



FOR IMMEDIATE RELEASE

Micrologix Reports Fourth Quarter and Fiscal Year 2003 Financial Results

Vancouver, CANADA, July 10, 2003 – Micrologix Biotech Inc. (TSX: MBI; OTC: MGIXF), a developer of anti-infective drugs, today reported financial results for the fourth quarter and fiscal year ended April 30, 2003 and provided an update on Company activities:

Corporate Update

- **MBI 226:** Results for the Phase III trial for the prevention of central venous catheter-related bloodstream infections are expected before the end of July, 2003.
- **MBI 594AN:** The Phase IIb trial of MBI 594AN, under development for the treatment of acne, is progressing on schedule. The study is anticipated to be completed during the fourth quarter of calendar 2003.
- **Lipopeptide (anti-bacterial):** Several promising compounds have resulted from our lead optimization efforts. Formal non-clinical studies are expected to be initiated in the first half of calendar 2004.
- **Nucleic Acid Mimics (anti-viral):** The hepatitis B (HBV) antiviral program is moving toward animal testing as the next key step in the process, once a development candidate is optimized. In the hepatitis C (HCV) program, lead identification is underway, with over 1200 nucleic acid mimic analogues under evaluation.
- **Hepatitis C Virus (HCV) Replication Assay:** No clear indication of feasibility thus far. We should know whether this technology is feasible within the next three to six months.
- **MBI 1121 (anti-viral):** Development plans for MBI 1121, the human papillomavirus (HPV) oligonucleotide product candidate are progressing based on favorable outcomes thus far in our manufacturing and market analyses. It is expected that more comprehensive plans and timelines will be developed for this program before the end of calendar 2003. Additional non-clinical studies are anticipated to be required before entering Phase II.

Financial Results

Total revenues for the fourth quarter ended April 30, 2003 ("Q4/03") were \$1.8 million as compared to \$nil for the same period in 2002 ("Q4/02"); and for the year ended April 30, 2003 ("Fiscal 2003") were \$8.6 million as compared to \$nil for the same period in 2002 ("Fiscal 2002"). Total operating expenses for Q4/03 were \$6.2 million as compared to \$6.3 million for Q4/02; and for Fiscal 2003 were \$21.6 million as compared to \$21.9 million for Fiscal 2002. The operating loss (before other income/expense) for Q4/03 was \$4.3 million (\$0.09 per common share) as compared to \$6.3 million (\$0.16 per common share) for Q4/02; and for Fiscal 2003 was \$13.0 million (\$0.31 per common share) as compared to \$21.9 million (\$0.57 per common share) for Fiscal 2002.

The net loss (after other income/expense) for Q4/03 was \$4.4 million (\$0.10 per common share) compared with a loss of \$5.9 million (\$0.15 per common share) for Q4/02. The net loss for Fiscal 2003 is \$12.4 million (\$0.30 per common share) compared with \$19.9 million (\$0.52 per common share) for Fiscal 2002. The 38% decrease in net loss during Fiscal 2003 is principally attributable to the \$8.6 million in revenues pursuant to the MBI 226 collaboration and licensing agreement signed in July 2002 with Fujisawa Healthcare, Inc.

Cash, cash equivalents and short-term investments were \$25.6 million at April 30, 2003 and net working capital was \$25.2 million.

Selected Financial Highlights

BALANCE SHEETS	April 30,	April 30,
Unaudited - In Thousands of Canadian dollars	2003	2002
Assets		
Cash and cash equivalents	\$ 6,172	\$ 4,607
Short-term investments	19,432	35,281
Other current assets	3,609	592
Total current assets	\$29,213	\$40,480
Capital assets	1,321	1,556
Intangible assets	3,036	720
Total assets	\$33,570	\$42,756
Liabilities & Shareholders' Equity		
Accounts payable and accrued liabilities	\$3,556	\$7,507
Deferred revenue	457	-
Total current liabilities	\$ 4,013	\$ 7,507
Deferred revenue, non-current portion	696	-
Shareholders' equity	28,861	35,249
Total liabilities and shareholders' equity	\$33,570	\$42,756

