any suspense or securities realised account and shall bear interest at such rate, if any, as may be agreed in writing between the Secured Parties and the Company, and may be held in such account for so long as the Secured Parties or Receiver think fit.

18 **Power of Attorney**

18.1 **Appointment and Powers**

By way of security, the Company irrevocably appoints each Secured Party and every Receiver separately to be the attorney of the Company and, in its name, on its behalf and as its act and deed, to execute any documents and do any acts and things which:

(a) the Company is required to execute and do under this Agreement, including execute any document required by any Secured Party under Clause 4 (*Perfection of Security*); and/or

(b) any attorney may reasonably deem proper or desirable in exercising any of the powers, authorities and discretions conferred by this Agreement or by law on the Secured Parties or any Receiver.

18.2 **Ratification of Acts of Attorney**

The Company ratifies and confirms, and agrees to ratify and confirm, anything which any of its attorneys may do in the proper and lawful exercise of all or any of the powers, authorities and discretions referred to in sub-clause 18 of this Clause 18 .

18.3 **Appointment of an Administrator**

18.3.1 Any Secured Party may, without notice to the Company, appoint any one or more persons to be an administrator of the Company pursuant to Paragraph 14 Schedule B1 of the Insolvency Act 1986 if this Agreement becomes enforceable.

18.3.2 Any appointment under this Clause 18.3. shall:

(a) be in writing signed by a duly authorised signatory of the relevant Secured Party; and

(b) take effect, in accordance with paragraph 19 of Schedule B1 of the Insolvency Act 1986, when the requirements of paragraph 18 of that Schedule B1 are satisfied.

18.4 Each Secured Party may (subject to any necessary approval from the court) end the appointment of an Administrator by notice in writing in accordance with this Clause 18.3 and appoint a replacement for any Administrator whose appointment ends for any reason under that paragraph.

19 **Restriction**

19.1 Notwithstanding anything in this Agreement to the contrary, each Secured Party agrees that it will not exercise any remedy provided for under this Agreement with respect to all or any portion of the Charged Assets unless such Secured Party is a Permitted Secured Party (provided that the foregoing shall not prevent any Secured Party from commencing or participating in any Insolvency Proceeding or taking any action (other than with respect to the Charged Assets) to enforce the payment or performance of any Grantors' obligations under any of the Notes, Guaranties or other Transaction Documents (each term as defined in the Securities Purchase Agreement).

19.2 This Clause 19 is not intended to confer any rights or benefits upon the Company or any other person except Secured Parties, and no person other than Secured Parties shall have any right to enforce any of the provisions of this Clause 19. As between the Company and any Secured Party, any action that such Secured Party may take under this Agreement shall be conclusively presumed to have been authorised and approved by the other Secured Parties.

20 **Relationship between Secured Parties**

20.1 Each Secured Party hereby agrees and acknowledges that no other Secured Party has agreed to act for it as an administrative or collateral agent, and each Secured Party is and shall remain solely responsible for the attachment, perfection and priority of all Security created by this Agreement or any other Security Document in favour of such Secured Party.

20.2 No Secured Party shall have by reason of this Agreement or any other Transaction Document an agency or fiduciary relationship with any other Secured Party.

20.3 No Secured Party (which term, as used in this sentence, shall include reference to each Secured Party's officers, directors, employees, attorneys, agents and affiliates and to the officers, directors, employees, attorneys and agents of such Secured Party's affiliates) shall: (i) have any duties or responsibilities except those expressly set forth in this Agreement and the other Security Documents or (ii) be required to take, initiate or conduct any enforcement action (including any litigation, foreclosure or collection proceedings hereunder or under any of the other Security Documents).

20.4 Without limiting the foregoing, no Secured Party shall have any right of action whatsoever against any other Secured Party as a result of such Secured Party acting or refraining from acting hereunder or under any of the Security Documents except as a result and to the extent of losses caused by such Secured Party's actual gross negligence or willful misconduct (it being understood and agreed by each Secured Party that the delivery by any Significant Secured Party of one or more Veto Notices shall not be deemed to be or construed as gross negligence or willful misconduct on the part of the Secured Party delivering any such Veto Notice).

20.5 No Secured Party assumes any responsibility for any failure or delay in performance or breach by the Company or any Secured Party of its obligations under this Agreement or any other Transaction Document.

20.6 No Secured Party makes to any other Secured Party any express or implied warranty, representation or guarantee with respect to any Secured Liabilities, Charged Assets, Transaction Document or the Company.

20.7 No Secured Party nor any of its officers, directors, employees, attorneys or agents shall be responsible to any other Secured Party or any of its officers, directors, employees, attorneys or agents for: (i) any recitals, statements, information, representations or warranties contained in any of the Transaction Documents or in any certificate or other document furnished pursuant to the terms hereof; (ii) the execution, validity, genuineness, effectiveness or enforceability of any of the Transaction Documents; (iii) the validity, genuineness, enforceability, collectability, value, sufficiency or existence of any Charged Asset or the Security constituted thereover in this Agreement, or the attachment, perfection or priority of any Security therein; or (iv) the assets, liabilities, financial condition, results of operations, business, creditworthiness or legal status of the Company.

20.8 No Secured Party nor any of its officers, directors, employees, attorneys or agents shall have any obligation to any other Secured Party to ascertain or inquire into the existence of any default or Event of Default, the observance or performance by any Grantor of any of the duties or agreements of such Grantor under any of the Transaction Documents or the satisfaction of any conditions precedent contained in any of the Transaction Documents.

21 **Costs and Indemnity**

21.1 **Costs**

The Company shall pay to, or reimburse, the Secured Parties and any Receiver on demand, on a full indemnity basis, all Costs incurred by any Secured Party and/or any Receiver in relation to:

(a) protecting, perfecting, preserving or enforcing (or attempting to do so) any of the Secured Parties' or Receiver's rights under this Agreement; or

(b) suing for, or recovering, any of the Secured Liabilities,

(including, without limitation, the Costs of any proceedings in relation to this Agreement or the Secured Liabilities). Such Costs shall be secured as part of the Secured Liabilities.

