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

**FORM S-8
REGISTRATION STATEMENT**
*Under
The Securities Act of 1933*

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

Canada
(State or other jurisdiction of
incorporation or organization)

N/A
(I.R.S. Employer
Identification Number)

**8201 E. Riverside Dr.
Bldg. 4, Ste. 100
Austin, TX 78744**
(Address of Principal Executive Offices) (Zip Code)

**2005 INCENTIVE STOCK OPTION PLAN
2015 EQUITY INCENTIVE PLAN**
(Full title of plans)

**John Simard
President and Chief Executive Officer
XBiotech Inc.
8201 E. Riverside Dr. Bldg. 4, Ste. 100
Austin, TX 78744**
(Name and address of agent for service)

(512) 386-2900
(Telephone Number, including area code, of agent for service)

Copies to:

**David Andersen
Bryan Cave LLP
Legal Counsel, U.S.
120 Broadway, Suite 300
Santa Monica, California 90401-2386
(310) 576-2100**

**John Anderson
Stikeman Elliott LLP
Legal Counsel, Canada
Suite 1700, Park Place
666 Burrard Street
Vancouver, BC Canada V6C 2X8
(604) 631-1300**

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered (1)(2)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common stock, no par value per share				
—2005 Incentive Stock Option Plan	4,715,915	\$7.34 (3)	\$34,614,816.10	\$3,485.71
—2015 Equity Incentive Plan	1,000,000	\$16.21 (4)	\$16,210,000.00	\$1,632.35
TOTAL:	5,715,915		\$50,824,816.10	\$5,118.06

- (1) Pursuant to Rule 416(a) of the Securities Act of 1933, as amended (the “Securities Act”), this Registration Statement shall also cover any additional shares of common stock of XBiotech Inc. (the “Registrant”) that become issuable under the 2005 Incentive Stock Option Plan (the “2005 Plan”) and the 2015 Equity Incentive Plan (the “2015 Plan”) by reason of any stock dividend, stock split, recapitalization or other similar transaction effected without receipt of consideration that increases the number of the Registrant’s outstanding shares of common stock. In addition, pursuant to Rule 416(c) under the Securities Act, this Registration Statement also covers an indeterminate amount of interests to be offered or sold pursuant to the employee benefits plans described herein.
- (2) For the sole purpose of calculating the registration fee, the amount to be registered under this Registration Statement has been broken down into two subtotals.
- (3) Estimated in accordance with Rules 457(h) of the Securities Act solely for purposes of calculating the registration fee. The maximum offering price per share and maximum aggregate offering price are based upon the weighted average exercise price for shares subject to the outstanding options granted pursuant to the 2005 Plan.
- (4) This estimate is made pursuant to Rule 457(c) and Rule 457(h) of the Securities Act solely for purposes of calculating the registration fee. The maximum offering price per share and maximum aggregate offering price are based upon (i) the weighted average exercise price for shares subject to the outstanding options granted pursuant to the 2015 Plan with respect to 240,768 shares (ii) the average of the high and low sale prices of the Common Stock on October 12, 2015, as reported on the Nasdaq Global Select Stock Market with respect to unissued 2015 plan for 759,232 shares.

PART I

INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

Item 1. Plan Information.

Not required to be filed with this Registration Statement.

Item 2. Registrant Information and Employee Plan Annual Information.

Not required to be filed with this Registration Statement.

PART II

INFORMATION REQUIRED IN REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

The Registrant hereby incorporates by reference into this Registration Statement the following documents previously filed with the Securities and Exchange Commission (the "Commission"):

(1) The Registrant's Prospectus dated April 14, 2015 and filed with the Commission pursuant to Rule 424(b) under the Securities Act relating to the Registrant's Registration Statement on Form S-1 as amended (Registration No. 333-201813).

(2) The Registrant's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2015 and June 30, 2015, filed with the Commission on May 27, 2015 and August 14, 2015, respectively.

(3) The Registrant's Current Reports on Form 8-K filed with the Commission on April 20, 2015, May 5, 2015, May 19, 2015, May 29, 2015, June 2, 2015, June 11, 2015, July 1, 2015 and July 16, 2015.

(4) The description of the Registrant's Common Stock contained in the Registrant's registration statement on Form 8-A filed on April 14, 2015 (File No. 001-37347) pursuant to Section 12(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including any amendment or report filed for the purpose of updating such description.

All documents filed by the Registrant pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act on or after the date of this Registration Statement and prior to the filing of a post-effective amendment to this Registration Statement that indicates that all securities offered have been sold or that deregisters all securities then remaining unsold shall be deemed to be incorporated by reference in this Registration Statement and to be part hereof from the date of filing of such documents; *provided, however*, that documents or information deemed to have been furnished and not filed in accordance with the rules of the Commission shall not be deemed incorporated by reference into this Registration Statement. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any subsequently filed document which also is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

Item 4. Description of Securities.

Not applicable.

Item 5. Interests of Named Experts and Counsel.

Not applicable.

Item 6. Indemnification of Directors and Officers.

The Registrant is subject to the provisions of Part 5, Division 5 of the Business Corporations Act (British Columbia) (BCBCA).

Under Section 160 of the BCBCA, the Registrant may, subject to Section 163 of the BCBCA:

(1) indemnify an individual who:

- is or was a director or officer of the Registrant;
- is or was a director or officer of another corporation (i) at a time when such corporation is or was an affiliate of the Registrant; or (ii) at the Registrant's request, or
- at the Registrant's request, is or was, or holds or held a position equivalent to that of, a director or officer of a partnership, trust, joint venture or other unincorporated entity, and including, subject to certain limited exceptions, the heirs and personal or other legal representatives of that individual (collectively, an "eligible party"), against all eligible penalties to which the eligible party is or may be liable; and

(2) after final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by an eligible party in respect of that proceeding, where:

"eligible penalty" means a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, and eligible proceeding.

"eligible proceeding" means a proceeding in which an eligible party or any of the heirs and personal or other legal representatives of the eligible party, by reason of the eligible party being or having been a director or officer of, or holding or having held a position equivalent to that of a director or officer of, the Registrant or an associated corporation (i) is or may be joined as a party, or (ii) is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding.

