PACGEN Biopharmaceuticals Corporation

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

PACGEN REPORTS FISCAL 2008 FINANCIAL RESULTS

Vancouver, BC, Canada (July 29, 2008) – Pacgen Biopharmaceuticals Corporation ("Pacgen" or the "Company") (TSX-V: PGA) today reported financial results from its fiscal year ended March 31, 2008. Amounts unless specified otherwise, are expressed in Canadian dollars and in accordance with Canadian Generally Accepted Accounting Principles (Canadian GAAP).

Fiscal 2008 Operating Highlights

- On May 7, 2007, Pacgen reported the topline results from the Phase I/II clinical trial of PAC-113 showing that it is generally safe, well-tolerated, and active in the treatment of oral Candida infection with clinical cure rates comparable to the current standard of care, Nystatin. The Phase I/II clinical trial involved approximately 100 seropositive HIV patients.

- On September 24, 2007, Pacgen announced its plan for a Phase IIb dose-ranging clinical trial for an optimized formulation of PAC-113 and released the final results from the Phase I/II clinical trial. The final results of Phase I/II clinical trial showed the per-protocol PAC-113 treated group had a complete clinical cure rate of 44% comparable to the per-protocol Nystatin treated group at 40%; these results were similar to the topline results reported in May 2007. Pacgen also announced that a new patent application containing claims covering the findings of the PAC-113 formulation and dose optimization studies had been filed.

- On November 19, 2007, Pacgen initiated a Phase IIb dose-ranging trial for an optimized formulation of PAC-113. This study involving approximately 200 seropositive HIV patients was a randomized, examiner-blinded, parallel design trial comparing three different doses of PAC-113 to Nystatin.

- On March 17, 2008, Pacgen announced that it had closed an offering of 4,515,000 units of the company at a price of $0.20 per unit for a gross proceed of $903,000.

- On April 15, 2008, Pacgen announced that it had completed recruitment of patients in its Phase IIb dose-ranging trial for PAC-113.

- Subsequent to the year ended March 31, 2008, Pacgen released positive topline results from its Phase IIb dose-ranging trial of PAC-113 on June 5, 2008. The results demonstrated that PAC-113 is effective in the treatment of oral candidiasis and compares favourably to the efficacy demonstrated by Nystatin.

Financial Results

For the year ended March 31, 2008 ("Fiscal 2008"), the Company recorded a net loss of $5,974,712 ($0.19 per common share), compared to a net loss of $4,353,837 ($0.20 per common share) for the year ended March 31, 2007 ("Fiscal 2007"). The increase in net loss in Fiscal 2008, as compared to Fiscal 2007, was largely due to the increase of research and development expenditures associated with PAC-113 clinical development and PAC-G31P manufacturing development.

Research and Development Expenditures

Research and development expenses were $3,480,523 for Fiscal 2008, compared to $1,987,583 for Fiscal 2007. The increase of $1,492,940 was primarily due to the increased contract research cost associated with PAC-113 clinical development and PAC-G31P manufacturing development. Internal overhead for research and development activities were relatively the same in both fiscal years. Research and development expenditures by programs for two most recent fiscal are as follows:

	For the year ended March 31,	
Projects	2008	2007
PAC-113	$2,302,548	$1,292,639
PAC-G31P	1,146,835	680,464
Other Projects	31,140	14,480
	$3,480,523	$ 1,987,583

PAC-113

PAC-113 development cost increased by $1,009,909 in Fiscal 2008, compared to Fiscal 2007 as the program advanced from a proof of concept Phase I/II stage to a Phase II development stage. The development cost in Fiscal 2008 covered the completion of Phase I/II clinical trial, formulation optimization work, manufacture of Phase IIb drug supply, and the initiation and patient recruitment of Phase IIb clinical trial. The expenditures in Fiscal 2007 covered the clinical site expansion to South Africa and the patient recruitment of Phase I/II trial.

