PACGEN Biopharmaceuticals Corporation

FOR IMMEDIATE RELEASE **TSX-V: PGA**

PACGEN REPORTS FISCAL 2007 FOURTH QUARTER RESULTS

Vancouver, BC, Canada (July 30, 2007) – Pacgen Biopharmaceuticals Corporation ("Pacgen") (TSX-V: PGA) today reported financial results from its fourth fiscal quarter ended March 31, 2007. Amounts unless specified otherwise, are expressed in Canadian dollars and in accordance with Canadian Generally Accepted Accounting Principles.

Fiscal 2007 Highlights and Achievements:

- **Initiated PAC-113 Phase I/IIa study in oral Candida**
- **Appointed Ms. Yip as Chief Financial Officer ("CFO")**
- **Acquired an early stage drug candidate and C$1.5M working capital from IL Therapeutics Inc.**
- **Completed IPO and raised C$7.1M**
- **Appointed Mr. DuFresne as new President and Chief Executive Officer ("CEO")**
- **Recruited over 100 patients into the Phase I/IIa clinical study of PAC-113 for the treatment of oral Candidiasis**
- **Reported positive topline activity results from PhaseI/IIa trial of PAC-113 in the treatment of oral Candidiasis**

Financial Results

For the year ended March 31, 2007 ("Fiscal 2007"), we recorded a net loss of $4,353,837 ($0.20 per common share), compared to a net loss of $1,568,057 ($0.15 per common share) for the year ended March 31, 2006 ("Fiscal "2006"). The increase in net loss for Fiscal 2007 compared to Fiscal 2006 was largely due to the increased operational expenditures associated with our expanded operations and the adoption of stock option plan.

During Fiscal 2007, we expanded our PAC-113 Phase I/II clinical trial to South Africa, acquired a new pre-clinical program, PAC-G31P, and brought the company public. We also added new personnel to support our expanded operations. In addition, following the adoption of a new stock option plan, we started recording for stock based compensation in the third quarter of 2007. The total stock based compensation recorded in Fiscal 2007 was $580,825.

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Research and Development Expenditures

Research and development expenses were $1,987,583 for Fiscal 2007, compared to $791,778 for Fiscal 2006. The $1,195,805 increase was primarily due to the clinical development cost associated with the PAC-113 Phase I/II clinical trial which was initiated in the United States in March 2006, and subsequently expanded into South Africa in October 2006. The research cost associated with the PAC-G31P program also contributed to the increased research and development expenditures. Specifically, we incurred higher clinical and preclinical research contract cost, consulting fees, patent related expenditures, and salaries and benefits during Fiscal 2007 as compared to Fiscal 2006.

For the fiscal year ending March 31, 2008 ("Fiscal 2008"), we expect to incur increased research and development expenditures primarily associated with the ongoing Phase I/II clinical trail and initiation of a Phase IIb trial for our PAC-113 Program and preclinical and formulation work for our PAC-G31P Program.

General and Administration Expenditures

General and administration expenses for Fiscal 2007 were $1,790,765 compared to $767,268 for Fiscal 2006. The increase of $1,023,497 was primarily attributable to the increase of $399,706 in consulting and professional fees associated with the IPO and business development; the increase of $333,133 in salaries and wages with the additional of personnel; the increase of $290,658 in travel and other expenditures to support the expanded operations and commercialization activities.

For Fiscal 2008, we expect our general and administration expenditures to increase in support of our expanded operational activities.

Amortization

Amortization and depreciation was $242,274 for Fiscal 2007 compared to $19,520 for Fiscal 2006. The increase of $222,754 was primarily due to the technology licenses and rights we acquired through the ILT Acquisition. Amortization related to technology, licenses and rights was $225,474 for Fiscal 2007 compared to $12,399 for Fiscal 2006. The remaining amortization was related property and equipment.

Revenue

We have not generated any revenue from sales of commercial product since our incorporation and we do not expect to generate any revenues until we secure collaborative partners who provide funding on our research and clinical development or upon sales of our product candidates.

Other

Interest and other income were $94,610 for Fiscal 2007 compared to $10,509 for Fiscal 2006. The increase for Fiscal 2007 was primarily due to higher interest rates and higher cash balances.

A net foreign exchange loss of $5,872 was recorded for Fiscal 2007 compared to $7,364 for Fiscal 2006. The net foreign exchange losses for the past two fiscal years were mainly from the impact of the depreciation of the U.S. dollar in comparison the Canadian dollar on foreign currency payables. We are exposed to market risk related to currency exchange rates in the United States because the majority of our clinical development expenditures, including majority of those in South African sites, are incurred in United States dollars. To a lesser degree, we are also exposed to market risk related to currency rates in Taiwan with some of basic research and administrative expenditures in Taiwanese new dollars.