"proceeding" includes any legal proceeding or investigative action, whether current, threatened, pending or completed.

Under Section 161 of the BCBCA, and subject to Section 163 of the BCBCA, the Registrant must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by an eligible party in respect of that proceeding if the eligible party (i) has not been reimbursed for those expenses, and (ii) is wholly successful, on the merits or otherwise, in the outcome of the proceeding or is substantially successful on the merits in the outcome of the proceeding.

Under Section 162 of the BCBCA, and subject to Section 163 of the BCBCA, the Registrant may pay, as they are incurred in advance of the final disposition of an eligible proceeding, the expenses actually and reasonably incurred by an eligible party in respect of the proceeding, provided that the Registrant must not make such payments unless the Registrant first receives from the eligible party a written undertaking that, if it is ultimately determined that the payment of expenses is prohibited under Section 163 of the BCBCA, the eligible party will repay the amounts advanced.

Under Section 163 of the BCBCA, the Registrant must not indemnify an eligible party against eligible penalties to which the eligible party is or may be liable or pay the expenses of an eligible party in respect of that proceeding under Sections 160, 161 or 162 of the BCBCA, as the case may be, if any of the following circumstances apply:

- if the indemnity or payment is made under an earlier agreement to indemnify or pay expenses and, at the time that the agreement to indemnify or pay expenses was made, the Registrant was prohibited from giving the indemnity or paying the expenses by the Registrant's memorandum or articles;
- if the indemnity or payment is made otherwise than under an earlier agreement to indemnify or pay expenses and, at the time that the indemnity or payment is made, the Registrant is prohibited from giving the indemnity or paying the expenses by the Registrant's memorandum or articles;
- if, in relation to the subject matter of the eligible proceeding, the eligible party did not act honestly and in good faith with a view to the best interests of the Registrant or the associated corporation, as the case may be; or
- in the case of an eligible proceeding other than a civil proceeding, if the eligible party did not have reasonable grounds for believing that the eligible party's conduct in respect of which the proceeding was brought was lawful.

If an eligible proceeding is brought against an eligible party by or on behalf of the Registrant or by or on behalf of an associated corporation, the Registrant must not either indemnify the eligible party against eligible penalties to which the eligible party is or may be liable, or pay the expenses of the eligible party under Sections 160, 161 or 162 of the BCBCA, as the case may be, in respect of the proceeding.

Under Section 164 of the BCBCA, and despite any other provision of Part 5, Division 5 of the BCBCA and whether or not payment of expenses or indemnification has been sought, authorized or declined under Part 5, Division 5 of the BCBCA, on application of the Registrant or an eligible party, the Supreme Court of British Columbia may do one or more of the following:

- order us to indemnify an eligible party against any liability incurred by the eligible party in respect of an eligible proceeding;
- order us to pay some or all of the expenses incurred by an eligible party in respect of an eligible proceeding;
- order the enforcement of, or payment under, an agreement of indemnification entered into by us;
- order us to pay some or all of the expenses actually and reasonably incurred by any person in obtaining an order under Section 164 of the BCBCA; or

- make any other order the court considers appropriate.

Section 165 of the BCBCA provides that the Registrant may purchase and maintain insurance for the benefit of an eligible party or the heirs and personal or other legal representatives of the eligible party against any liability that may be incurred by reason of the eligible party being or having been a director or officer of, or holding or having held a position equivalent to that of a director or officer of, the Registrant or an associated corporation.

Under the Registrant's articles, and subject to the BCBCA, the Registrant must indemnify an eligible party and his or her heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and the Registrant must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. Each eligible party is deemed to have contracted with the Registrant on the terms of the indemnity contained in the Registrant's articles.

Under the Registrant's articles, and subject to the BCBCA, the Registrant may agree to indemnify and may indemnify any person (including an eligible party) against eligible penalties and pay expenses incurred in connection with the performance of services by that person for us.

Under the Registrant's articles, and subject to the BCBCA, the Registrant may advance expenses to an eligible party.

Pursuant to the Registrant's articles, the failure of an eligible party to comply with the BCBCA or the Registrant's articles does not, of itself, invalidate any indemnity to which he or she is entitled under the Registrant's articles.

Under the Registrant's articles, the Registrant may purchase and maintain insurance for the benefit of an eligible person (or his or her heirs or legal personal representatives) against any liability incurred by him or her as a director, officer or person who holds or held such equivalent position.

Item 7. Exemption from Registration Claimed.

Not applicable.

Item 8. Exhibits

The Exhibit Index to this Registration Statement is incorporated herein by reference as the list of exhibits required as part of this Registration Statement.

Item 9. Undertakings.

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement;

(ii) securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the Registration Statement is on Form S-8, and the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in the Registration Statement; and

- (2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.
 - (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.
- (b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.
- (c) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.
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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Austin, State of Texas, on this 16th day of October, 2015.

XBIOTECH INC.

/s/ John Simard

Name: John Simard

Title: President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints John Simard, as his true and lawful attorney-in-fact and agent with full power of substitution, for him in any and all capacities, to sign any and all amendments to this registration statement (including post-effective amendments), and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact, proxy and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact, proxy and agent, or his substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ John Simard</u> John Simard	President, Chief Executive Officer and Chairman of the Board of Directors <i>(Principal Executive Officer)</i>	October 16, 2015
<u>/s/ Queena Han</u> Queen Han	Vice President, Finance & Human Resources, Secretary <i>(Principal Financial and Accounting Officer)</i>	October 16, 2015
<u>/s/ Daniel Vasella</u> Daniel Vasella, M.D.	Director	October 16, 2015
<u>/s/ Fabrizio Bonanni</u> Fabrizio Bonanni, Dr. Chem.	Director	October 16, 2015
<u>/s/ William Thorpe McKenzie</u> William Thorpe McKenzie	Director	October 16, 2015

