



| QUARTERLY CEO MESSAGE |

May 23, 2002

Welcome to the new Micrologix!

You may be asking yourself “What new Micrologix?” Well, we are unquestionably a different company today than we were just six months ago. I’ve mentioned consistently that two initial objectives since joining the team have been to develop a clear strategy and ensure our ability to execute that strategy. I am proud to say, our team has definitely achieved those two original objectives.

Going back to my first message in October, the main long-term strategic priorities outlined were the development of a broader pipeline, the establishment of meaningful alliances, and the management of our operations through augmentation of the expertise and experience base within our team. Then, in the February message, I discussed some of the general components of our strategy and the basic need to start minimizing some of the uncertainty in the business.

Well, since October we have:

- ❑ completed our Strategic Plan, providing our team the direction and guidance to achieve some aggressive objectives for the next year and beyond (see our news release dated May 16, 2002);
- ❑ made five key additions to the Micrologix leadership team, adding significant industry experience in the areas of product development, R&D, corporate development and operations;
- ❑ signed an exclusive license option agreement with a major international pharmaceutical company on our most advanced clinical candidate (see our news release dated May 7, 2002);
- ❑ acquired two new anti-infective technologies, beginning our pipeline expansion and a process to become a multi-technology, multi-indication company (see our news release dated May 20, 2002), and;
- ❑ formed a corporate alliance with a prominent, experienced anti-infective research group in the US to collaborate in the development of our new programs (see our news release dated May 20, 2002).

So, what does all this *mean* and why is it *important*? It **means** we are beginning to produce the results we expect will lead to a sustainable business model. It’s **important** because these types of results are value drivers in the biotech industry; and during our strategic planning process we discovered that most failures in the biotech sector resulted from companies that either ignored or were unsuccessful in one or more of the critical value drivers.

As those who follow our industry know, it takes many preclinical compounds to get just one clinical candidate. It can then take several clinical candidates to produce one approved, commercially acceptable product. So, with these industry statistics, it is clear that growing our pipeline continuously, with a market-driven view toward commercially viable product candidates is a critical success factor. As we have said many times before, we will do this with our internal R&D capabilities, corporate R&D collaborations and through external in-licensing and acquisition efforts.

Since my first communication in October, I hope the message has been consistent and clear that we are committed to producing the results necessary to build a successful company, and to communicating those results in a regular, reliable fashion. The two initial objectives set for the first few months are beginning to produce the results we intended. Our objectives now involve continuing the process of building upon the value drivers that will grow our company. We expect to achieve this through execution

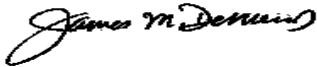
of our internal Operating Plan, which we believe will ultimately translate into shareholder value. This involves finalizing our research and development priorities; moving full speed ahead only with those that both add value and have the best probability of success. Now, more than ever, we must assure the prudent allocation of our resources. As mentioned in the last CEO Message, final decisions on these programs will be communicated as we complete the full evaluation process.

Six months ago Micrologix was a “topical cationic peptide” company, following a research-based approach to development. Today, we have formed the foundation for a true “anti-infective company” with a clear direction, a new market-driven growth strategy, a stronger team, and the beginning of an expanded pipeline. Although it’s still early in the process, based on our recent announcements, it should be clear we are making progress toward achieving valuable results.

This is what you can expect from the “new Micrologix”; **strategy, execution, commitment, results, and communication**. Undoubtedly, some things will take longer than desired and others will not materialize as expected. That’s the nature of research and development in the biotech industry. Our goal, therefore, is to establish the critical mass and product pipeline that creates a sustainable business model for the long-term.

What a year it’s been ... and it’s only May!

Sincerely,

A handwritten signature in black ink, appearing to read "James M. DeMesa". The signature is fluid and cursive, with a prominent loop at the end.

Jim DeMesa, MD
President and CEO