



**FOR IMMEDIATE RELEASE**

**TSX-V: PGA**

## **PACGEN REPORTS FISCAL 2009 FINANCIAL RESULTS**

**Vancouver, BC, Canada (July 31, 2009)** – Pacgen Biopharmaceuticals Corporation (“Pacgen” or the “Company”) (TSX-V: PGA) today reported financial results from its fiscal year ended March 31, 2009. Amounts unless specified otherwise, are expressed in Canadian dollars and in accordance with Canadian Generally Accepted Accounting Principles (Canadian GAAP).

### *Fiscal 2009 Corporate Development and Operating Highlights*

- On June 5, 2008, Pacgen released positive topline results from its Phase IIb dose-ranging trial of PAC-113. The results demonstrated that PAC-113 is effective in the treatment of oral Candidiasis and compares favourably to the efficacy demonstrated by Nystatin.
- On October 24, 2008, Pacgen entered into a letter of intent for a business combination with Medigen Biotechnology Corp. (“Medigen”), a biotech company in Taiwan. In connection with the transaction, Pacgen would acquire all of the issued and outstanding shares of Medigen by way of share purchase or through such other transaction structure as may be determined by the mutual agreement of Pacgen and Medigen. In connection with the proposed transaction, Mr. Duffy DuFresne departed Pacgen as its President, CEO and director to pursue other interests.
- On October 31, 2008, the Company appointed Mr. Chung Yu Wang, Chairman and director, as its interim President and Chief Executive Officer and Mr. Kevin McGarry, director, as lead independent director of the Board. These appointments followed the departure of Mr. Duffy DuFresne as President and CEO.
- On December 29, 2008, Pacgen announced that it has terminated its letter of intent for a business combination with Medigen. In accordance with the letter of intent signed in October 2008, the closing of the proposed business combination was subject to certain terms and conditions, including obtaining necessary approvals to enter into a definitive agreement. The parties determined that, in a share for share exchange transaction, the regulatory requirements in Taiwan would require an issuer to redeem dissenting shareholder interests for cash. Both parties anticipated that this requirement would negatively affect the liquidity and capital resources of the combined company, and that the proposed merger would be a significant undertaking given current financial market conditions. As a result, both parties have mutually elected not to proceed with the signing of a definitive agreement.
- On January 30, 2009, Pacgen announced that it intended to offer, through one or more tranches of closings of a non-brokered private placement, convertible debentures in an aggregate principal amount of up to approximately \$610,000 (the “Offering”). Pacgen closed this Offering in two tranches in February 2009 and March 2009 for an aggregate principal amount of \$614,500.

- On March 6, 2009, Pacgen finalized its negotiation with a vendor to settle an outstanding account of approximately US\$1.3 million. Pacgen received a credit note and recovered approximately US\$604,000 of research and development expenditures from this vendor. For the remaining balance of US\$708,000, Pacgen made an initial payment of US\$128,000 and agreed to pay the balance of US\$580,000 by installments. Pacgen has been in constant communication with this vendor to keep them apprised of the Company's developments.
- On June 8, 2009, Pacgen signed a share purchase agreement with the shareholders of Xphase Pharmaceuticals Inc. ("Xphase") as part of its efforts to leverage the technology portfolio and to enhance its ability to raise capital in the recent global financial market downturn. Xphase, a privately held pharmaceutical company, has the right to acquire the exclusive global rights, excluding China, of AF-05, a novel anti-anxiety drug candidate currently in Phase I clinical trial in China. Xphase also provides consulting and project management services to assist small to medium pharmaceutical and biotechnology companies globally. Pacgen obtained regulatory approval to complete the acquisition of Xphase in July 2009.
- Following the acquisition of Xphase, Pacgen positioned itself to become a global life science technology transfer company focused on the commercial development of novel therapeutic drug candidates up to Phase II human proof of concept.

***Summary Fiscal 2009 Results:***

For the year ended March 31, 2009 ("Fiscal 2009"), the Company recorded a net loss of \$2,282,640 (\$0.06 per common share), compared to a net loss of \$5,974,712 (\$0.19 per common share) for the year ended March 31, 2008 ("Fiscal 2008"). The decrease of \$3,777,072 in net loss in Fiscal 2009, as compared to Fiscal 2008, was largely due to a reduction in operating expenses and a recovery of research and development expenditures.

The global financial market downturn had led to an overall tightening in the credit markets and a substantial reduction in capital available to companies in the development stage similar to Pacgen. During Fiscal 2009, the Company undertook a comprehensive review of its product development programs, operations and projected cash requirements with the view of conserving cost and deferring cash outflows. The Company implemented further cost reduction programs in addition to those implemented in the preceding fiscal year. The Company also ceased research and development activities and focused its operations in business development to secure collaborative partners for its technology pipelines. In addition the Company undertook a number of financing initiatives including a small bridge financing and negotiation with its major vendors for defer payments.

