

<p>AVAC PHARMA LTD (“AVAC”)</p> <p>CHRONTECH PHARMA AB (“CHRONTECH”)</p> <p>TERM SHEET FOR ASSET PURCHASE AND LICENSE TRANSACTION</p>
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PROPOSED PURCHASE	ASSET	Pursuant to an Asset Purchase Agreement, CHRONTECH will transfer to AVAC certain assets and liabilities of CHRONTECH in consideration for the payment by AVAC to CHRONTECH of the Purchase Consideration (as defined below).
ASSETS AND LIABILITIES	AND	<p><u>Assets:</u></p> <p>CHRONTECH will transfer to AVAC all assets of CHRONTECH (including, without limitation, all intellectual property rights and regulatory submissions) relating to CHRONTECH's development programs to develop vaccines against hepatitis B (“Bvacc Development Program”) and hepatitis C (“Cvacc Development Program”).</p> <p><u>Liabilities:</u></p> <p>CHRONTECH will assign to AVAC the Loan Agreement dated 25 March 2013 between CHRONTECH and Sunninghill Ltd. (“Sunninghill Loan”). AVAC will not assume any other liabilities of CHRONTECH and no employees will transfer from CHRONTECH to AVAC.</p>
PROPOSED PURCHASE CONSIDERATION		<p>The Purchase Consideration will be comprised as follows:</p> <ol style="list-style-type: none"> 1. the assumption by AVAC of the Sunninghill Loan; and 2. deferred consideration of US\$1,000,000 to be paid by AVAC to CHRONTECH on or before the first anniversary of Closing.
PROPOSED REDUCTION OF CHRONTECH’S SHARE CAPITAL BY MEANS OF REDEMPTION OF SHARES		Redemption and cancellation of 80,274,975 shares in CHRONTECH held by AVAC immediately prior to the closing date (“ Closing ”) of the Asset Purchase Agreement (assuming that AVAC has purchased such shares from existing shareholders of CHRONTECH in a proposed share for share purchase transaction);
PROPOSED ISSUE OF WARRANTS BY AVAC TO SUNNINGHILL		AVAC shall issue to Sunninghill Ltd. warrants over 31,009,367 Ordinary Shares of AVAC at an exercise price of \$0.04 per Ordinary Share in consideration of provision of consent by Sunninghill Ltd. to CHRONTECH to the assignment of the Sunninghill Loan from CHRONTECH to AVAC.
PROPOSED WORLDWIDE EXCLUSIVE LICENSE FROM CHRONTECH TO AVAC OF CHRONTECH’S IVIN		<p>CHRONTECH and AVAC will enter into a worldwide Development and License Agreement whereby:</p> <ol style="list-style-type: none"> 1. CHRONTECH will grant AVAC a worldwide exclusive royalty free license to all relevant CHRONTECH intellectual property rights, know-how and improvements to develop, make, have made, use, offer for sale and sell any products comprised of a hepatitis vaccine in

DEVICE (“IVIN DEVICE”)	<p>combination with the IVIN DEVICE;</p> <ol style="list-style-type: none"> 2. AVAC will agree to fund the development of the IVIN DEVICE for use in combination with hepatitis vaccines from Closing up to the earlier to occur of (i) the date upon which AVAC has expended US\$1,500,000 on the development of the IVIN DEVICE; and (ii) the date upon which AVAC commences the first phase 2 trial clinical trial of any hepatitis vaccine; and 3. the development of the IVIN DEVICE referred to in paragraph 2 above for use in combination with hepatitis vaccines will be managed and controlled by AVAC at its sole discretion and CHRONTECH will provide all assistance requested by AVAC in relation to such development work by AVAC.
WARRANTIES UNDER THE ASSET PURCHASE AND LICENSE AND DEVELOPMENT AGREEMENTS	<p>Customary representations and warranties to be provided by CHRONTECH under the Asset Purchase Agreement and the License and Development Agreement.</p>
CONDITIONS PRECEDENT	<ol style="list-style-type: none"> 1. Approval by the board of directors of AVAC; 2. completion of due diligence by AVAC to its satisfaction; 3. all relevant shareholder approvals (if necessary); 4. no material adverse change occurs in relation to the Bvacc Development Program or Cvacc Development Program prior to Closing. <p>With respect to condition 3 above, CHRONTECH agrees to use best efforts to obtain all relevant approvals from its shareholders and any third parties to consummate the transactions described in this Term Sheet and all ancillary and related matters.</p> <p>The Sunninghill Loan and this Term Sheet were approved by the Board of Directors of CHRONTECH by resolutions passed by the Directors of CHRONTECH, excluding Dr Lachman and Mr Lynch who absented themselves from voting on such resolutions.</p>
CONFIDENTIALITY	<p>This term sheet is confidential and none of its provisions or terms shall be disclosed by either party other than to its officers, directors or other agents required to know the contents hereof for the purpose of consummating the transactions described herein, or except as required by law or under the rules of any relevant stock exchange.</p>
TRANSACTION FEES	<p>Each party will be responsible for its own fees in relation to the negotiation and consummation of the transactions described in this Term Sheet.</p>
GOVERNING LAW/JURISDICTION	<p>This Term Sheet shall be governed by the laws of Ireland and all disputes hereunder shall be subject to the exclusive jurisdiction of the Irish courts.</p>
OTHER	<p>The Term Sheet shall be non-binding on the parties hereto except with respect to Conditions Precedent, Confidentiality, Transaction Fees and Governing</p>

	Law/Jurisdiction (which provisions are intended to be legally binding between the parties).
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CHRONTECH PHARMA AB

By: _____

Name:

Title:

Date:

AVAC PHARMA LTD

By: _____

Name:

Title:

Date: