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

# PACGEN REPORTS THIRD QUARTER FINANCIAL RESULTS

**Vancouver, BC, Canada (February 29, 2008)** – Pacgen Biopharmaceuticals Corporation ("Pacgen") (TSX-V: PGA) today reported financial results from its third fiscal quarter ended December 31, 2007. Amounts unless specified otherwise, are expressed in Canadian dollars and in accordance with Canadian Generally Accepted Accounting Principles (Canadian GAAP).

## Corporate Development

During the third quarter ended December 31, 2007, Pacgen has made significant progress in the development of PAC-113, a novel treatment for oral Candidiasis infection. Operating highlights include:

- On November 13, 2007, Pacgen announced that a poster entitled, "Evaluation of a New Host Derived Synthetic Antifungal Peptide (PAC-113) in the Treatment of Oral Candidiasis" had been accepted for presentation at the 5th International Meeting on Antimicrobial Chemotherapy in Clinical Practice (ACCP) held in Portofino, Italy. The poster presentation of in-vitro data (paper number 29) was given by Dr. Eva Helmerhorst from Goldman School of Dental Medicine, Boston University.

- On November 19, 2007, Pacgen initiated a Phase IIb dose-ranging clinical trial using the optimized formulation of PAC-113. This study is a randomized, examiner-blinded, parallel design trial comparing three different doses of PAC-113 to Nystatin. Nystatin is a widely used, topical mouth rinse treatment for oral Candidiasis. This Phase IIb study, expected to be completed in Q2 2008, will enrol approximately 200 seropositive HIV patients with oral Candidiasis in a number of US and South African centers.

## Financial Results

For the three months ended December 31, 2007 ("Q3 2008"), the Company reported a net loss of $970,985 or $0.03 per share as compared to a net loss of $1,259,293 or $0.06 per share for the same period last year ("Q3 2007"). The Company's year-to-date net loss was $4,310,495 or $0.14 per share as compared to a net loss of $2,380,281 or $0.13 per share for the same period in the preceding year. The decrease of $288,308 in net loss in Q3 2008 as compared to Q3 2007 was mainly due to a decrease in stock based compensation. The decrease in stock based compensation was due to recognition of stock based compensation associated for options that immediately vested on August 22, 2006, when the Company first adopted its stock option plan. The increase of $1,930,214 in net loss on a year-to-date basis was due to the increased research and development cost associated with PAC-113 and PAC-G31P, and general and administration expenditures to support our expanded operations.

For the remaining of the fiscal year ending March 31, 2008 ("Fiscal 2008"), we expect to incur additional research and development expenditures associated with the ongoing Phase IIb clinical trial for PAC-113, and general administration expenditures at a level lower than those in Q3 2008 as a result of our cost control program.

**Research and Development Expenditures**

Research and development expenditures for Q3 2008 were $431,197 compared to $459,812 Q3 2007. Year-to-date, research and development expenditures were $2,408,620 as compared to $841,223 for the same period in the preceding year.

The decrease of $28,615 in research and development expenditures in Q3 2008 as compared to Q3 2007 was due to a decline in development cost associated with PAC-G31P and other projects. This decline was offset by an increase development cost associated with PAC-113. The increase of $1,567,397 in research and development on a year-to-date basis was primarily due to the increased expenditures associated with the clinical development of PAC-113 and the manufacturing development of PAC-G31P.

For the remainder of the Fiscal 2008, the Company expects that its research and development expenditures would be composed of mainly expenditures associated with the ongoing Phase IIb clinical trial for PAC-113.

**General and Administration Expenditures**

General and administration expenses for Q3 2008 were $406,920 compared to $358,022 for Q3 2007. Year-to-date general and administration expenses were $1,594,128 compared to $1,036,418 for the same period in the preceding year. The increase of $48,898 in general and administration expenses in Q3 2008 was primarily related to the increased consulting and professional fees mainly to support our business development activities. The increase of $557,710 in general and administration expenses on a year-to-date basis was due to the added personnel in first half of fiscal 2008, cost associated with product market research, and the increased consulting and professional fees to support our corporate growth and business development activities.

For the remainder of the Fiscal 2008, the Company expects that its general and administration expenditures be lower than those in Q3 2008 primarily due to a cost control program implemented in November 2007. The cost control program involved elimination of two junior administrative positions and reduced salary rates for management.

**Liquidity and Outstanding Share Capital**

As at December 31, 2007, the Company had working capital of $1,219,519, compared to $5,220,456 and $7,114,144 at March 31, 2007. The Company had available cash reserves comprised of cash and cash equivalents of $1,230,044 at December 31, 2007, compared to $5,387,366 at March 31, 2007.

As of February 18, 2008, the Company had 30,521,960 common shares issued and outstanding, 4,542,008 common share purchase warrants outstanding at a weighted average price of $1.15 per share, 500,000 share purchase option outstanding at an exercise price of $2.25 per share, and 2,674,000 incentive stock options outstanding at a weighted average exercise price of $0.99.