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
4.1	Certificate of Continuation dated September 23, 2005, issued by the Registrar of Companies, Province of British Columbia, Canada	S-1	333-201813	3.1	February 2, 2015
4.2	Notice of Articles, dated December 8, 2005, issued by the Registrar of Companies, Province of British Columbia, Canada	S-1	333-201813	3.2	February 2, 2015
4.3	Articles of XBiotech Inc. (Unofficial Consolidation)	S-1/A	333-201813	3.3	March 27, 2015
4.4	XBiotech 2005 Incentive Stock Option Plan (Restated to Reflect Amendments to Date)				
4.5	XBiotech Inc. 2015 Equity Incentive Plan	S-1/A	333-201813	10.11	March 10, 2015
5.1	Opinion of Stikeman Elliott LLP				
23.1	Consent of Independent Registered Public Accounting Firm				
23.2	Consent of Stikeman Elliott LLP (contained in Exhibit 5.1 hereto)				
24.1	Power of Attorney (contained on signature page hereto)				

XBIOTECH INC.

**XBIOTECH 2005 INCENTIVE STOCK OPTION PLAN
(RESTATED TO REFLECT AMENDMENTS TO DATE)**

XBIOTECH INC.

XBIOTECH 2005 INCENTIVE STOCK OPTION PLAN

1. PURPOSE OF THE PLAN

1.1 Purpose of this Plan. The purpose of this Plan is to promote the interests of the Company by:

- (a) furnishing certain directors, officers, employees or consultants of the Company or an Affiliate or other persons as the Compensation Committee may approve with greater incentive to further develop and promote the business and financial success of the Company;
- (b) furthering the identity of interests of persons to whom options may be granted with those of the shareholders of the Company generally through share ownership in the Company; and
- (c) assisting the Company in attracting, retaining and motivating its directors, officers, employees and consultants.

The Company believes that these purposes may best be effected by granting Options to acquire Common Shares.

2. DEFINITIONS

2.1 Definitions. In this Plan, unless there is something in the subject matter or context inconsistent therewith, capitalized words and terms will have the following meanings:

- (a) "**Affiliate**" means a corporation that is an affiliate of the Company under the *Securities Act* (British Columbia), as amended from time to time;
 - (b) "**Board of Directors**" means the board of directors of the Company as constituted from time to time;
 - (a) "**Change in Control**" means:
 - (i) any merger or consolidation in which voting securities of the Company possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction and the composition of the Board of Directors following such transaction is such that the directors of the Company prior to the transaction constitute less than fifty percent (50%) of the Board of Directors membership following the transaction;
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- (ii) any acquisition, directly or indirectly, by a person or related group of persons (other than the Company or a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership of voting securities of the Company possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities;
- (iii) any acquisition, directly or indirectly, by a person or related group of persons of the right to appoint a majority of the directors of the Company or otherwise directly or indirectly control the management, affairs and business of the Company;
- (iv) any sale, transfer or other disposition of all or substantially all of the assets of the Company; and
- (v) a complete liquidation or dissolution of the Company;

provided however, that a Change in Control shall not be deemed to have occurred if such Change in Control results solely from the issuance, in connection with a bona fide financing or series of financings by the Company or any of its Affiliates, of voting securities of the Company or any of its Affiliates or any rights to acquire voting securities of the Company or any of its Affiliates which are convertible into voting securities;

- (c) "**Common Shares**" means the common shares in the capital of the Company as constituted on the Effective Date, provided that if the rights of any Participant are subsequently adjusted pursuant to Article 9 hereof, "Common Shares" thereafter means the shares or other securities or property which such Participant is entitled to purchase after given effect to such adjustment;
- (d) "**Compensation Committee**" meaning ascribed thereto in Section 5.1 of this Plan;
- (e) "**Consultant**" means any individual, corporation or other person engaged to provide ongoing valuable services to the Company or an Affiliate;
- (f) "**Company**" means XBiotech Inc. and includes any successor corporation thereto;
- (g) "**Effective Date**" has the meaning ascribed thereto by Section 3.1 of this Plan;
- (h) "**Eligible Person**" means a director, officer, employee or Consultant of the Company or an Affiliate or a person otherwise approved by the Compensation Committee;
- (i) "**Exercise Price**" means the price per Common Share at which a Participant may purchase Common Shares pursuant to an Option, provided that if such price is adjusted pursuant to Section 9.1 hereof, "Exercise Price" thereafter means the price per Common Share at which such Participant may purchase Common Shares pursuant to such Option after giving effect to such adjustment;

- (j) **"Legal Representative"** has the meaning ascribed thereto by Section 6.7 of this Plan;
- (k) **"Merger and Acquisition Transaction"** means:
 - (i) any merger;
 - (ii) any acquisition;
 - (iii) any amalgamation;
 - (iv) any offer for shares of the Company which if successful would entitle the offeror to acquire all of the voting securities of the Company; or
 - (v) any arrangement or other scheme of reorganization;that results in a Change in Control;
- (l) **"Options"** means stock options granted hereunder to purchase Common Shares from treasury pursuant to the terms and conditions hereof and as evidenced by an Option Agreement and "Option" means any one of them;
- (m) **"Option Agreement"** means an agreement evidencing an Option, entered into by and between the Company and an Eligible Person;
- (n) **"Outstanding Common Shares"** at the time of any share issuance or grant of Options means the number of Common Shares that are outstanding immediately prior to the share issuance or grant of Options in question, on a non-diluted basis, excluding Common Shares issued pursuant to share compensation arrangements over the preceding one-year period, or such other number as may be determined under the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the Stock Exchange;
- (o) **"Participant"** means a person to whom Options have been granted under this Plan;
- (p) **"Plan"** means the XBiotech 2005 Incentive Stock Option Plan, as the same may from time to time be supplemented or amended and in effect;
- (q) **"Stock Exchange"** means such stock exchange or other organized market on which the Common Shares are listed or posted for trading;
- (r) **"U.S. Exchange Act"** means the U.S. Securities Exchange Act of 1934, as amended from time to time;

- (s) **"U.S. Internal Revenue Code"** means the Internal Revenue Code of 1986 of the United States, as amended from time to time;
- (t) **"U.S. Nonqualified Stock Option"** means an Option to purchase Common Shares other than a U.S. Qualified Incentive Stock Option;
- (u) **"U.S. Optionee"** means a Participant who is a citizen or a resident of the United States (including its territories, possessions and all areas subject to the jurisdiction); and
- (v) **"U.S. Qualified Incentive Stock Option"** means an Option to purchase Common Shares with the intention that it qualify as an "incentive stock option" as that term is defined in Section 422 of the U.S. Internal Revenue Code, such intention being evidenced by the resolutions of the Compensation Committee at the time of grant.