External cost composed of all development costs other than internal overhead, for the Phase I/II trial was approximately $1.6 million. The Phase I/II trial which involved 107 patients was initiated in Fiscal 2006 and completed in Fiscal 2008. As a result, the related cost was spread over a period of three fiscal years ended March 31, 2008. The estimated external cost for the Phase IIb study, which involved 223 patients, is approximately $2.5 million of which $1.9 million was recorded in Fiscal 2008.

Pacgen plans to meet with the FDA late 2008 to discuss its proposed Phase III clinical development plan (the "Post Phase II Meeting"). For the fiscal year ending March 31, 2009 ("Fiscal 2009"), Pacgen expects to incur research and development expenditures primarily associated with the completion of Phase IIb trial and the Post Phase II Meeting.

PAC-G31P

PAC-G31P research cost increased by $466,371 in Fiscal 2008, compared to Fiscal 2007. The research cost in both fiscal years covered the activities related to pre-clinical studies, mainly through its collaboration with the University of Saskatchewan, and manufacturing development of PAC-G31P. The Company initiated its manufacturing development and formulation work in February 2007 and successfully reproduced PAC-G31P at Good Laboratory Practices Standards ("GLP") level in July 2007.

In order to determine the optimal first clinical indication for PAC-G31P, Pacgen plans to complete a number of pre-clinical studies, as well as continues its manufacturing development and formulation work at Good Manufacturing Practice Standards ("GMP") level, over the next year. The results of these studies in conjunction with a successful IND application filing will directly support its out-licensing initiatives. For Fiscal 2009, Pacgen expects to incur research and development expenditures primarily associated with the additional pre-clinical studies and formulation work.

General and Administration Expenditures

General and administration expenses for Fiscal 2008 were $1,901,567 compared to $1,790,765 for Fiscal 2007. The increase of $110,802 was primarily attributable to the increase of $96,075 in salaries and wages and $115,813 in market research. These increases were offset by a decrease of $176, $41,199 and $59,711 in consulting and professional fees, travel and accommodation, and other general overhead, respectively. The following provides a summary of the general and administration expenditures:

	For the year ended March 31,	
	2008	2007
Salaries and benefits	$811,353	$715,278
Consulting and professional fees	539,543	539,719
Travel and accommodation	87,530	128,729
Market research for product candidate	125,981	10,168
Other general overhead	337,160	396,871
	$1,901,567	$1,790,765

The increase in salaries and benefits was primarily incurred in the first half of Fiscal 2008. As a precautionary step to reduce its cash burn, the Company initiated a cost management program in the second half of Fiscal 2008. The cost control program involved elimination of two junior administrative positions and 30% reduction in management salaries starting November 2007. A further 20% reduction in management salaries was implemented in February 2008. The increase in market research expenditure was primarily related to product market studies to support our out licensing activities for PAC-113. The decreases in other general administrative expenditures were also primarily due to the cost control program initiated in November 2007.

Liquidity and Outstanding Share Capital

At March 31, 2008, Pacgen had working capital of $535,149, compared to $5,220,456 at March 31, 2007. Pacgen had available cash reserves comprised of cash and cash equivalents of $1,438,691 at March 31, 2008, compared to $5,387,366 at March 31, 2007. The Company estimates that its working capital at March 31, 2008 is adequate to fund the Company's research and development programs, capital needs and operations into the second quarter of Fiscal 2009. Pacgen is currently seeking additional capital to finance its operation. Management is considering all financing alternatives, including equity financing, corporate collaboration and licensing arrangement, and has initiated preliminary discussions on some of these alternatives.

As of June 30, 2008, there were 35,144,693 common shares issued and outstanding, 9,233,141 common share purchase warrants outstanding at a weighted average price of $0.72 per share, 500,000 share purchase option outstanding at an exercise price of $2.25 per share, and 2,634,000 incentive stock options outstanding at a weighted average exercise price of $0.99.