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## UNAUDITED CONSOLIDATED BALANCE SHEETS

| | December 31, 2007 $ | March 31, 2007 $ |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents | **1,230,044** | 5,387,366 |
| Amounts receivable | **38,690** | 132,060 |
| Prepaid expenses and other | **586,383** | 941,629 |
| **Total current assets** | **1,855,117** | 6,461,055 |
| Deferred financing costs | **54,332** | — |
| Property and equipment | **117,746** | 134,433 |
| Intangible assets | **1,061,447** | 1,239,178 |
| Total assets | **3,088,642** | 7,834,666 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | **635,598** | 1,240,599 |
| Future income tax liability | **27,721** | 85,000 |
| **Total liabilities** | **663,319** | 1,325,599 |
| Commitments and contingencies | | |
| **Shareholders' equity** | | |
| Share capital | | |
| Issued and outstanding: Common shares | **12,286,556** | 12,286,556 |
| Contributed surplus | **1,022,231** | 795,480 |
| Deficit | **(10,883,464)** | (6,572,969) |
| **Total shareholders' equity** | **2,425,323** | 6,509,067 |
| Total liabilities and shareholders' equity | **3,088,642** | 7,834,666 |

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## UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

| | For the Three Months Ended December 31 | | For the Nine Months Ended December 31 | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| | $ | $ | $ | $ |
| **EXPENSES** | | | | |
| Research and development | **431,197** | 459,812 | **2,408,620** | 841,223 |
| General and administration | **406,920** | 358,022 | **1,594,128** | 1,036,418 |
| Stock based compensation *[note 5d]* | **68,928** | 414,149 | **226,751** | 414,149 |
| Amortization | **68,661** | 60,871 | **205,340** | 183,758 |
| | **975,706** | 1,292,854 | **4,434,839** | 2,475,548 |
| **OTHER** | | | | |
| Interest and other income | **20,178** | 21,376 | **90,964** | 41,697 |
| Loss on disposal of property and equipment | **(2,342)** | - | **(2,342)** | - |
| Foreign exchange gain (loss) | **(25,194)** | (3,815) | **(21,556)** | (5,430) |
| | **(7,358)** | 17,561 | **67,066** | 36,267 |
| Loss before income taxes | **(983,064)** | (1,275,293) | **(4,367,773)** | (2,439,281) |
| Future income tax recovery | **12,079** | 16,000 | **57,278** | 59,000 |
| **Net and comprehensive loss for the period** | **(970,985)** | (1,259,293) | **(4,310,495)** | (2,380,281) |
| **Basic and diluted loss per common share** | **(0.03)** | (0.06) | **(0.14)** | (0.13) |
| **Weighted average number of common shares outstanding** | **30,521,960** | 21,686,733 | **30,521,960** | 19,005,770 |

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## UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the Three Months Ended December 31 | | For the Nine Months Ended December 31 | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| | $ | $ | $ | $ |
| **OPERATING ACTIVITIES** | | | | |
| Loss for the period | **(970,985)** | (1,259,293) | **(4,310,495)** | (2,380,281) |
| Add (subtract) items not affecting cash: | | | | |
| Amortization | **68,661** | 60,871 | **205,340** | 183,758 |
| Stock based compensation | **68,928** | 414,149 | **226,751** | 414,149 |
| Loss on disposal of property and equipment | **2,342** | — | **2,342** | — |
| Future income tax recovery | **(12,079)** | (16,000) | **(57,278)** | (59,000) |
| | **(843,133)** | (800,273) | **(3,933,340)** | (1,841,374) |
| Changes in non-cash working capital items relating to operations: | | | | |
| Amounts receivable | **92,190** | (13,015) | **93,370** | 67,943 |
| Prepaid expenses and other | **103,980** | (55,166) | **355,246** | (71,276) |
| Accounts payable and accrued liabilities | **(254,086)** | 196,980 | **(605,001)** | 302,381 |
| **Cash used in operating activities** | **(901,049)** | (671,474) | **(4,089,725)** | (1,542,326) |
| **INVESTING ACTIVITIES** | | | | |
| Acquisition of IL Therapeutics Inc. | — | — | **—** | 1,257,992 |
| Purchase of property and equipment | — | (38,296) | **(19,486)** | (63,655) |
| Proceeds from disposal of property and equipment | **6,221** | — | **6,221** | — |
| **Cash (used in) provided by investing activities** | **6,221** | (38,296) | **(13,265)** | 1,194,337 |
| **FINANCING ACTIVITIES** | | | | |
| Issuance of common shares, net of issuance cost | — | 7,229,731 | **—** | 7,072,196 |
| Deferred financing costs | **(40,214)** | — | **(54,332)** | — |
| **Cash used in financing activities** | **(40,214)** | 7,229,731 | **(54,332)** | 7,072,196 |
| **Increase (decrease) in cash and cash equivalents** | **(935,042)** | 6,519,961 | **(4,157,322)** | 6,724,207 |
| Cash and cash equivalents, beginning of period | **2,165,086** | 931,310 | **5,387,366** | 727,064 |
| **Cash and cash equivalents, end of period** | **1,230,044** | 7,451,271 | **1,230,044** | 7,451,271 |

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## 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 novel peptide therapeutic, PAC-G31P, which is currently being investigated in preclinical studies for its potential to treat inflammatory diseases characterized by non-beneficial neutrophil recruitment and activation. 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. Statements relating to, among other things, anticipated financial performance, business prospects, strategies, regulatory developments, market acceptance and future commitments constitute forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, level of activity, 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. Such factors include, among others, our stage of development, lack of product revenues, additional capital requirements, risk associated with completion of clinical trials and obtaining regulatory approval, dependence on collaborate partners, and our ability to protect our intellectual property. Wherever possible, words such as "anticipate", "believe", "expect", "may", "could", "will", "potential", "intend", "estimate", "should", "plan", "predict", "project" or the negative or other variations of such expressions reflect Pacgen's current beliefs and assumptions and are based on the information currently available to Pacgen. Certain risks and uncertainties, including those risk factors identified by Pacgen in its annual information form dated August 1, 2007, may cause our actual results, level of activity, performance or achievements to differ materially from those implied by forward looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which are made only as of the date of this press release. 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 Act of 1995.

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