3. EFFECTIVE DATE OF PLAN

3.1 Effective Date of this Plan. The effective date (the "Effective Date") of this Plan is November 11, 2005, the date on which this Plan was deemed to be adopted by the Board of Directors.

4. COMMON SHARES SUBJECT TO PLAN

4.1 Common Shares Subject to this Plan. The aggregate number of Common Shares in respect of which Options may be granted pursuant to this Plan shall not exceed 6,000,000. The number of Common Shares in respect of which Options may be granted pursuant to this Plan may be increased, decreased or fixed by the Board of Directors, as permitted under the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the Stock Exchange.

4.2 Regranting of Shares. Upon the expiry, termination or surrender of an Option which has not been exercised in full, the number of Common Shares reserved for issuance under that Option which have not been issued shall become available for issue for the purpose of additional Options which may be granted under this Plan.

4.3 Reservation of Shares. The Board of Directors will reserve for allotment from time to time out of the authorized but unissued Common Shares sufficient Common Shares to provide for issuance of all Common Shares which are issuable under all outstanding Options.

4.4 No Fractional Shares. No fractional Common Shares may be purchased or issued under this Plan.

5. ADMINISTRATION OF PLAN

5.1 Administration of Plan. The Board of Directors may at any time appoint a committee (the "Compensation Committee") to, among other things, interpret, administer and implement this Plan on behalf of the Board of Directors in accordance with such terms and conditions as the Board of Directors may prescribe, consistent with this Plan (provided that if at any such time such a committee has not been appointed by the Board of Directors, this Plan will be administered by the Board of Directors, and in such event references herein to the Compensation Committee shall be construed to be a reference to the Board of Directors). The Board of Directors will take such steps which in its opinion are required to ensure that the Compensation Committee has the necessary authority to fulfil its functions under this Plan.

5.2 Powers of Compensation Committee. The Compensation Committee is authorized, subject to the provisions of this Plan, to establish from time to time such rules and regulations, make such determinations and to take such steps in connection with this Plan as in the opinion of the Compensation Committee are necessary or desirable for the proper administration of this Plan. For greater certainty, without limiting the generality of the foregoing, the Compensation Committee will have the power, where consistent with the general purpose and intent of this Plan and subject to the specific provisions of this Plan and any approval of the Stock Exchange, if applicable:

- (a) to interpret and construe this Plan and any Option Agreement and to determine all questions arising out of this Plan and any Option Agreement, and any such interpretation, construction or determination made by the Compensation Committee will be final, binding and conclusive for all purposes;
- (b) to determine to which Eligible Persons Options are granted, and to grant, Options;
- (c) to determine the number of Common Shares covered by each Option;
- (d) to determine the Exercise Price for each Option;
- (e) to determine the time or times when Options will be granted, vest and be exercisable and to determine when it is appropriate to accelerate when Options otherwise subject to vesting may be exercised;
- (f) to determine if the Common Shares that are subject to an Option will be subject to any restrictions or repurchase rights upon the exercise of such Option including, where applicable, the endorsement of a legend on any certificate representing Common Shares acquired on the exercise of any Option to the effect that such Common Shares may not be offered, sold or delivered except in compliance with the applicable securities laws and regulations of Canada, the United States or any other country and if any rights or restrictions exist they will be described in the applicable option agreement;
- (g) to determine the expiration date for each Option and to extend the period of time for which any Option is to remain exercisable in appropriate circumstances, including, without limitation, in the event of the Participant's cessation of service or in the event of a prolonged Company-mandated trading restriction period, provided that such date may not be later than the earlier of (A) the date which is the tenth anniversary of the date on which such Option is granted, and (B) the latest date permitted under the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the Stock Exchange;

- (h) to prescribe the form of the instruments relating to the grant, exercise and other terms of Options;
- (i) to enter into an Option Agreement evidencing each Option which will incorporate such terms as the Compensation Committee in its discretion deems consistent with this Plan;
- (j) to take such steps and require such documentation from Eligible Persons which in its opinion are necessary or desirable to ensure compliance with the rules and regulations of the Stock Exchange and all applicable laws;
- (k) to adopt such modifications, procedures and subplans as may be necessary or desirable to comply with the provisions of the laws of Canada, the United States and other countries in which the Company or its Affiliates may operate to ensure the viability and maximization of the benefits from the Options granted to Participants residing in such countries and to meet the objectives of this Plan; and
- (l) to determine such other matters as provided for herein.

6. GRANT OF OPTIONS

Subject to the rules set out below, the Compensation Committee (or in the case of any proposed Participant who is a member of the Compensation Committee, the Board of Directors) may from time to time grant to any Eligible Person one or more Options as the Compensation Committee deems appropriate:

6.1 Date Option Granted. The date on which an Option will be deemed to have been granted under this Plan will be the date on which the Compensation Committee authorizes the grant of such Option or such other date as may be specified by the Compensation Committee at the time of such authorization.

6.2 Number of Common Shares/Maximum Grant. The number of Common Shares that may be purchased under any Option will be determined by the Compensation Committee, provided that the number of Common Shares reserved for issuance to any one person pursuant to this Plan shall not, in aggregate, exceed 5% of the total number of Outstanding Common Shares. A Participant who holds Options at the time of granting an Option, may hold more than one Option.

6.3 Exercise Price. The Exercise Price per Common Share under each Option will be the fair market value of such shares at the time of grant, expressed in terms of money, as determined by the Compensation Committee, in its sole discretion, provided that such price may not be less than the lowest price permitted under the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the Stock Exchange.