21.2 **Indemnity**

Each Secured Party and any Receiver, and their respective employees and agents, shall be indemnified on a full indemnity basis out of the Charged Assets in respect of all actions, liabilities and Costs incurred or suffered in or as a result of:

(a) the exercise, or purported exercise, of any of the powers, authorities or discretions vested in them under this Agreement;

(b) any matter or thing done, or omitted to be done, in relation to the Charged Assets under those powers; or

(c) any default or delay by the Company in performing any of its obligations under this Agreement,

except to the extent that the same arises from the misconduct or negligence of that Secured Party or Receiver.

22 **Release**

Subject to Clause 27.3, on the expiry of the Security Period (but not otherwise), each Secured Party shall, at the request and cost of the Company, take whatever action is necessary to release the Charged Assets from the security constituted by this Agreement.

23 **Assignment and Transfer**

23.1 **Assignment by Secured Parties**

At any time, without the consent of the Company, each Secured Party may assign or transfer the whole or any part of that Secured Party's rights and/or obligations under this Agreement to any person.

23.2 **Assignment by Company**

The Company may not assign any of its rights, or transfer any of its obligations, under this Agreement or enter into any transaction which would result in any of those rights or obligations passing to another person.

24 **Set-off**

24.1 **Set-off Rights**

24.1.1 Each Secured Party may set off any matured obligation due from the Company (to the extent beneficially owned by the relevant Secured Party) against any matured obligation owed by that Secured Party to the Company, regardless of the place of payment, booking branch or currency of either obligation.

24.1.2 If a Secured Party has more than one account for the Company in its books, that Secured Party may at any time after:

(a) the security constituted by this Agreement has become enforceable; or

(b) that Secured Party has received notice of any subsequent Security or other interest affecting all or any part of the Charged Assets,

24.1.3 transfer, without prior notice, all or any part of the balance standing to the credit of any account to any other account which may be in debit (but the relevant Secured Party shall notify the Company of the transfer once made).

24.2 **Different Currencies**

Each Secured Party may exercise its rights under clause 24.1 (Set-off rights) notwithstanding that the amounts concerned may be expressed in different currencies and each Secured Party is authorised to effect any necessary conversions at a market rate of exchange selected by it.

24.3 **Unliquidated Claims**

If the relevant obligation or liability is unliquidated or unascertained, each Secured Party may set-off the amount which it estimates (in good faith and acting reasonably) will be the final amount of that obligation or liability once it becomes liquidated or ascertained.

24.4 **No Set Off**

The Company will pay all amounts payable under this deed without any set off, counterclaim or deduction whatsoever unless required by law in which event the Company will pay an additional amount to ensure that the payment recipient receives the amount which would have been payable had no deduction been required to have been made.

25 **New Accounts**

If any Secured Party receives notice of any subsequent Security, or other interest, affecting all or part of the Charged Assets, that Secured Party may open a new account for the Company in that Secured Party's books. No money paid to the credit of the Company in any such new account shall be appropriated towards, or have the effect of discharging, any part of the Secured Liabilities. If that Secured Party does not open a new account immediately on receipt of that notice, then, unless that Secured Party gives express written notice to the contrary to the Company, all payments made by the Company to that Secured Party shall be treated as having been credited to a new account of the Company and not as having been applied in reduction of the Secured Liabilities, as from the time of receipt of the relevant notice by that Secured Party.

26 **Currency**

For the purpose of, or pending the discharge of, any of the Secured Liabilities, each Secured Party may convert any monies received, recovered or realised by that Secured Party under this Agreement (including the proceeds of any previous conversion under this Clause 26) from their existing currencies of denomination into such other currencies of denomination as that Secured Party may think fit. Any such conversion shall be effected at then prevailing spot selling rate of exchange for such other currency against the existing currency. Each reference in this Clause 26 to a currency extends to funds of that currency and, for the avoidance of doubt, funds of one currency may be converted into different funds of the same currency.

27 **Further Provisions**

27.1 **Independent security**

This Agreement shall be in addition to, and independent of, every other security or guarantee which any of the Secured Parties may hold for any of the Secured Liabilities at any time. No prior security held by any of the Secured Parties over the whole or any part of the Charged Assets shall merge in the security created by this Agreement.

27.2 **Continuing security**

27.2.1 This Agreement shall remain in full force and effect as a continuing security for the Secured Liabilities, despite any settlement of account, or intermediate payment, or other matter or thing, unless and until the Secured Parties discharge this Agreement in writing.

27.2.2 No part of the security from time to time intended to be constituted by this Agreement will be considered satisfied or discharged by any intermediate payment, discharge or satisfaction of any part of the Secured Liabilities.

27.3 **Company's Obligations**

27.3.1 The obligations of the Company under this Agreement and the Security constituted thereby shall not be discharged, impaired or otherwise affected by:

27.3.2 any winding-up, dissolution, administration or re-organisation of or other change in any Grantor or any other person;

27.3.3 any of the Secured Liabilities being at any time illegal, invalid, unenforceable or ineffective;

27.3.4 any time or other indulgence being granted to any Grantor or any other person;

27.3.5 any amendment, variation, waiver or release of any of the Secured Liabilities other than in respect of a specific waiver or release of the Company by the Secured Parties;

27.3.6 any failure to take or failure to realise the value of any other collateral in respect of the Secured Liabilities or any release, discharge, exchange or substitution of any such collateral; or

27.3.7 any other act, other than a specific release of the Company by the Secured Parties, event or omission which but for this provision would or might operate to impair, discharge or otherwise affect the obligations of the Company under this Agreement.

27.4 **Discharge conditional**

Any release, discharge or settlement between the Company and a Secured Party shall be deemed conditional on no payment or security received by that Secured Party in respect of the Secured Liabilities being avoided, reduced or ordered to be refunded pursuant to any law relating to insolvency, bankruptcy, winding-up, administration, receivership or otherwise. Despite any such release, discharge or settlement:

(a) each Secured Party or it nominee may retain this Agreement and the security created by or pursuant to it, including all certificates and documents relating to the whole or any part of the Charged Assets, for such period as that Secured Party in its reasonable opinion deems necessary to provide that Secured Party with security against any such avoidance, reduction or order for refund; and

(b) each Secured Party may recover the value or amount of such security or payment from the Company subsequently as if such release, discharge or settlement had not occurred.

27.5 **Certificates**

A certificate or determination by a Secured Party as to any amount for the time being due to it from the Company shall (in the absence of any manifest error) be conclusive evidence of the amount due.