At March 31, 2007, we had working capital of $5,220,456, compared to $703,899 at March 31, 2006. We had available cash reserves comprised of cash and cash equivalents of $5,387,366 at March 31, 2007, compared to $727,064 at March 31, 2006. We estimate that our working capital at March 31, 2007 is adequate to fund the Company's research and development programs, capital needs and operations for approximately twelve months.

As of March 31, 2007 and in the normal course of business we have obligations to make future payments, representing contracts and other commitments that are known, committed and non-cancellable.

Stock based compensation, a non-cash item included in operating expenses, was $580,825 in Fiscal 2007 compared to nil in Fiscal 2006. The Company adopted a stock option plan in August 2006 and started to record stock based compensation expenditures starting in the third quarter of 2007.

PAC-113

Similar to the topline results from the Phase I/II study of PAC-113, reported in May 2007, final results show that PAC-113 was generally safe, well-tolerated, and active in the treatment of oral Candida infection with clinical cure rates comparable to the current standard of care. Based on these results, we plan to initiate a Phase IIb study to optimize PAC-113 dose and formulation in the second half of 2007.

PAC-G31P

We are developing PAC-G31P to treat inflammatory diseases. In order to determine the optimal first clinical indication for PAC-G31P we plan to complete a number of preclinical studies, as well as conduct formulation work, over the next year. As a result of these additional studies, we now expect to file an Investigational New Drug application ("IND") in late 2008. The results of this preclinical program in conjunction with a successful IND filing will directly support our out-licensing initiatives in 2008.

Upcoming Key Events

- **Report new data supporting PAC-113 potential**
- **Submit PAC-113 results for upcoming conference**
- **Initiate Phase IIb PAC-113 study**
- **Report on PAC-G31P program and partnering strategy**
- **Build pipeline through acquisition or in-license**

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Consolidated Balance Sheets

	March 31, 2007 $	March 31, 2006 $
ASSETS		
Current		
Cash and cash equivalents	**5,387,366**	727,064
Amounts receivable	**132,060**	28,899
Prepaid expenses and other	**941,629**	49,986
Total current assets	**6,461,055**	805,949
Deferred acquisition costs	—	20,903
Property and equipment	**134,433**	35,253
Intangible assets	**1,239,178**	557,243
Total assets	**7,834,666**	1,419,348
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**1,240,599**	102,051
Future income tax liability	**85,000**	—
Total liabilities	**1,325,599**	102,051
Commitments and contingencies		
Shareholders' equity		
Share capital		
Issued and outstanding:		
Common shares	**12,286,556**	2,374,836
Preferred shares	—	1,131,593
Contributed surplus	**795,480**	30,000
Deficit	**(6,572,969)**	(2,219,132)
Total shareholders' equity	**6,509,067**	1,317,297
Total liabilities and shareholders' equity	**7,834,666**	1,419,348

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Consolidated Statements of Loss & Deficit

	Year ended March 31, 2007 $	Year ended March 31, 2006 $	Cumulative from Inception to March 31, 2007 $
EXPENSES			
Research and development	**1,987,583**	791,778	2,849,907
General and administration	**1,790,765**	767,268	3,125,401
Stock based compensation	**580,825**	—	580,825
Amortization	**242,274**	19,520	264,258
Loss from operations	**4,601,447**	1,578,566	6,820,391
OTHER			
Interest and other income	**100,482**	17,873	129,968
Foreign exchange losses	**(5,872)**	(7,364)	(35,546)
	94,610	10,509	94,422
Loss before income taxes	**(4,506,837)**	(1,568,057)	(6,725,969)
Future income tax recovery	**153,000**	—	153,000
Loss for the period	**(4,353,837)**	(1,568,057)	(6,572,969)
Deficit, beginning of period	**(2,219,132)**	(651,075)	—
Deficit, end of period	**(6,572,969)**	(2,219,132)	(6,572,969)
Basic and diluted loss per common share	**(0.20)**	(0.15)	
Weighted average number of common shares outstanding	**21,941,822**	10,353,916	