6.4 Option Agreements. Each Option will be evidenced by an Option Agreement which incorporates such terms and conditions as the Compensation Committee in its discretion deems appropriate and consistent with the provisions of this Plan (and the execution and delivery by the Company of an Option Agreement with a Participant shall be conclusive evidence that such Option Agreement incorporates terms and conditions approved by the Compensation Committee and is consistent with the provisions of this Plan). Each Option Agreement will be executed by the Participant to whom the Option is granted and on behalf of the Company by any member of the Compensation Committee or any officer of the Company or such other person as the Compensation Committee may designate for such purpose.

6.5 Term of Options. Each Option will expire on the earlier of:

- (a) the date determined by the Compensation Committee and specified in the Option Agreement pursuant to which such Option is granted, provided that such date may not be later than the earlier of (A) the date which is the tenth anniversary of the date on which such Option is granted, and (B) the latest date permitted under the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the Stock Exchange;
- (b) in the event the Participant ceases to be an Eligible Person for any reason, other than the death of the Participant or the termination of the Participant for cause, such period of time after the date on which the Participant ceases to be an Eligible Person as may be specified by the Compensation Committee, which date shall not exceed three months following the termination of the Participant's employment with the Company or in the case of options granted to a director or Consultant, three months following the Participant ceasing to be a director or a Consultant, unless the Compensation Committee otherwise determines, and which period will be specified in the Option Agreement with the Participant with respect to such Option;
- (c) in the event of the termination of the Participant as a director, officer, employee or Consultant of the Company or an Affiliate for cause, the date of such termination;
- (d) in the event of the death of a Participant prior to: (A) the Participant ceasing to be an Eligible Person; or (B) the date which is the number of days specified by the Compensation Committee pursuant to subparagraph (b) above from the date on which the Participant ceased to be an Eligible Person; the date which is one year after the date of death of such Participant or such other date as may be specified by the Compensation Committee and which period will be specified in the Option Agreement with the Participant with respect to such Option; and
- (e) notwithstanding the foregoing provisions of subparagraphs (b), (c) and (d) of this Section 6.5, the Compensation Committee may, subject to regulatory approval, at any time prior to expiry of an Option extend the period of time within which an Option may be exercised by a Participant who has ceased to be an Eligible Person, but such an extension shall not be granted beyond the original expiry date of the Option as provided for in subparagraph (a) above.

Notwithstanding the foregoing, except as expressly permitted by the Compensation Committee, all Options will cease to vest as at the date upon which the Participant ceases to be an Eligible Person.

6.6 Change in Status. A change in the status, office, position or duties of a Participant from the status, office, position or duties held by such Participant on the date on which the Option was granted to such Participant will not result in the termination of the Option granted to such Participant provided that such Participant remains a director, officer, employee or Consultant of the Company or an Affiliate.

6.7 Non-Transferability of Options. Each Option Agreement will provide that the Option granted thereunder is not transferable or assignable and may be exercised only by the Participant or, in the event of the death of the Participant or the appointment of a committee or duly appointed attorney of the Participant or of the estate of the Participant on the grounds that the Participant is incapable, by reason of physical or mental infirmity, of managing their affairs, the Participant's legal representative or such committee or attorney, as the case may be (the "Legal Representative").

6.8 Representations and Covenants of Participants. Each Option Agreement will contain representations and covenants of the Participant that:

- (a) the Participant is a director, officer, employee, or Consultant of the Company or an Affiliate or a person otherwise approved as an "Eligible Person" under this Plan by the Compensation Committee;
- (b) the Participant has not been induced to enter into such Option Agreement by the expectation of employment or continued employment with the Company or an Affiliate;
- (c) the Participant is aware that the grant of the Option and the issuance by the Company of Common Shares thereunder are exempt from the obligation under applicable securities laws to file a prospectus or other registration document qualifying the distribution of the Options or the Common Shares to be distributed thereunder under any applicable securities laws;
- (d) upon each exercise of an Option, the Participant, or the Legal Representative of the Participant, as the case may be, will, if requested by the Company, represent and agree in writing that the person is, or the Participant was, a director, officer, employee or Consultant of the Company or an Affiliate or a person otherwise approved as an "Eligible Person" under this Plan by the Compensation Committee and has not been induced to purchase the Common Shares by expectation of employment or continued employment with the Company or an Affiliate, and that such person is not aware of any commission or other remuneration having been paid or given to others in respect of the trade in the Common Shares; and
- (e) if the Participant or the Legal Representative of the Participant exercises the Option, the Participant or the Legal Representative, as the case may be, will prior to and upon any sale or disposition of any Common Shares purchased pursuant to the exercise of the Option, comply with all applicable securities laws and all applicable rules and regulations of all regulatory authorities to which the Company is subject, including the Stock Exchange, and will not offer, sell or deliver any of such Common Shares, directly or indirectly, in the United States or to any citizen or resident of, or any Company, partnership or other entity created or organized in or under the laws of, the United States, or any estate or trust the income of which is subject to United States federal income taxation regardless of its source, except in compliance with the securities laws of the United States.

6.9 Provisions Relating to Share Issuances. Each Option Agreement will contain such provisions as in the opinion of the Compensation Committee are required to ensure that no Common Shares are issued on the exercise of an Option unless the Compensation Committee is satisfied that the issuance of such Common Shares will be exempt from all registration or qualification requirements of applicable securities laws and will be permitted under the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the Stock Exchange. In particular, if required by any regulatory authority to which the Company is subject, including the Stock Exchange, an Option Agreement may provide that shareholder approval to the grant of an Option must be obtained prior to the exercise of the Option or to the amendment of the Option Agreement.