27.6 **Rights cumulative**

The rights and powers of each Secured Party conferred by this Agreement are cumulative, may be exercised as often as the relevant Secured Party considers appropriate, and are in addition to its rights and powers under the general law.

27.7 **Waivers**

Any waiver or variation of any right by the Secured Parties (whether arising under this Agreement or under the general law) shall only be effective if it is in writing and signed by the Secured Parties and applies only in the circumstances for which it was given, and shall not prevent the Secured Parties from subsequently relying on the relevant provision.

27.8 **Liability not discharged**

The Company's liability under this Agreement in respect of any of the Secured Liabilities shall not be discharged, prejudiced or affected by:

(a) any security, guarantee, indemnity, remedy or other right held by, or available to, any of the Secured Parties that is or becomes wholly or partially illegal, void or unenforceable on any ground;

(b) any of the Secured Parties renewing, determining, varying or increasing any facility or other transaction in any manner or concurring in, accepting or varying any compromise, arrangement or settlement, or omitting to claim or enforce payment from any other person; or

(c) any other act or omission, which but for this Clause 27.8 might have discharged, or otherwise prejudiced or affected, the liability of the Company.

27.9 **Immediate recourse**

The Company waives any right it may have to require any Secured Party to enforce any security or other right, or claim any payment from, or otherwise proceed against, any other person before enforcing this Agreement against the Company.

27.10 **Further exercise of rights**

No act or course of conduct or negotiation by or on behalf of any Secured Party shall, in any way, preclude that Secured Party from exercising any right or power under this Agreement or constitute a suspension or variation of any such right or power, except to the extent such right or power is waived by the Secured Parties in accordance with Clause 27.7 (Waivers) above.

27.11 **Delay**

No delay or failure to exercise any right or power under this Agreement shall operate as a waiver.

27.12 **Single or partial exercise**

No single or partial exercise of any right under this Agreement shall prevent any other or further exercise of that or any other right.

27.13 **Partial invalidity**

The invalidity, unenforceability or illegality of any provision (or part of a provision) of this Agreement under the laws of any jurisdiction shall not affect the validity, enforceability or legality of the other provisions. If any invalid, unenforceable or illegal provision would be valid, enforceable or legal if some part of it were deleted, the provision shall apply with any modification necessary to give effect to the commercial intention of the parties.

27.14 **Counterparts**

This Agreement may be executed and delivered in any number of counterparts, each of which is an original and which together have the same effect as if each party had signed the same document.

28 **Notices**

28.1 **Service**

Each notice or other communication required to be given under, or in connection with, this Agreement shall be:

(a) in writing, delivered personally or sent by pre-paid first-class letter or fax; and

(b) sent:

(i) to the Company at:

Thames House
Portsmouth Road
Esher
Surrey
KT10 9AD
United Kingdom

Email: MarkC@pczlaw.com

Attention: Mark Cohen

Copy to:

Avram Kelman
Fladgate LLP
16 Great Queen Street
London
WC2B 5DG
United Kingdom

Email: akelman@fladgate.com

(ii) to Iroquois at:

Iroquois Master Fund Ltd.
641 Lexington Avenue
20th Floor
New York
NY
United States

Attention: Joshua Silverman

(iii) to Alpha at:

Alpha Capital Anstalt
Pradafant 7
LI-9490
Vaduz
Furstentum
Liechtenstein

Attention: Konrad Acermann

or to such other address or fax number as is notified in writing by one party to the others from time to time.

28.2 **Receipt**

Receipt of any notice given under Clause 28.1, shall be deemed to be received:

(a) if given by hand, at the time of actual delivery;

(b) if posted, on the second Business Day after the day it was sent by pre-paid first-class post; or

(c) if sent by fax, when received in legible form.

A notice or other communication given as described in Clause 28.2(a) or Clause 28.2(b) on a day which is not a Business Day, or after normal business hours, in the place it is received, shall be deemed to have been received on the next Business Day.

29 **Governing Law and Jurisdiction**

29.1 **Governing law**

This Agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales.

29.2 **Jurisdiction**

The parties to this Agreement irrevocably agree that, subject as provided below, the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this Agreement or its subject matter or formation (including non-contractual disputes or claims).

29.3 **Convenient Forum**

The parties agree that the courts of England are the most appropriate and convenient courts to settle disputes between them arising out of, or in connection with, this Agreement and, accordingly, that they will not argue to the contrary.

29.4 **Other service**

Each of the parties to this Agreement irrevocably consents to any process in any proceedings being served on it in accordance with the provisions of this Agreement relating to service of notices. Nothing contained in this Agreement shall affect the right to serve process in any other manner permitted by law.

This document has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

Schedule 1: Form of Notice of Assignment – Insurance Policies

Part A

To: [**Insurer**]

Date: [ ]

Dear Sirs,

We hereby give you notice that we have assigned to [ ] (**Secured Parties**) pursuant to a security agreement entered into by us in favour of the Secured Parties dated [ ] all our right, title and interest in and to the proceeds of [insert details of relevant insurance policy] (**Policy of Insurance**).

With effect from your receipt of this notice we instruct you to:

1. make all payments and claims under or arising from the Policy of Insurance to the Secured Parties [*insert account details here if required*] or to their order as they may specify in writing from time to time;

2. note the interest of the Secured Parties on the Policy of Insurance; and

3. disclose to any Secured Party, without further approval from us, such information regarding the Policy of Insurance as any Secured Party may from time to time request and to send it copies of all notices issued by you under the Policy of Insurance.

With effect from your receipt of this notice all rights, interests and benefits whatsoever accruing to or for the benefit of ourselves arising from the Policy of Insurance (including all rights to compel performance) belong to and are exercisable by the Secured Parties.

Please acknowledge receipt of this notice by signing the acknowledgement on the enclosed copy letter and returning the same to each Secured Party at [•] marked for the attention of [ ].

Yours faithfully,

for and on behalf of
Morria Biopharmaceutricals PLC

Part B

[On copy only:

To: [**SECURED PARTIES**]

We acknowledge receipt of a notice in the terms set out above and confirm that we have not received notice of any previous assignments or charges of or over any of the rights, title and interests and benefits referred to in such notice and that we will comply with the terms of that notice.

We further confirm that no amendment or termination of the Policy of Insurance shall be effective unless we have given each Secured Party thirty days written notice of such amendment or termination.