STATEMENTS OF LOSS AND DEFICIT Unaudited – In Thousands Canadian dollars (except per share amounts)	Three months ended April 30		Year ended April 30	
	2003	2002	2003	2002
Revenue				
Licensing	\$ 114	\$ -	\$ 371	\$ -
Research and development collaboration	1,728	-	8,260	-
	\$ 1,842	\$ -	\$ 8,631	\$ -
Expenses				
Research and development	4,081	3,799	15,783	16,322
General and corporate	1,184	1,216	4,382	3,793
Amortization	212	193	769	699
Write-down of intangible assets	689	1,090	689	1,130
	\$ 6,166	\$ 6,298	\$21,623	\$ 21,944
Operating loss	\$ (4,324)	\$ (6,298)	\$ (12,992)	\$ (21,944)
Other income (expense)	\$ (82)	\$ 444	\$ 642	\$ 2,033
Loss for the period	\$ (4,406)	\$ (5,854)	\$ (12,350)	\$ (19,911)
Deficit, beginning of period	(69,164)	(55,366)	(61,220)	(41,309)
Deficit, end of period	\$(73,570)	\$(61,220)	\$(73,570)	\$(61,220)
Basic and diluted loss per common share	\$(0.10)	\$(0.15)	\$(0.30)	\$(0.52)
Weighted avg. common shares outstanding (000's)	46,312	38,287	41,626	38,262

STATEMENTS OF CASH FLOWS
Unaudited – In Thousands of Canadian dollars

Loss for the period	\$ (4,406)	\$ (5,854)	\$ (12,350)	\$ (19,911)
Loss not affecting cash:				
Amortization	212	193	769	699
Stock-based compensation	4	-	27	-
Loss on disposal/write-down of assets	703	1,090	696	1,177
Changes in non-cash working capital items relating to operating activities	(855)	695	(6,955)	2,898
Deferred revenue	(114)	-	1,152	-
Cash flows used in operating activities	\$ (4,456)	\$ (3,876)	\$ (16,661)	\$ (15,137)
Cash flows provided by financing activities	-	-	4,920	30
Funds from short-term investments	3,724	6,535	15,620	10,501
Purchases of capital assets	(86)	(136)	(267)	(438)
Intangible asset expenditures	(97)	(52)	(2,062)	(302)
Proceeds on disposal of capital assets	2	-	15	-
Cash flows provided by investing activities	\$ 3,543	\$ 6,347	\$13,306	\$9,761
(Decrease) increase in cash & cash equivalents	\$ (913)	\$ 2,471	\$ 1,565	\$ (5,346)
Cash & cash equivalents, beginning of period	7,085	2,136	4,607	9,953
Cash & cash equivalents, end of period	\$ 6,172	\$ 4,607	\$ 6,172	\$ 4,607

Licensing and collaboration revenues were approximately \$1.8 million for Q4/03 (\$nil for Q4/02) and are \$8.6 million for Fiscal 2003 (\$nil for Fiscal 2002). These revenues are pursuant to the agreement with Fujisawa for the development of MBI 226 in the prevention of central venous catheter-related bloodstream infections. Included in Fiscal 2003 licensing and collaboration revenues is \$0.4 million of a \$1.5 million non-refundable upfront license fee received in July 2002 which is being amortized into income over a period of approximately three and one-half years.

Research and development expenses increased to \$4.1 million in Q4/03 compared to \$3.8 million in Q4/02 and decreased to \$15.8 million for Fiscal 2003 (\$16.3 million for Fiscal 2002). The decrease for Fiscal 2003 is principally due to lower development costs associated with the MBI 226 program (Phase III clinical trial and manufacturing) which were partially offset by increased personnel costs (including augmentation of senior leadership team in research, technology and product development) and increased spending on the MBI 594AN program due to the initiation of the Phase IIb clinical trial in January 2003. General and corporate expenses remained stable at \$1.2 million in Q4/03 compared to \$1.2 million in Q4/02 and are \$4.4 million for Fiscal 2003 compared to \$3.8 million for Fiscal 2002. The increase Fiscal 2003 general and corporate expenses is principally due to increased personnel costs including augmentation of the senior management team.