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CONSOLIDATED BALANCE SHEETS

(a development stage company)
(see notes to audited financial statements)

(expressed in Canadian dollars)

	March 31, 2008 $	March 31, 2007 $
ASSETS		
Current		
Cash and cash equivalents	**1,438,691**	5,387,366
Amounts receivable	**12,800**	132,060
Prepaid expenses and other	**469,307**	941,629
Total current assets	**1,920,798**	6,461,055
Property and equipment	**101,236**	134,433
Intangible assets	**1,002,203**	1,239,178
Total assets	**3,024,237**	7,834,666
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**1,378,733**	1,240,599
Current portion of deferred leasehold inducement	**6,916**	—
	1,385,649	1,240,599
Deferred leasehold inducement	**10,375**	-
Future income tax liability	—	85,000
Total liabilities	**1,396,024**	1,325,599
Shareholders' equity		
Share capital		
Issued and outstanding:		
Common shares	**13,012,118**	12,286,556
Preferred shares	—	—
Contributed surplus	**1,163,776**	795,480
Deficit	**(12,547,681)**	(6,572,969)
Total shareholders' equity	**1,628,213**	6,509,067
Total liabilities and shareholders' equity	**3,024,237**	7,834,666

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CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(expressed in Canadian dollars)

	Year ended March 31, 2008 $	Year ended March 31, 2007 $	Cumulative from Inception to March 31, 2008 $
EXPENSES			
Research and development	**3,480,523**	1,987,583	6,330,430
General and administration	**1,901,567**	1,790,765	5,026,968
Stock based compensation	**346,348**	580,825	927,173
Amortization	**269,245**	242,274	533,503
	5,997,683	4,601,447	12,818,074
OTHER			
Interest and other income	**94,838**	100,482	224,806
Loss on disposal of property and equipment	**(9,089)**	—	(9,089)
Foreign exchange losses	**(147,778)**	(5,872)	(183,324)
	(62,029)	94,610	32,393
Loss before income taxes	**(6,059,712)**	(4,506,837)	(12,785,681)
Future income tax recovery	**85,000**	153,000	238,000
Net loss and comprehensive loss for the period	**(5,974,712)**	(4,353,837)	(12,547,681)
Basic and diluted loss per common share	**(0.19)**	(0.20)	
Weighted average number of common shares outstanding	**30,711,416**	21,941,822	

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in Canadian dollars)

	Year ended March 31, 2008 $	Year ended March 31, 2007 $	Cumulative from Inception to March 31, 2008 $
OPERATING ACTIVITIES			
Loss for the period	**(5,974,712)**	(4,353,837)	(12,547,681)
Add items not affecting cash:			
Amortization	**269,245**	242,274	533,503
Deferred leasehold inducement	**(1,153)**	—	(1,153)
Future income tax recovery	**(85,000)**	(153,000)	(238,000)
Loss on disposal of property and equipment	**9,089**	—	9,089
Stock based compensation	**346,348**	580,825	927,173
Unrealized foreign exchange loss	**87,936**	—	87,936
Write-off of research supplies	**—**	—	17,819
Write-off of withholding tax receivable	**5,548**	—	5,548
	(5,342,699)	(3,683,738)	(11,205,766)
Changes in non-cash working capital items relating to operations:			
Amounts receivable	**119,260**	40,333	130,694
Prepaid expenses and other	**384,386**	(891,643)	(575,062)
Accounts payable and accrued liabilities	**138,134**	1,112,556	1,352,741
Cash used in operating activities	**(4,700,919)**	(3,422,492)	(10,297,393)
INVESTING ACTIVITIES			
Acquisition of IL Therapeutics Inc.	**—**	1,257,992	1,257,992
Deferred acquisition costs	**—**	—	(20,903)
Proceeds from disposal of property and equipment	**5,775**	—	5,775
Purchase of property and equipment	**(19,485)**	(114,980)	(179,202)
Purchase of intangible assets	—	—	(59,743)
Leasehold inducement	**18,444**	—	18,444
Cash provided by investing activities	**4,734**	1,143,012	1,022,363
FINANCING ACTIVITIES			
Issuance of common shares for cash, net of share issuance costs	**747,510**	6,939,782	8,887,292
Issuance of preferred shares for cash, net of share issuance costs	**—**	—	1,131,594
Advance from related party	**—**	—	694,836
Cash provided by financing activities	**747,510**	6,939,782	10,713,721
Increase (decrease) in cash and cash equivalents	**(3,948,675)**	4,660,302	1,438,691
Cash and cash equivalents, beginning of period	**5,387,366**	727,064	—
Cash and cash equivalents, end of period	**1,438,691**	5,387,366	1,438,691