For and on behalf of [ ]

By: _____

Dated:

Schedule 2: Form of Notice of Assignment – Accounts

Part A

To: [**Account Bank**]

Date: [ ]

Dear Sirs,

We hereby give you notice that pursuant to a security agreement dated 2012 (**Security Agreement**) we have charged to [ ] (**Secured Parties**) all of our right, title and interest in and to account number [•], account name [•] (including any renewal or redesignation of such account) and all monies standing to the credit of that account from time to time (**Account**).

With effect from the date of your receipt of this notice all rights, interests and benefits whatsoever accruing to or for the benefit of ourselves arising from the Account belong to the Secured Parties.

Upon your receipt of notice from any of the Secured Parties that an Event of Default (as defined in the Security Agreement) has occurred, any existing payment instructions affecting the Account are to be terminated and all payments and communications in respect of the Account should be made to the Secured Parties or to their order.

Please accept this notice by signing the enclosed acknowledgement and returning it to each Secured Party at [ ] marked for the attention of [ ].

Yours faithfully

for and on behalf of

Morria Biopharmaceutricals PLC

Part B

[on copy only]

To: [**SECURED PARTIES]**

Date: [ ]

At the request of the Secured Parties and Morria Biopharmaceutricals PLC we acknowledge receipt of the notice of assignment and charge, on the terms attached, in respect of the Account (as described in those terms). We confirm that:

- the balance standing to the Account at today's date is [•], no fees or periodic charges are payable in respect of the Account and there are no restrictions on (a) the payment of the credit balance on the Account [(except, in the case of a time deposit, the expiry of the relevant period)] or (b) the assignment of the Account to the Secured Parties or any third party;

- we have not received notice of any previous assignments of, charges over or trusts in respect of, the Account and we will not, without the consent of the Secured Parties (a) exercise any right of combination, consolidation or set off which we may have in respect of the Account or (b) amend or vary any rights attaching to the Account; and

- upon the occurrence of an Event of Default we will act only in accordance with the instructions given by persons authorised by the Secured Parties and we shall send all statements and other notices given by us relating to the Account to the Secured Parties.

For and on behalf of [•]

By:

Schedule 3: Intellectual Property

PATENTS AND PATENT APPLICATIONS

PCZL Docket No.	Serial No.	Inventor(s)	Assignee	Filing Date	Status
P-8131-AU Australia	2006278657	PRINCE, Alice; YEDGAR, Saul; COHEN, Yuval	Morria Biopharmaceuticals plc (**Morria**); Yissum Research Development Company of the Hebrew University (**Yissum**); The Trustees of Columbia University (**Columbia University**)	01-Aug-2006	Pending
P-8131-CA Canada	2,617,484	YEDGAR, Saul; PRINCE, Alice; COHEN, Yuval	Morria; Yissum; Columbia University	01-Aug-2006	Pending
P-8131-CN China	200680037016.3	YEDGAR, Saul; PRINCE, Alice; COHEN, Yuval	Morria; Yissum; Columbia University	01-Aug-2006	Pending
P-8131-EA Eurasia	200800489	PRINCE, Alice; YEDGAR, Saul; COHEN, Yuval	Morria; Yissum; Columbia University	01-Aug-2006	Pending
P-8131-EP Europe	06800600.6	PRINCE, Alice; YEDGAR, Saul; COHEN, Yuval	Morria; Yissum; Columbia University	01-Aug-2006	Pending
P-8131-IL Israel	189171	PRINCE, Alice; YEDGAR, Saul; COHEN, Yuval	Morria; Yissum; Columbia University	01-Aug-2006	Pending

PCZL Docket No.	Serial No.	Inventor(s)	Assignee	Filing Date	Status
P-8131-JP Japan	2008-525110	PRINCE, Alice; YEDGAR, Saul; COHEN, Yuval	Morria; Yissum; Columbia University	01-Aug-2006	Pending
P-8131-KR Korea	10-2008-7005229	YEDGAR, Saul; PRINCE, Alice; COHEN, Yuval	Morria; Yissum; Columbia University	01-Aug-2006	Pending
P-8131-MX Mexico	MX/a2008/001639	PRINCE, Alice; YEDGAR, Saul; COHEN, Yuval	Morria; Yissum; Columbia University	01-Aug-2006	Pending
P-8131-PC International	PCT/US06/29893	YEDGAR, Saul; PRINCE, Alice; COHEN, Yuval	Morria; Yissum; Columbia University	01-Aug-2006	Expired
P-8131-USP United States	60/704,874	YEDGAR, Saul;	Morria	03-Aug-2005	Expired
P-8967-AU Australia	2007320737	YEDGAR, Saul; COHEN, Yuval	Yissum; Morria	14-Nov-2007	Pending
P-8967-AU1 Australia	2007320736	YEDGAR, Saul; COHEN, Yuval	Yissum; Morria	14-Nov-2007	Pending
P-8967-CA1 Canada	2,705,785	YEDGAR, Saul; COHEN, Yuval	Yissum; Morria	14-Nov-2007	Pending
P-8967-CN1 China	200780049831.6	YEDGAR, Saul; COHEN, Yuval	Yissum; Morria	14-Nov-2007	Pending
P-8967-EP Europe	07827381.0	YEDGAR, Saul; COHEN, Yuval	Yissum; Morria	14-Nov-2007	Pending
P-8967-EP1 Europe	07827380.2	YEDGAR, Saul; COHEN, Yuval	Yissum; Morria	14-Nov-2007	Pending