Other income/(expense) for Q4/03 was (\$0.1) million as compared to \$0.4 million for Q4/02; and for Fiscal 2003 was \$0.6 million as compared to \$2.0 million for Fiscal 2002. Interest income for Fiscal 2003 has declined by \$1.1 million as a result of lower average cash balances available for investment and also declining interest rates. The foreign exchange loss for Fiscal 2003 increased by \$0.3 million principally due to the impact of the decline in the US dollar against the Canadian dollar on the Company's US dollar denominated cash, cash equivalents and amounts receivable.

The \$14.3 million decrease in cash, cash equivalents and short-term investments since April 30, 2002 consists primarily of the \$12.4 million net loss less \$1.5 million in non-cash expenses (amortization \$0.8 million; and the \$0.7 million write-down in intangible assets) for Fiscal 2003, \$2.1 million in asset acquisitions (cash component), \$4.2 million reduction in accounts payable and accrued liabilities, \$3.0 million increase in amounts receivable (pertains principally to MBI 226 research and development collaboration revenues which are billed quarterly in arrears), and \$0.6 million paid on redemption of 400,000 Series A preferred shares, less \$5.5 million in proceeds from the equity financing completed in Q3/03 and \$1.2 million of deferred revenue related to the upfront MBI 226 license fee.

During Q4/03 the Company successfully defended the action commenced by a former executive with costs awarded to the Company. The decision was not appealed and consequently the action is now closed.

During Q4/03 the Company issued 379,139 common shares on the conversion of 250,000 Series C preferred shares. There are currently 47,753,298 common shares (April 30, 2003: 47,751,298; April 30, 2002: 39,474,059) and 6,600,000 convertible redeemable preferred shares (April 30, 2003: 6,600,000; April 30, 2002: nil) issued and outstanding. The preferred shares are, at the Company's option, either redeemable for cash or convertible into common shares at US\$1 per share following the achievement of specified development milestones in the lipopeptide, polyene and MBI 1121 HPV programs.

About Micrologix

Micrologix Biotech Inc. is engaged in the research, development, and commercialization of drugs that advance therapy, improve health, and enrich lives. The Company's focus is toward anti-infective drug development with three product candidates in human clinical studies, multiple product opportunities in preclinical development, and several early-stage technologies in various stages of research and evaluation.

"Art Ayres"

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Conference Call

Investors, analysts and the media are invited to participate in a conference call tomorrow (July 10, 2003) at 11:00 a.m. ET (8:00 a.m. PT) to discuss this announcement. Please telephone 1-800-273-9672 (U.S. and Canada) or (416) 695-5806 (Toronto area callers). A replay of this call will be available from July 11 at 8:00 a.m. ET through July 25, 2003. The playback number is: 1-800-408-3053, reservation number 1443774 or 416-695-5800, reservation number 1443774. The call will also be web cast at www.mbiotech.com.

Certain statements in this news release constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, which involve known and unknown risks, uncertainties and other factors that may cause our actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. Forward-looking statements in this release include, but are not limited to results of the Phase III trial of MBI 226 in July 2003; results of the Phase IIb trial of MBI 594AN in Q4 2003, feasibility of the HCV Replication Assay, initiation of non-clinical studies in the lipopeptide program in H1 2004, initiating further development of MBI 1121, and successfully advancing the nucleic acid mimic programs. These statements are only predictions and actual events or results may differ materially. Factors that could cause such actual events or results expressed or implied by such forward-looking statements to differ materially from any future results expressed or implied by such statements include, but are not limited to: uncertainties related to early stage of technology and product development; dependence on corporate collaborations; management of growth; future capital needs; uncertainty of future funding; dependence on key personnel; dependence on proprietary technology and uncertainty of patent protection; intense competition; manufacturing and market uncertainties; and government regulation. These and other factors are described in detail in the Company's Annual Information Form and Annual Report on Form 20-F, forthcoming news releases and other filings with the Canadian securities regulatory authorities and the U.S. Securities & Exchange Commission. Forward-looking statements are based on our current expectations and Micrologix is not obligated to update such information to reflect later events or developments.

The Toronto Stock Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.