Consolidated Statement of Cash Flows

	Year ended March 31, 2007 $	Year ended March 31, 2006 $	Cumulative from Inception to March 31, 2007 $
OPERATING ACTIVITIES			
Loss for the period	**(4,353,837)**	(1,568,057)	(6,572,969)
Add items not affecting cash:			
Amortization	**242,274**	19,520	264,258
Future income tax recovery	**(153,000)**	—	(153,000)
Stock based compensation	**580,825**	—	580,825
Write-off of research supplies	—	17,819	—
	(3,683,738)	(1,530,718)	(5,880,886)
Changes in non-cash working capital items relating to operations:			
Amounts receivable	**40,333**	40,766	11,434
Prepaid expenses and other	**(891,643)**	(25,147)	(941,629)
Accounts payable and accrued liabilities	**1,112,556**	61,012	1,214,610
Cash (used in) operating activities	**(3,422,492)**	(1,454,087)	(5,596,471)
INVESTING ACTIVITIES			
Acquisition of IL Therapeutics Inc.	**1,257,992**	—	1,257,992
Purchase of property and equipment	**(114,980)**	(12,079)	(159,718)
Purchase of intangible assets	—	(29,503)	(59,743)
Deferred acquisition costs	—	(20,903)	(20,903)
Cash provided by (used in) investing activities	**1,143,012**	(62,485)	1,017,628
FINANCING ACTIVITIES			
Issuance of common shares for cash, net of share issuance cost	**6,939,782**	—	8,139,780
Issuance of preferred shares for cash, net of share issuance costs	**—**	1,131,593	1,131,593
Advance from related party	**—**	—	694,836
Cash provided by financing activities	**6,939,782**	1,131,593	9,966,209
Increase (decrease) in cash and cash equivalents	**4,660,302**	(384,979)	5,387,366
Cash and cash equivalents, beginning of period	**727,064**	1,112,043	—
Cash and cash equivalents, end of period	**5,387,366**	727,064	5,387,366
Other supplemental cash flow information			
Preferred shares issued for technology	918,876	—	918,876
Common shares issued for technology	1,081,124	480,000	1,561,124
Preferred shares issued to agent as compensation	—	52,544	52,544
Common shares issued to agent as compensation	130,000	—	130,000
Common shares issued to settle related party advance	—	718,836	718,836

About PAC-113
PAC-113 is a 12 amino-acid antimicrobial peptide derived from a naturally occurring histatin protein found in saliva. This peptide alters the permeability or amount of fluid that flows in and out of the fungal cell membranes and causes the cell to rupture. PAC-113 also interrupts the normal cellular activity of fungal mitochondria causing them to produce a toxin that leads to fungal cell death. This activity is unique to histatin proteins.

Current treatments for Candida infections are not effective in eliminating the infection, can have serious side effects, have significant potential for drug interaction, and/or do not prevent the development of drug-resistant fungal infection. PAC-113 is easily administered and well-tolerated by patients as it is formulated as a sugar-free, pleasant tasting, non-viscous mouthrinse with a neutral pH. It also has a prolonged half-life in the saliva which potential may increase cure rate and reduce the time to relapse.

About Candida Infection
Candida albicans is the most common fungal pathogen among immune-compromised, hospitalized patients, accounting for roughly 50-60% of all bloodstream fungal isolates. Opportunistic growth of Candida can be life-threatening if not treated.

Oropharyngeal Candidiasis, also referred to as "thrush", is an uncontrolled fungal infection of the mouth and throat that causes serious problems for many immunocompromised patients such as impacting their ability to eat and drink. If untreated, it puts them at risk for developing a systemic Candida infection which can cause death. Patients who experience this disease already have a compromised state of health. Candida infection occurs with high frequency in cancer patients due to the radiation and chemotherapy treatments they have had, which suppress their immune system, decreasing their ability to fight off fungal infection.

Diabetics are also at risk due in part to poor blood sugar control and, asthmatics who manage their disease with chronic use of oral steroids, cause localized immunosuppression in the mouth, throat, and upper airways and can lead to oral Candida infection. Another large group of people who suffer from oral Candidiasis are HIV patients who, due to their loss of normal immune function, often deal with infection and recurrent oral Candida infections.

The demand for effective anti-fungals is driven by a rising incidence of immunocompromised patients populations including individuals with HIV, cancer, asthma and diabetes, among others. In 2004, global sales of topical anti-fungal drugs represented nearly a US $1.6 billion dollar market, and it is projected to grow to US $2.1 billion by 2009. Pacgen estimates that the current worldwide market opportunity for a novel, safe and effective, oral Candidiasis therapy is approximately US $300 million.

About Pacgen
Pacgen is a life sciences company focused on the development of therapeutics for the treatment of infectious and inflammatory diseases. The Company's lead product, PAC-113, is an anti-fungal in a Phase II clinical program. Pacgen also has candidates in an early stage research program. The most advanced of these candidates is a protein therapeutic, PAC-G31P, which is currently being investigated in preclinical studies for its potential to treat inflammatory diseases such as acute respiratory distress syndrome. For additional information, please visit www.pacgenbiopharm.com.

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Forward looking Statements

Certain statements included in this press release may be considered forward-looking. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from those implied by such statements, and therefore these statements should not be read as guarantees of future performance or results. All forward-looking statements are based on Pacgen's current beliefs as well as assumptions made by and information currently available to Pacgen and relate to, among other things, anticipated financial performance, business prospects, strategies, regulatory developments, market acceptance and future commitments. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date of this press release. Due to risks and uncertainties, including the risks and uncertainties identified by Pacgen in its Final Prospectus dated November 28, 2006, actual events may differ materially from current expectations. Pacgen disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. For all forward-looking statements, Pacgen claims the safe harbour for forward-looking statements within the meaning of the Private Securities Legislation Reform.

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