PCZL Docket No.	Serial No.	Inventor(s)	Assignee	Filing Date	Status
P-8967-PC International	PCT/IL2007/001408	YEDGAR, Saul; COHEN, Yuval	Yissum; Morria	14-Nov-2007	Expired
P-8967-PC1 International	PCT/IL2007/001407	YEDGAR, Saul; COHEN, Yuval	Yissum; Morria	14-Nov-2007	Expired
P-8967-PC2 International	PCT/US07/23913	YEDGAR, Saul; COHEN, Yuval	Yissum; Morria	14-Nov-2007	Expired
P-8967-PC3 International	PCT/IB2007/004668	YEDGAR, Saul; COHEN, Yuval	Yissum; Morria	14-Nov-2007	Expired
P-8967-US United States	11/984,224	YEDGAR, Saul; COHEN, Yuval	Yissum; Morria	14-Nov-2007	Pending
P-8967-US1 United States	11/984,223	YEDGAR, Saul; COHEN, Yuval	Yissum; Morria	14-Nov-2007	Pending
P-71126-AU Australia	Not yet known	YEDGAR, Saul; COHEN, Yuval; BONDI, Joseph V.	Yissum; Morria	11-May-2010	Pending
P-71126-CA Canada	2,761,590	YEDGAR, Saul; COHEN, Yuval; BONDI, Joseph V.	Yissum; Morria	11-May-2010	Pending
P-71126-CN China	Not yet known	YEDGAR, Saul; COHEN, Yuval; BONDI, Joseph V.	Yissum; Morria	11-May-2010	Pending
P-71126-EP Europe	10775366.7	YEDGAR, Saul; COHEN, Yuval; BONDI, Joseph V.	Yissum; Morria	11-May-2010	Pending

PCZL Docket No.	Serial No.	Inventor(s)	Assignee	Filing Date	Status
P-71126-IL Israel	216203	YEDGAR, Saul; COHEN, Yuval; BONDI, Joseph V.	Yissum; Morria	11-May-2010	Pending
P-71126-JP Japan	Not yet known	YEDGAR, Saul; COHEN, Yuval; BONDI, Joseph V.	Yissum; Morria	11-May-2010	Pending
P-71126-PC International	PCT/US10/34317	YEDGAR, Saul; COHEN, Yuval; BONDI, Joseph V.	Yissum; Morria	11-May-2010	Expired
P-71126-US United States	12/997,014	YEDGAR, Saul; COHEN, Yuval; BONDI, Joseph V.	Yissum; Morria	09-Dec-2010	Pending

INTELLECTUAL PROPERTY LICENCES

Description of Intellectual Property Licensed	Licensor	Date of Licence	Duration of Licence
Rights under an exclusive license agreement between Yissum and Morria Biopharmaceutical, Inc. dated 27 November 2002 (**Yissum License**)	Morria Biopharmaceutical, Inc.	1 February 2005	Terminates upon termination of the Yissum License

Executed as a **Deed** by)
Morria Biopharmaceuticals PLC acting by a director and its)
secretary or two directors or a director in the presence of a witness)
who attests his signature:

sign here: */s / YUVAL COHEN*
Director
print name:

In the presence of:

sign here: */s / MARK S. COHEN*
Director
print name:

Witness
print name:
print address:

profession:

Executed as a **Deed** by)
ALPHA CAPITAL ANSTALT acting by a director and its)
secretary or two directors or a director in the presence of a witness)
who attests his signature:

sign here: */SIGNATURE/*
Director
print name: Konrad Ackerman

In the presence of:

sign here:
Director
print name:

/Signature/
Witness
print name:
print address:

Notary
profession:

/NOTARIAT ARBON/

GUARANTY

This Guaranty (the "**Guaranty**") is made this 4th day of April 2012, by such guarantors listed on the signature pages hereof (collectively, jointly and severally, "**Guarantors**," and each, individually, a "**Guarantor**"), in favor of each of the investors listed on the Schedule of Buyers attached to the Securities Purchase Agreement (as defined herein) (each, individually, a "**Buyer**" and together with their respective successors, assigns, endorsees and transferees, the "**Buyers**").

RECITALS

WHEREAS, pursuant to the Securities Purchase Agreement, dated as of April 3, 2012 (as amended, restated, supplemented, or otherwise modified from time to time, including all schedules thereto, the "**Securities Purchase Agreement**"), by and among Morria Biopharmaceuticals PLC, a public limited company formed under the laws of England and Wales ("**Parent**"), and each of the Buyers, Parent has agreed to sell, and Buyers have each agreed to purchase, severally and not jointly, certain Notes and Warrants; and

WHEREAS, each Guarantor is a direct or indirect wholly-owned Subsidiary of Parent and will receive direct and substantial benefits from the purchase by Buyers of the Notes and Warrants; and

WHEREAS, in order to induce Buyers to purchase, severally and not jointly, the Notes and Warrants as provided for in the Securities Purchase Agreement, Guarantors have agreed to jointly and severally guaranty all of Parent's obligations under and with respect to the Notes, the Securities Purchase Agreement and the other Transaction Documents.

WHEREAS, in connection herewith, Morria Biopharmaceuticals, Inc. ("**Morria Inc.**"), Parent and Buyers have entered into that certain Security Agreement dated as of April 4, 2012 (as amended, restated, supplemented, or otherwise modified from time to time, including all schedules thereto, the "**Security Agreement**"), pursuant to which Morria Inc. and Parent (Morria Inc. and Parent and any other grantor under the Security Agreement, collectively, "**Obligors**" and each, individually, an "**Obligor**") have granted each of the Buyers continuing security interests in all assets of each Obligor, as more fully set forth in the Security Agreement.

AGREEMENTS

NOW, THEREFORE, for and in consideration of the recitals made above and other good and valuable consideration, the receipt, sufficiency and adequacy of which are hereby acknowledged, each Guarantor hereby agrees as follows:

1. Definitions. All capitalized terms used herein that are not otherwise defined herein shall have the meanings given them in the Securities Purchase Agreement.

2 . Guaranteed Obligations. Guarantors jointly and severally hereby fully, irrevocably and unconditionally guaranty to Buyers the due and punctual Satisfaction in Full of the Guaranteed Obligations (as defined below). "**Guaranteed Obligations**" means, collectively, all of the present and future payment obligations of each Obligor arising under the Securities Purchase Agreement, any and all Notes payable to Buyer, the Security Agreement, the UK Security Agreement, and the other Transaction Documents, including, without limitation, reasonable attorneys' fees and expenses and any interest, fees, or expenses that accrue after the filing of an Insolvency Proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any Insolvency Proceeding. "**Insolvency Proceeding**" means any proceeding commenced by or against any Person under any provision of title 11 of the United States Code, as in effect from time to time (the "**Bankruptcy Code**"), or under any other state or federal bankruptcy or insolvency law or any equivalent laws in any other jurisdiction, assignments for the benefit of creditors, formal or informal moratoria, compositions, extensions generally with creditors, or proceedings seeking reorganization, arrangement, or other similar relief.