7. U.S. QUALIFIED INCENTIVE STOCK OPTION PROVISIONS

To the extent required by Section 422 of the U.S. Internal Revenue Code, U.S. Qualified Incentive Stock Options shall be subject to the following additional terms and conditions and if there is any conflict between the terms of this Article and other provisions under this Plan, the provisions under this Article shall prevail:

7.1 Eligible Employees. All classes of employees of the Company or one of its parent corporations or subsidiary corporations may be granted U.S. Qualified Incentive Stock Options. U.S. Qualified Incentive Stock Options shall only be granted to U.S. Optionees who are, at the time of grant, officers, key employees or directors of the Company or one of its parent corporations or subsidiary corporations (provided, for purposes of this Article 7 only, such directors are then also officers or key employees of the Company or one of its parent corporations or subsidiary corporations). For purposes of this Article 7, "parent corporation" and "subsidiary corporation" shall have the meanings attributed to those terms for the purposes of Section 422 of the U.S. Internal Revenue Code. Any director of the Company who is a U.S. Optionee shall be ineligible to vote upon the granting of such Option; and for greater certainty, contractors of the Company or subsidiary corporations may not be granted U.S. Qualified Incentive Stock Options.

7.2 Dollar Limitation. To the extent the aggregate fair market value (determined as of the grant date) of Common Shares with respect to which U.S. Qualified Incentive Stock Options are exercisable for the first time by a U.S. Optionee during any calendar year (under this Plan and all other stock option plans of the Company) exceeds U.S. \$100,000, such portion in excess of U.S. \$100,000 shall be treated as a U.S. Nonqualified Stock Option. In the event the U.S. Optionee holds two or more such Options that become exercisable for the first time in the same calendar year, such limitation shall be applied on the basis of the order in which such Options are granted.

7.3 10% Shareholders. If any U.S. Optionee to whom an U.S. Qualified Incentive Stock Option is to be granted under this Plan at the time of the grant of such U.S. Qualified Incentive Stock Option is the owner of shares possessing more than ten percent (10%) of the total combined voting power of all classes of shares of the Company, then the following special provisions shall be applicable to the U.S. Qualified Incentive Stock Option granted to such individual:

- (i) the Exercise Price (per Common Share) subject to such U.S. Qualified Incentive Stock Option shall not be less than one hundred ten percent (110%) of the fair market value of one Common Share at the time of grant; and
- (ii) for the purposes of this Article 7 only, the option exercise period shall not exceed five (5) years from the date of grant.

The determination of 10% ownership shall be made in accordance with Section 422 of the U.S. Internal Revenue Code.

7.4 Exercisability. To qualify for U.S. Qualified Incentive Stock Option tax treatment, an Option designated as a U.S. Qualified Incentive Stock Option must be exercised within three months after termination of employment for reasons other than death, except that, in the case of termination of employment due to total disability, such Option must be exercised within one year after such termination. Employment shall not be deemed to continue beyond the first 90 days of a leave of absence unless the U.S. Optionee's reemployment rights are guaranteed by statute or contract. For purposes of this Section 7.4, "total disability" shall mean a mental or physical impairment of the U.S. Optionee which is expected to result in death or which has lasted or is expected to last for a continuous period of 12 months or more and which causes the U.S. Optionee to be unable, in the opinion of the Company and two independent physicians, to perform his or her duties for the Company and to be engaged in any substantial gainful activity. Total disability shall be deemed to have occurred on the first day after the Company and the two independent physicians have furnished their opinion of total disability to the Compensation Committee.

7.5 Taxation of U.S. Qualified Incentive Stock Options. In order to obtain certain tax benefits afforded to U.S. Qualified Incentive Stock Options under Section 422 of the U.S. Internal Revenue Code, the U.S. Optionee must hold the Common Shares issued upon the exercise of a U.S. Qualified Incentive Stock Option for two years after the date of grant of the U.S. Qualified Incentive Stock Option and one year from the date of exercise. A U.S. Optionee may be subject to U.S. alternative minimum tax at the time of exercise of a U.S. Qualified Incentive Stock Option. The Compensation Committee may require a U.S. Optionee to give the Company prompt notice of any disposition of shares acquired by the exercise of a U.S. Qualified Incentive Stock Option prior to the expiration of such holding periods.

7.6 Transferability. No U.S. Qualified Incentive Stock Option granted under this Plan may be assigned or transferred by the U.S. Optionee other than by will or by the laws of descent and distribution, and during the U.S. Optionee's lifetime, such U.S. Qualified Incentive Stock Option may be exercised only by the U.S. Optionee.

7.7 Compensation Committee Governance if U.S. Registrant. If and so long as the Common Shares are registered under Section 12(b) or 12(g) of the U.S. Securities Exchange Act, the Board of Directors will consider in selecting the members of the Compensation Committee, with respect to any persons subject or likely to become subject to Section 16 of the U.S. Securities Exchange Act, the provisions regarding "nonemployee directors" as contemplated by Rule 16b-3 under the U.S. Securities Exchange Act.

7.8 Exercise Price. Notwithstanding Section 6.3, no U.S. Qualified Incentive Stock Option granted under the Plan shall have an Exercise Price less than the fair market value of the underlying Common Shares at the date of grant of such Option, as determined at such time in good faith by the Board or Directors or the Compensation Committee, as the case may be.

7.9 Approval by Shareholders. No U.S. Qualified Incentive Stock Option granted to a U.S. Optionee under this Plan shall become exercisable unless and until this Plan shall have been approved by the shareholders of the Company within 12 months of approval by the Board of Directors of the Company.

7.10 Option Agreements. Each Option will be evidenced by an Option Agreement which incorporates such terms and conditions as the Compensation Committee in its discretion deems appropriate and consistent with the provisions of this Plan (and the execution and delivery by the Company of an Option Agreement with a Participant shall be conclusive evidence that such Option Agreement incorporates terms and conditions approved by the Compensation Committee and is consistent with the provisions of this Plan). Each Option Agreement will be executed by the Participant to whom the Option is granted and on behalf of the Company by any member of the Compensation Committee or any officer of the Company or such other person as the Compensation Committee may designate for such purpose. Each Option Agreement will specify the reasons for the Company granting Options to such Participant.