Research and development expenses for Fiscal 2009 were \$1,451,884 which was further reduced by a recovery from a credit note of a vendor of \$747,214 (approximately US\$604,000) and an underlying accretion of interest of \$118,073 resulting in net expenditures of \$586,597, compared to \$3,480,523 for Fiscal 2008. The decrease in research and development expenditures was primarily due to the Company's reduced development activities for all projects following its comprehensive review. Pacgen also eliminated two full-time positions and replaced these positions with one consultant position. The following provides a summary of the research and development expenditures by programs for Fiscal 2009 and Fiscal 2008:

Project	Fiscal 2009	Fiscal 2008
PAC-113		
Expense	\$1,154,902	\$2,302,548
Recovery	(865,287)	—
	289,615	2,302,548
PAC-G31P	272,306	1,146,834
Other Projects	24,676	31,141
	\$586,597	\$3,480,523

General and administration expenditures for Fiscal 2009 were \$1,052,414, compared to \$1,901,567 for Fiscal 2008. The decrease of \$849,153 was primarily attributable to the implementation of its cost control programs. The following provides a summary of the general and administration expenditures for Fiscal 2009 and Fiscal 2008:

	Fiscal 2009	Fiscal 2008
Salaries and benefits	\$307,808	\$811,353
Consulting and professional fees	466,382	539,543
Travel and accommodation	48,202	87,530
Market research for product candidate	—	125,981
Other general overhead	230,022	337,160
	\$1,052,414	\$1,901,567

In comparative to the same general and administration expense line item in Fiscal 2008:

- Salaries and benefits declined by \$503,545 in Fiscal 2009 as a result of the Company's reduced workforce and management salaries. During Fiscal 2009, Pacgen eliminated five full-time positions and replaced these positions with two consultant positions. In addition, on October 31, 2008, the Company appointed Chairman of the board of directors, Mr. Chung-Yu Wang, to act as its interim President and Chief Executive Officer to oversee its operations. No salary or management fee was paid to Mr. Wang.
- Consulting and professional fees declined by \$73,161 in Fiscal 2009, primarily due to an elimination of all director fees effective February 2008. These cost savings were offset by an increase in professional fees associated with various business development activities including the previously proposed merger with Medigen.
- No market research expenditure was incurred in Fiscal 2009 given the completion of PAC-113 market research in the preceding year.
- The reduced travel and accommodation expenses, as well as reduced general overhead in Fiscal 2009 were due to our cost control programs including sub-letting part of our office facilities.

Stock-based compensation, a non-cash item included in operating expenses, reduced to \$160,687 in Fiscal 2009, compared to \$346,348 in Fiscal 2008. Stock-based compensation attributable to research and development operations and general administration for Fiscal 2009 was \$62,391 [2008 - \$131,702] and \$98,296 [2008 - \$214,646], respectively. The decrease in stock-based compensation was primarily due to the increased number of options forfeited or cancelled, as well as the reduced number of stock options granted during Fiscal 2009 as compared to Fiscal 2008.

Amortization was \$263,816 in Fiscal 2009, compared to \$269,245 in Fiscal 2008. Amortization related to technology, licenses and rights was \$236,974 in Fiscal 2009, compared to \$236,975 in Fiscal 2008. The remaining amortization was related to property and equipment.

Other loss in Fiscal 2009 was \$219,126, compared to \$62,029 in Fiscal 2008. The increase of \$157,097 in other loss was mainly due to a decline in interest income by \$55,715 and an increase of foreign exchange loss by \$103,951 in Fiscal 2009, as compared to those in Fiscal 2008. The decrease in interest income was due to lower interest rates and lower cash balances. The increase in net foreign exchange loss was primarily due to the appreciation of the United States dollar, in comparison with the Canadian dollar, on the Company's US denominated retainer payments, accounts payable and accrued liabilities.

### ***Liquidity and Outstanding Share Capital***

At March 31, 2009, Pacgen had cash and cash equivalents of \$308,871 at March 31, 2009, compared to \$1,438,691 at March 31, 2008. The Company estimates that its cash reserve at March 31, 2009 is adequate to fund its operations and capital needs into the second half of calendar year 2009. However, given its working capital deficiency of \$1,023,213 at March 31, 2009, compared to a working capital of \$535,149 at March 31, 2008, the Company may be unable to continue to realize its assets and discharge its obligations in the normal course of business. Pacgen is currently seeking additional funding to finance its operations and obligations. Management is considering all possible financing alternatives, including equity financing, debt financing, joint-venture, corporate collaboration and licensing arrangement, and has initiated preliminary discussions on some of these alternatives. While Pacgen has been successful in securing financings in the past, there can be no assurance that such financing will be materialized or be completed on a timely basis and on favourable terms.

As of June 30, 2009, there were 35,144,693 common shares issued and outstanding, 4,656,933 common share purchase warrants outstanding at a weighted average exercise price of \$0.30 per common share, and 1,403,333 incentive stock options outstanding at a weighted average exercise price of \$0.99.

For complete financial results, please see the Company's filings at [www.sedar.com](http://www.sedar.com).

### **About Pacgen**

Pacgen is a publicly traded life science technology transfer company focused on the commercial development of novel therapeutic drug candidates up to Phase II, proof of concept efficacy in human. Pacgen identifies innovative therapeutic drug candidates globally, and develops these drug candidates in accordance to the US Food and Drug Administration regulatory standards to feed the product development pipelines of the pharmaceuticals industry. Pacgen's current technology portfolio includes PAC-113 and PAC-G31P.

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](http://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 completion of its clinical trials 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, the Company's 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 the Company's ability to protect its 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 July 31, 2008, may cause its 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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