3 . Guarantors' Representations and Warranties. Each Guarantor represents and warrants to Buyers that such Guarantor expects to derive substantial benefits from the purchase by Buyers of the Notes and Warrants under the Securities Purchase Agreement and the other transactions contemplated hereby and by the other Transaction Documents. Buyers may rely conclusively on a continuing warranty, hereby made, that such Guarantor continues to be benefited by this Guaranty and Buyers shall have no duty to inquire into or confirm the receipt of any such benefits, and this Guaranty shall be effective and enforceable by Buyers without regard to the receipt, nature or value of any such benefits.

4. Unconditional Nature. No act or thing need occur to establish any Guarantor's liability hereunder, and no act or thing, except Satisfaction in Full of the Guaranteed Obligations (as defined below), shall in any way exonerate any Guarantor hereunder or modify, reduce, limit or release any Guarantor's liability hereunder. This is an absolute, unconditional and continuing guaranty of payment of the Guaranteed Obligations and shall continue to be in force and be binding upon each Guarantor until Satisfaction in Full of the Guaranteed Obligations. Each Guarantor agrees that this Guaranty is a guaranty of Satisfaction in Full of the Guaranteed Obligations and not of collection, and that its obligations under this Guaranty shall be primary, absolute and unconditional. In addition to the terms set forth herein, it is expressly understood and agreed that, if, at maturity and at any time during the continuance of an Event of Default (as defined in the Notes), the outstanding amount of the Guaranteed Obligations under the Transaction Documents (including, without limitation, all accrued interest thereon, all accrued late charges thereon and all premiums due in respect thereof) is declared to be immediately due and payable, then Guarantors shall, upon notice of such acceleration, without further demand, pay to each Buyer the entire outstanding portion of the Guaranteed Obligations that is due and owing to such Buyer.

5 . Subrogation. No Guarantor will exercise or enforce any right of contribution, reimbursement, recourse or subrogation available to such Guarantor as to any of the Guaranteed Obligations, or against any Person liable therefor, or as to any collateral security therefor, unless and until Satisfaction in Full of the Guaranteed Obligations.

6 . Enforcement Expenses. Each Guarantor shall pay or reimburse each Buyer for all costs, expenses and reasonable attorneys' fees paid or incurred by such Buyer in endeavoring to collect and enforce the Guaranteed Obligations and in enforcing this Guaranty.

7 . Obligations Absolute. Each Guarantor agrees that its obligations hereunder are irrevocable, absolute, independent and unconditional and shall not be affected by any circumstance which constitutes a legal or equitable discharge of a guarantor or surety other than Satisfaction in Full of the Guaranteed Obligations. In furtherance of the foregoing and without limiting the generality thereof, each Guarantor agrees that none of its obligations hereunder shall be affected or impaired by any of the following acts or things (which each Buyer is expressly authorized to do, omit or suffer from time to time, without consent or approval by or notice to any Guarantor): (a) any acceptance of collateral security, guarantors, accommodation parties or sureties for any or all of the Guaranteed Obligations; (b) one or more extensions or renewals of the Guaranteed Obligations (whether or not for longer than the original period) or any modification of the interest rates, maturities, if any, or other contractual terms applicable to any of the Guaranteed Obligations or any amendment or modification of any of the terms or provisions of any of the Transaction Documents; (c) any waiver or indulgence granted to Parent or any other Obligor, any delay or lack of diligence in the enforcement of the Guaranteed Obligations, or any failure to institute proceedings, file a claim, give any required notices or otherwise protect any of the Guaranteed Obligations; (d) any full or partial release of, compromise or settlement with, or agreement not to sue, Parent, any other Obligor or any other Person liable in respect of any of the Guaranteed Obligations; (e) any release, surrender, cancellation or other discharge of any evidence of the Guaranteed Obligations or the acceptance of any instrument in renewal or substitution therefor; (f) any failure to obtain collateral security (including rights of setoff) for the Guaranteed Obligations, or to see to the proper or sufficient creation and perfection thereof, or to establish the priority thereof, or to preserve, protect, insure, care for, exercise or enforce any collateral security; or any modification, alteration, substitution, exchange, surrender, cancellation, termination, release or other change, impairment, limitation, loss or discharge of any collateral security; (g) any collection, sale, lease or disposition of, or any other foreclosure or enforcement of or realization on, any collateral security; (h) any assignment, pledge or other transfer of any of the Guaranteed Obligations or any evidence thereof; (i) any manner, order or method of application of any payments or credits upon the Guaranteed Obligations; or (j) a Buyer not being a Permitted Secured Party (as defined in the Security Agreement). Each Guarantor waives any and all defenses and discharges available to a surety, guarantor or accommodation co-obligor.

8 . Waivers by Guarantors. Each Guarantor waives any and all defenses, claims, setoffs and discharges of, and/or against, Parent, or any other Obligor or Person (including, without limitation, Buyer), pertaining to the Guaranteed Obligations, except the defense of discharge by indefeasible satisfaction and discharge in full. Without limiting the generality of the foregoing, no Guarantor will assert, plead or enforce against any Buyer any defense of waiver, release, discharge or disallowance in any Insolvency Proceeding, statute of limitations, res judicata, statute of frauds, anti-deficiency statute, fraud, incapacity, minority, usury, illegality or unenforceability which may be available to Parent or any other Obligor or Person liable in respect of any of the Guaranteed Obligations, or any setoff available to any Buyer against Parent or any other such Obligor or Person, whether or not on account of a related transaction. Each Guarantor expressly agrees that such Guarantor shall be and remain liable for any deficiency remaining after foreclosure of any mortgage or security interest securing the Guaranteed Obligations, whether or not the liability of Parent or any other Obligor or Person for such deficiency is discharged pursuant to statute or judicial decision. The liability of each Guarantor shall not be affected or impaired by, and each Guarantor waives and agrees it shall not at any time insist upon, plead or in any manner claim or take the benefit of, any voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the assets, marshalling of assets and liabilities, any valuation, appraisal, stay, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of, or other similar event or proceeding affecting, Parent or any of its assets. No Guarantor will assert, plead or enforce against any Buyer any claim, defense or setoff available to such Guarantor against Parent. Each Guarantor waives presentment, demand for payment, notice of dishonor or nonpayment and protest of any instrument evidencing the Guaranteed Obligations. Buyers shall not be required first to resort for payment of the Guaranteed Obligations to Parent or any other Person, or their properties, or first to enforce, realize upon or exhaust any collateral security for the Guaranteed Obligations, before enforcing this Guaranty.