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(expressed in Canadian dollars)

	Common Shares		Preferred Shares		Contributed Surplus	Deficit	Total
	Number	Amount $	Number	Amount $	$	$	$
Balance, March 31, 2006	**16,182,554**	**2,374,836**	**2,661,333**	**1,131,593**	**30,000**	**(2,219,132)**	**1,317,297**
Issued pursuant to acquisition of IL Therapeutics Inc.	1,500,000	1,106,124	1,250,000	918,876	—	—	2,025,000
Issued for cash upon exercise share purchase warrants	2,039,287	1,019,645	—	—	—	—	1,019,645
Issued for cash pursuant to a public offering	6,788,786	5,920,137	—	—	—	—	5,920,137
Compensation to public offering agent	100,000	(184,655)	—	—	184,655	—	—
Conversion of preferred shares to common shares	3,911,333	2,050,469	(3,911,333)	(2,050,469)	—	—	—
Stock based compensation	—	—	—	—	580,825	—	580,825
Net loss for the period	—	—	—	—	—	(4,353,837)	(4,353,837)
Balance, March 31, 2007	**30,521,960**	**12,286,556**	**—**	**—**	**795,480**	**(6,572,969)**	**6,509,067**
Issued for cash pursuant to a private placement	4,515,003	747,510	—	—	—	—	747,510
Value of share purchase warrant pursuant to a private placement	—	(2,535)	—	—	2,535	—	—
Compensation to private placement agent	107,730	(19,413)	—	—	19,413	—	—
Stock based compensation	—	—	—	—	346,348	—	346,348
Net loss for the period	—	—	—	—	—	(5,974,712)	(5,974,712)
Balance, March 31, 2008	**35,144,693**	**13,012,118**	**—**	**—**	**1,163,776**	**(12,547,681)**	**1,628,213**

About Pacgen

Pacgen is a life sciences company focused on the development of therapeutics for the treatment of infectious and inflammatory diseases. Pacgen's current development efforts are focused on PAC-113, an anti-fungal for the treatment of oral candidiasis and PAC-G31P, a novel peptide therapeutic designed to treat inflammatory diseases characterized by non-beneficial neutrophil.

PAC-113 is a 12 amino-acid antimicrobial peptide derived from a naturally occurring histatin protein found in saliva. This peptide alters the permeability of fungal cell membranes causing cell death. In June 2008, Pacgen announced positive results from its Phase IIb clinical trial demonstrating that PAC-113 is effective in the treatment of oral candidiasis and compares favourably to the efficacy demonstrated by Nystatin, a current standard of care.

PAC-G31P is a small recombinant protein that is a synthetic analogue of the human cytokine called Interleukin-8 which is the key chemokine involved in neutrophil recruitment. PAC-G31P is currently being investigated in preclinical studies for its potential to treat inflammatory diseases characterized by non-beneficial neutrophil.

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. All forward-looking statements are based on Pacgen's current beliefs and expectations as well as assumptions relating to the successful and timely completion of its ongoing Phase II clinical trial and pre-clinical studies, the time and process required to obtain regulatory approval for commercialization of its product, the ability of Pacgen to raise additional capital in future on favourable terms, the impact of competitive products and pricing in the market, new product development, and the successful and timely completion of corporate collaborations or licensing arrangements for its research programs. 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 collaborative 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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