8. EXERCISE OF OPTIONS

8.1 Exercise of Options. Subject to the terms and conditions of this Plan, the Compensation Committee may impose such limitations or conditions on the exercise or vesting of any Option as the Compensation Committee in its discretion deems appropriate, including limiting the number of Common Shares for which any Option may be exercised during any period as may be specified by the Compensation Committee and which number of Common Shares for which such Option may be exercised in any period will be specified in the Option Agreement with respect to such Option. Each Option Agreement will provide that the Option granted thereunder may be exercised only by notice signed by the Participant or the Legal Representative of the Participant and accompanied by full payment for the Common Shares being purchased. Such consideration may be paid in any combination of the following:

- (a) cash, bank draft or certified cheque;
- (b) pursuant to a cashless exercise arrangement with a broker;
- (c) with the prior written consent of the Compensation Committee, through net exercise by reducing the number of Common Shares otherwise deliverable upon exercise of an Option by such number of Common Shares as have, as determined by the Compensation Committee, an aggregate fair market value equal to the Exercise Price at the time of exercise; or

- (d) such other consideration as the Compensation Committee may permit consistent with applicable laws.

As soon as practicable after any exercise of an Option, a certificate or certificates representing the Common Shares in respect of which such Option is exercised will be delivered by the Company to the Participant.

8.2 Withholding Tax. The Participant will be solely responsible for paying any applicable withholding taxes arising from the grant, vesting or exercise of any Option and payment is to be made in a manner satisfactory to the Company. Notwithstanding the foregoing, the Company will have the right to withhold from any Option or any Common Shares issuable pursuant to an Option or from any cash amounts otherwise due or to become due from the Company to the Participant, an amount equal to any such taxes.

8.3 Conditions. Notwithstanding any of the provisions contained in this Plan or in any Option Agreement, the Company's obligation to issue Common Shares to a Participant pursuant to the exercise of an Option will be subject to, if applicable:

- (a) completion of such registration or other qualification of such Common Shares or obtaining approval of such governmental authority as the Company will determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
- (b) the admission of such Common Shares to listing or quotation on the Stock Exchange; and
- (c) the receipt from the Participant of such representations, agreements and undertakings, including as to future dealings in such Common Shares, as the Company or its counsel determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

9. SUSPENSION, AMENDMENT OR TERMINATION OF PLAN

9.1 Suspension, Amendment or Termination of Plan. This Plan will terminate on the tenth anniversary of the Effective Date. The Compensation Committee will have the right at any time to suspend, amend or terminate this Plan in any manner including, without limitation, to reflect any requirements of any regulatory authorities to which the Company is subject, including the Stock Exchange, and on behalf of the Company agree to any amendment to any Option Agreement provided that the Compensation Committee in its discretion deems such amendment consistent with the terms of this Plan and all procedures and necessary approvals required under the applicable rules and regulations of all regulatory authorities to which the Company is subject are complied with and obtained, but the Compensation Committee will not have the right to:

- (a) affect in a manner that is adverse or prejudicial to, or that impairs, the benefits and rights of any Participant under any Option previously granted under this Plan (except as permitted pursuant to Article 10 and except for the purpose of complying with applicable securities laws or the bylaws, rules and regulations of any regulatory authority to which the Company is subject, including the Stock Exchange);

- (b) decrease the number of Common Shares which may be purchased pursuant to any Option (except as permitted pursuant to Article 10) without the consent of such Participant;
- (c) increase the Exercise Price at which Common Shares may be purchased pursuant to any Option (except as permitted pursuant to Article 10) without the consent of such Participant;
- (d) extend the term of any Option beyond a period of ten years or the latest date permitted under the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the Stock Exchange;
- (e) grant any Option if this Plan is suspended or has been terminated; or
- (f) change or adjust any outstanding U.S. Qualified Incentive Stock Option without the consent of the Participant if such change or adjustment would constitute a "modification" that would cause such U.S. Qualified Incentive Stock Option to fail to continue to qualify as a U.S. Qualified Incentive Stock Option.

9.2 Powers of Compensation Committee Survive Termination. The full powers of the Compensation Committee as provided for in this Plan will survive the termination of this Plan until all Options have been exercised in full or have otherwise expired.

10. ADJUSTMENTS

10.1 Adjustments. Appropriate adjustments in the number of Common Shares subject to this Plan, as regards Options granted or to be granted, in the number of Common Shares optioned and the applicable Exercise Price will be conclusively determined by the Compensation Committee to give effect to adjustments in the number of Common Shares resulting from subdivisions, consolidations, substitutions, or reclassifications of the Common Shares, the payment of stock dividends by the Company (other than dividends in the ordinary course) or other relevant changes in the capital of the Company or from a proposed merger, amalgamation or other corporate arrangement or reorganization involving the exchange or replacement of Common Shares of the Company for those in another corporation. Any dispute that arises at any time with respect to any such adjustment will be conclusively determined by the Compensation Committee, and any such determination will be binding on the Company, the Participant and all other affected parties.

10.2 Merger and Acquisition Transaction. In the event of a Merger and Acquisition Transaction or proposed Merger and Acquisition Transaction, the Compensation Committee, at its option, may do any of the following:

- (a) the Compensation Committee may, in a fair and equitable manner, determine the manner in which all unexercised option rights granted under this Plan will be treated including, without limitation, requiring the acceleration of the time for the exercise of such rights by the Participants, the time for the fulfilment of any conditions or restrictions on such exercise, and the time for the expiry of such rights; or
- (b) the Compensation Committee or any corporation which is or would be the successor to the Company or which may issue securities in exchange for Common Shares upon the Merger and Acquisition Transaction becoming effective may offer any Participant the opportunity to obtain a new or replacement option over any securities into which the Common Shares are changed or are convertible or exchangeable, on a basis proportionate to the number of Common Shares under option and the Exercise Price (and otherwise substantially upon the terms of the Option being replaced, or upon terms no less favourable to the Participant) including, without limitation, the periods during which the Option may be exercised and expiry dates; and in such event, the Participant shall, if he accepts such offer, be deemed to have released his Option over the Common Shares and such Option shall be deemed to have lapsed and be cancelled; or
- (c) the Compensation Committee may commute for or into any other security or any other property or cash, any Option that is still capable of being exercised, upon giving to the Participant to whom such Option has been granted at least 30 days written notice of its intention to commute such Option, and during such period of notice, the Option, to the extent it has not been exercised, may be exercised by the Participant without regard to any vesting conditions attached thereto; and on the expiry of such period of notice, the unexercised portion of the Option shall lapse and be cancelled.