9. If Payments Set Aside, etc. If any payment applied by a Buyer to the Guaranteed Obligations is thereafter set aside, recovered, rescinded or required to be returned for any reason (including, without limitation, the bankruptcy, insolvency or reorganization of Parent or any other Obligor or Person), the Guaranteed Obligations to which such payment was applied shall for the purpose of this Guaranty be deemed to have continued in existence, notwithstanding such application, and this Guaranty shall be enforceable as to such Guaranteed Obligations as fully as if such application had never been made.

10. Additional Obligation of Guarantors. Each Guarantor's liability under this Guaranty is in addition to and shall be cumulative with all other liabilities of such Guarantor to Buyers as guarantor, surety, endorser, accommodation co-obligor or otherwise of any of the Guaranteed Obligations, without any limitation as to amount.

11. No Duties Owed by Buyer. Each Guarantor acknowledges and agrees that Buyers (a) have not made any representations or warranties with respect to, (b) do not assume any responsibility to such Guarantor for, and (c) have no duty to provide information to such Guarantor regarding, the enforceability of any of the Guaranteed Obligations or the financial condition of Parent or any other Obligor or Person. Each Guarantor has independently determined the creditworthiness of Parent and the enforceability of the Guaranteed Obligations and until Satisfaction in Full of the Guaranteed Obligations will independently, and without reliance on any Buyer, continue to make such determinations.

12. Miscellaneous.

(a) This Guaranty may be executed in two or more identical counterparts, all of which 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. In the event that any signature is delivered by facsimile transmission or by an e-mail which contains a portable document format (.pdf) file of an executed signature page, such signature page shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such signature page were an original thereof. Any party delivering an executed counterpart of this Guaranty by facsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Guaranty but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Guaranty.

(b) Any provision of this Guaranty which is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof in that jurisdiction or affecting the validity or enforceability of such provision in any other jurisdiction.

(c) Headings used in this Guaranty are for convenience only and shall not be used in connection with the interpretation of any provision hereof.

(d) The pronouns used herein shall include, when appropriate, either gender and both singular and plural, and the grammatical construction of sentences shall conform thereto.

(e) Unless the context of this Guaranty or any other Transaction Document clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the terms "includes" and "including" are not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or." The words "hereof," "herein," "hereby," "hereunder," and similar terms in this Guaranty or any other Transaction Document refer to this Guaranty or such other Transaction Document, as the case may be, as a whole and not to any particular provision of this Guaranty or such other Transaction Document, as the case may be. Section, subsection, clause, schedule, and exhibit references herein are to this Guaranty unless otherwise specified. Any reference in this Guaranty or in any other Transaction Document to any agreement, instrument, or document shall include all alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements, thereto and thereof, as applicable (subject to any restrictions on such alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements set forth herein). "**Satisfaction in Full of the Guaranteed Obligations**" shall mean the indefeasible payment in full in cash and discharge, or other satisfaction in accordance with the terms of the Transaction Documents and discharge, of all Guaranteed Obligations in full. For the avoidance of doubt, the "Satisfaction in Full of the Guaranteed Obligations" shall be deemed to have occurred upon the indefeasible payment in full and discharge, or other satisfaction, of (i) the Notes in accordance with their terms and (ii) all other Guaranteed Obligations as of such date. Any reference herein to any Person shall be construed to include such Person's permitted successors and permitted assigns.

(f) This Guaranty shall become effective as to each Guarantor upon execution by such Guarantor and delivery to each Buyer, without further act, condition or acceptance by such Buyer, and shall be binding upon each such Guarantor and the successors and assigns of each such Guarantor, and shall inure to the benefit of each Buyer and its participants, successors and assigns. This Guaranty may not be waived, modified, amended, terminated, released or otherwise changed except by a writing signed by each Guarantor and each Buyer. This Guaranty shall terminate automatically upon the payment in full and discharge, or other satisfaction, of the Notes in accordance with their terms.

(g) The language used in this Guaranty will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party. For clarification purposes, the Recitals are part of this Guaranty.

(h) All dollar amounts referred to in this Guaranty and the other Transaction Documents (as defined in the Securities Purchase Agreement) are in United States Dollars ("**U.S. Dollars**"), and all amounts owing under this Guaranty and all other Transaction Documents shall be paid in U.S. Dollars. All amounts denominated in other currencies shall be converted into the U.S. Dollar equivalent amount in accordance with the Exchange Rate on the date of calculation. "**Exchange Rate**" means, in relation to any amount of currency to be converted into U.S. Dollars pursuant to this Guaranty, the U.S. Dollar exchange rate as published in the Wall Street Journal on the relevant date of calculation.

(i) Judgment Currency.

(i) If for the purpose of obtaining or enforcing judgment against any Guarantor in any court in any jurisdiction it becomes necessary to convert into any other currency (such other currency being hereinafter in this Section 12(i) referred to as the "**Judgment Currency**") an amount due in U.S. Dollars under this Guaranty or any other Transaction Document, the conversion shall be made at the Exchange Rate prevailing on the Trading Day (as defined in the Warrant) immediately preceding: (1) the date actual payment of the amount due, in the case of any proceeding in the courts of New York or in the courts of any other jurisdiction that will give effect to such conversion being made on such date or (2) the date on which the foreign court determines, in the case of any proceeding in the courts of any other jurisdiction (the date as of which such conversion is made pursuant to this Section 12(i)(i) being hereinafter referred to as the "**Judgment Conversion Date**").

(ii) If in the case of any proceeding in the court of any jurisdiction referred to in Section 12(i)(i) above, there is a change in the Exchange Rate prevailing between the Judgment Conversion Date and the date of actual payment of the amount due, the applicable party shall pay such adjusted amount as may be necessary to ensure that the amount paid in the Judgment Currency, when converted at the Exchange Rate prevailing on the date of payment, will produce the amount of U.S. Dollars which could have been purchased with the amount of Judgment Currency stipulated in the judgment or judicial order at the Exchange Rate prevailing on the Judgment Conversion Date.

