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news release

QLT ENTERS INTO RESEARCH AND LICENSE AGREEMENT WITH KINETEK

Deal moves QLT's early stage pipeline into new platform technology

For Immediate Release

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VANCOUVER, CANADA—QLT Inc. (NASDAQ:QLTI; TSE:QLT) and Kinetek Pharmaceuticals, Inc. announced today they have entered into a long-term research, development and license agreement to develop compounds known as signal transduction inhibitors for the treatment of eye, immune system and kidney diseases.

Signal transduction focuses on defects in cellular functions in certain disease states. First, proteins involved in cellular communications whose presence correlates with the onset of a wide range of diseases are identified and validated as targets. A series of drug candidates are then generated to selectively inhibit these targets. Kinetek has established a leadership position in this emerging field through the identification of proprietary targets and corresponding inhibitors.

The transaction consists of an initial equity investment by QLT of CDN\$11 million or 3.14 million Kinetek common shares to support the research and development necessary to discover and validate two drug candidates for clinical evaluation. QLT also has the option to obtain up to three additional compounds through further equity investments of CDN\$5 million per compound. QLT's initial equity investment was supplemented by a concurrent investment of CDN\$5.5 million dollars by a number of Kinetek's existing major shareholders.

Once a compound is ready for clinical trials, QLT has the right to an exclusive license for that compound in the fields of ocular, immune (excluding asthma) and renal disease in exchange for milestone payments and royalties paid to Kinetek based on cumulative product sales. At that time, QLT will take over the clinical development and commercialization of each product while Kinetek retains the right to exercise a co-development option for products developed outside of ophthalmology. Total potential milestone payments combined with the initial equity investment for all five compounds combined will not exceed U.S.\$80.1 million (approximately CDN\$120 million). The milestone payments are based on clinical trial progress, product approvals and sales volumes.

“This collaboration presents QLT with several exciting opportunities,” said Dr. Julia Levy, President and Chief Executive Officer of QLT. “For example, early research has shown integrin linked kinase (ILK), one of the potential targets, plays a role in diseases such as cancer, psoriasis and age-related macular degeneration. Clearly these are commercially attractive markets that fall within our areas of interest and expand our early stage pipeline beyond photodynamic therapy.”

“We are delighted to be a partner with QLT,” said André Archimbaud, President and CEO of Kinetek. “We believe that Kinetek’s expertise in drug discovery and medicinal chemistry combined with QLT’s proven track record in drug development and commercialization provides a strong foundation for a successful collaboration. This transaction further validates our technology platform and ability to discover compounds with significant commercial potential.”

Dr. Levy concurred, “This deal represents high upside potential with low downside risk. Access—in some cases exclusivity—to a wide variety of targets, compounds and development areas ensures a diversified investment. Furthermore, the financial impact on QLT is minimal through the early stages of development.

“We will continue to actively seek additional opportunities to enhance all stages of our product portfolio through the in-licensing or acquisition of products, technologies and or companies.”

Kinetek is a privately held Vancouver-based biopharmaceutical company focused on the discovery and development of selective signal transduction inhibitors in cancer and inflammatory diseases. Kinetek Pharmaceuticals’ functional proteomics platform bridges the gap between the genomics revolution and the discovery of superior drugs which target protein kinases and phosphatases.

QLT is a world leader in photodynamic therapy, a field of medicine utilizing light-activated drugs in the treatment of disease. QLT’s innovative science has led to the development and commercialization of breakthrough treatments utilizing this technology for applications in ophthalmology and oncology and is exploring the potential in immune disorders. For more information, you are invited to visit QLT’s web site at www.qltinc.com.

QLT Inc. will hold an analyst and institutional investor conference call to discuss the agreement with Kinetek today, Thursday, June 7, at 5:00 p.m. EST (2:00 p.m. PST). The call will be broadcast live via the Internet at www.qltinc.com. A replay of the call will be available via the Internet and also via telephone at 416-626-4100, access code 19085845.

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Certain statements in this news release constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, which involve known and unknown risks, uncertainties and other factors which may cause our actual results to differ materially from any future results, performance or achievements expressed or implied by such statements. Forward-looking statements include but are not limited to those with respect to the anticipated timing of regulatory submissions and regulatory approval for QLT’s product candidates. These statements are only predictions and actual events or results may differ materially. Factors that could cause such actual events or results expressed or implied by such forward-looking statements to differ materially from any future results expressed or implied by such statements include, but are not limited to: we are dependent on third parties to develop and commercialize product candidates; we may experience inadequate patient enrolment for future clinical trials; our product development efforts may not yield marketable products; and other factors described in detail in QLT’s Annual Information Form on Form 10-K, forthcoming quarterly reports on Form 10-Q and other filings with the U.S. Securities and Exchange Commission. Forward-looking statements are based on our current expectations and QLT is not obligated to update such information to reflect later events or developments.