Section 10.1 and subsections (a), (b) and (c) of this Section 10.2 are intended to be permissive and may be utilized independently or successively in combination or otherwise, and nothing therein contained shall be construed as limiting or affecting the ability of the Compensation Committee to deal with Options in any other manner. All determinations by the Compensation Committee under this Section will be final, binding and conclusive for all purposes.

10.3 Limitations. The grant of Options under this Plan will in no way affect the Company's right to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, amalgamate, reorganize, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets or engage in any like transaction.

10.4 No Fractional Shares. No adjustment or substitution provided for in this Article 10 will require the Company to issue a fractional share in respect of any Option and the total substitution or adjustment with respect to each Option will be limited accordingly.

11. GENERAL

11.1 No Rights as Shareholder. Nothing herein or otherwise shall be construed so as to confer on any Participant any rights as a shareholder of the Company with respect to any Common Shares reserved for the purpose of any Option.

11.2 No Effect on Employment. Nothing in this Plan or any Option Agreement will confer upon any Participant any right to continue in the employ of or under contract with the Company or an Affiliate or affect in any way the right of the Company or any such Affiliate to terminate his or her employment at any time or terminate his or her consulting contract; nor will anything in this Plan or any Option Agreement be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Company or any such Affiliate to extend the employment of any Participant beyond the time that he or she would normally be retired pursuant to the provisions of any present or future retirement plan of the Company or an Affiliate or any present or future retirement policy of the Company or an Affiliate, or beyond the time at which he or she would otherwise be retired pursuant to the provisions of any contract of employment with the Company or an Affiliate. Neither any period of notice nor any payment in lieu thereof upon termination of employment shall be considered as extending the period of employment for the purposes of the Plan.

11.3 No Fettering of Directors' Discretion. Nothing contained in this Plan will restrict or limit or be deemed to restrict or limit the right or power of the Board of Directors in connection with any allotment and issuance of Common Shares which are not allotted and issued under this Plan including, without limitation, with respect to other compensation arrangements.

11.4 Applicable Law. The Plan and any Option Agreement granted hereunder will be governed, construed and administered in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.

11.5 Interpretation. References herein to any gender include all genders and to the plural includes the singular and vice versa. The division of this Plan into Sections and Articles and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation of this Plan.

11.6 Reference. This Plan may be referred to as the "XBiotech 2005 Incentive Stock Option Plan".

STIKEMAN ELLIOTT

Stikeman Elliott LLP Barristers & Solicitors

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October 16, 2015

XBiotech Inc.
8201 E. Riverside Drive
Building 4, Suite 100
Austin, TX 78744
USA

Ladies and Gentlemen:

Re: XBiotech Inc. – Registration Statement on Form S-8

We have acted as Canadian counsel to XBiotech Inc. (the “**Company**”), a British Columbia company, in connection with the filing by the Company with the U.S. Securities and Exchange Commission (the “**SEC**”) of a registration statement on Form S-8 (the “**Registration Statement**”) relating to the registration pursuant to the United States Securities Act of 1933, as amended, of 5,715,915 common shares without par value in the capital of the Company (the “**Plan Shares**”), which may be issued to participants pursuant to awards granted or that may be granted under (i) the Company’s 2005 Incentive Stock Option Plan (the “**2005 Plan**”) and (ii) the Company’s 2015 Equity Incentive Plan (the “**2015 Plan**”, and together with the 2005 Plan, the “**Plans**”).

This opinion is being delivered in connection with the Registration Statement, to which this opinion is attached as an exhibit.

For the purpose of giving this opinion we have examined, among other things, a certificate of an officer of the Company (the “**Officer’s Certificate**”) dated the date hereof with respect to certain factual matters, the Registration Statement and the Plans, and, we have considered such questions of law and examined such statutes, regulations, orders, certificates, records of corporate proceedings and other documents as we have considered necessary for the purpose of rendering this opinion.

In examining all documents and in providing our opinion below we have assumed that:

- (a) all individuals had the requisite legal capacity;
 - (b) all signatures are genuine;
 - (c) all documents submitted to us as originals are complete and authentic and all photostatic, certified, telecopied, notarial or other copies conform to the originals;
 - (d) all facts set forth in the official public records, certificates and documents supplied by public officials or otherwise conveyed to us by public officials are complete, true and accurate as of the date hereof;
 - (e) all facts set forth in the certificates supplied by the officers of the Company including, without limitation, the Officer’s Certificate are complete, true and accurate as of the date hereof;
 - (f) any awards were validly granted or will be validly granted in accordance with the terms of the 2005 Plan or the 2015 Plan, as applicable; and
 - (g) prior to the issuance and delivery of the Plan Shares the Company will receive the full consideration in respect of the Plan Shares.
-

STIKEMAN ELLIOTT

Our **opinion** below is expressed only with respect to the laws of the province of British Columbia and of the laws of Canada applicable therein in effect on the date of this opinion. We have no responsibility or obligation to: (i) update this opinion, (ii) take into account or inform the addressees or any other person of any changes in law, facts or other developments subsequent to this date that do or may affect the opinion we express, or (iii) advise the addressees or any other person of any other change in any matter addressed in this opinion.

Based on and relying on the foregoing, we are of the opinion that upon the allotment of the Plan Shares by the board of directors of the Company, the Plan Shares, when issued in accordance with the terms of the Plans and any agreements thereunder, will be validly issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion as Exhibit 5.1 to the Registration Statement.

Yours Truly,

/s/ Stikeman Elliott LLP

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-8) pertaining to the 2005 Incentive Stock Option Plan and 2015 Equity Incentive Plan of XBiotech Inc. of our report dated March 9, 2015, with respect to the consolidated financial statements of XBiotech Inc. included in its Registration Statement (Form S-1 333-201813), filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

Austin, Texas

October 16, 2015