(iii) Any amount due from any Guarantor under this provision shall be due as a separate debt and shall not be affected by judgment being obtained for any other amounts due under or in respect of this Guaranty or any other Transaction Document.

(j) Taxes.

(i) Any and all payments by any Guarantor hereunder or under any other Transaction Document shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, imposed under any applicable law (collectively referred to as "**Taxes**") unless the applicable Guarantor is required to withhold or deduct any amounts for, or on account of, Taxes pursuant to any applicable law. If such Guarantor shall be required to withhold or deduct any Taxes from or in respect of any sum payable hereunder to Buyer, (i) the sum payable shall be increased by the amount by which the sum payable would otherwise have to be increased (the "**tax make-whole amount**") to ensure that after making all required withholdings and deductions (including deductions applicable to the tax make-whole amount) each Buyer would receive an amount equal to the sum it would have received had no such deductions been made, (ii) such Guarantor shall make such deductions and (iii) such Guarantor shall pay the full amount withheld or deducted to the relevant governmental authority within the time required.

(ii) In addition, each Guarantor agrees to pay to the relevant governmental authority in accordance with applicable law any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or in connection with the execution, delivery, registration or performance of, or otherwise with respect to, this Guaranty and the other Transaction Documents ("**Other Taxes**").

(iii) Each Guarantor shall deliver to Buyers official receipts, if any, in respect of any Taxes and Other Taxes payable hereunder promptly after payment of such Taxes and Other Taxes or other evidence of payment reasonably acceptable to Buyer.

(iv) If a Guarantor fails to pay any amounts in accordance with this Section 12(j), such Guarantor shall indemnify Buyers within ten (10) calendar days after written demand therefor, for the full amount of any Taxes or Other Taxes, plus any related interest or penalties, that are paid by Buyers to the relevant governmental authority or other relevant governmental authority as a result of such failure.

(v) The obligations of each Guarantor under this Section 12(j) shall survive the termination of this Guaranty and the Satisfaction in Full of the Guaranteed Obligations.

13. Additional Guarantors. In accordance with Section 14 of the Note, the Company shall cause each of its Subsidiaries formed or acquired on or subsequent to the date hereof to become a Guarantor for all purposes of this Guarantee by executing and delivering an Assumption Agreement in the form of Annex 1 hereto.

14. Notices. All notices and other communications provided for hereunder shall be given in the form and manner, and delivered to such addresses, as specified in the Securities Purchase Agreement.

15. Governing Law; Jurisdiction; Service of Process; Jury Trial. All questions concerning the construction, validity, enforcement and interpretation of this Guaranty shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. Each Guarantor hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper; provided, however, any suit seeking enforcement of this Guaranty may be brought, at a Buyer's option, in the courts of any jurisdiction where such Buyer elects to bring such action. Each Guarantor hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Guaranty and agrees that such service shall constitute good and sufficient service of process and notice thereof. Without limitation of the foregoing, each Guarantor hereby irrevocably appoints Parent as such Guarantor's agent for purposes of receiving and accepting any service of process hereunder. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. **EACH GUARANTOR HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

[*signature page follows*]

IN WITNESS WHEREOF, this Guaranty has been duly executed by each Guarantor as of the date set forth above.

MORRIA BIOPHARMACEUTICALS INC., a
Delaware corporation

By: _____
Name: _____
Title: _____

MORRIA BIOPHARM LTD, an Israeli corporation

By: _____
Name: _____
Title: _____

Acknowledged and Agreed:

MORRIA BIOPHARMACEUTICALS PLC, a
public limited company formed under
the laws of England and Wales

By: _____
Name: _____
Title: _____

Annex 1 to

SUBSIDIARY GUARANTY

ASSUMPTION AGREEMENT, dated as of ____ __, _____ made by _____, a _____ corporation (the "Additional Guarantor"), in favor of the Buyers pursuant to the Purchase Agreement referred to below. All capitalized terms not defined herein shall have the meaning ascribed to them in such Purchase Agreement.

WITNESSETH:

WHEREAS, Morria Biopharmaceuticals PLC, a public limited company formed under the laws of England and Wales (the "Company"), and the Buyers have entered into a Securities Purchase Agreement, dated as of March ___, 2012 (as amended, supplemented or otherwise modified from time to time, the "Purchase Agreement");

WHEREAS, in connection with the Purchase Agreement, the Subsidiaries of the Company (other than the Additional Guarantor) have entered into the Guaranty, dated as of March ____, 2012 (as amended, supplemented or otherwise modified from time to time, the "Guaranty") in favor of the Buyers;

WHEREAS, the Purchase Agreement requires the Additional Guarantor to become a party to the Guaranty; and

WHEREAS, the Additional Guarantor has agreed to execute and deliver this Assumption Agreement in order to become a party to the Guaranty;

NOW, THEREFORE, IT IS AGREED:

1 . Guaranty. By executing and delivering this Assumption Agreement, the Additional Guarantor, as provided in Section 13 of the Guaranty, hereby becomes a party to the Guaranty as a Guarantor thereunder with the same force and effect as if originally named therein as a Guarantor and, without limiting the generality of the foregoing, hereby expressly assumes all obligations and liabilities of a Guarantor thereunder. The information set forth in this Assumption Agreement is hereby added to the information set forth in the Guaranty. The Additional Guarantor hereby represents and warrants that each of the representations and warranties contained in Section 3 of the Guaranty is true and correct on and as the date hereof as to such Additional Guarantor (after giving effect to this Assumption Agreement) as if made on and as of such date.

2 . Governing Law. THIS ASSUMPTION AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the undersigned has caused this Assumption Agreement to be duly executed and delivered as of the date first above written.

[ADDITIONALGUARANTOR]

By: _____
Name: _____
Title: _____

Company Subsidiaries

1. Morria Biopharmaceuticals Inc. (Incorporation date: 2 December 2002; Jurisdiction: Delaware)
2. Morria Biopharma Ltd. (Incorporation date: 22 March 2011; Jurisdiction: Israel)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our firm under the caption "Statement by Experts" and to the use of our reports dated June 28, 2012 in the Registration Statement on Form 20-F of Morria Biopharmaceuticals, PLC., dated June 28, 2012.

Tel Aviv, Israel

June 28, 2012

/s/ Kost Forer Gabbay & Kasierer
KOST, FORER, GABBAY & KASIERER
A member of Ernst & Young Global