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FIRST QUARTER REPORT

July 31, 2009



The following is a discussion of the financial condition and results of operations of MIGENIX Inc. and its subsidiaries ("MIGENIX" or the "Company"). This discussion should be read in conjunction with the Company's April 30, 2009 audited consolidated financial statements, including the related notes included therein; Management's Discussion & Analysis of Financial Condition and Results of Operations for the year ended April 30, 2009; and the interim unaudited consolidated financial statements for the three months ended July 31, 2009, including the related notes therein. All amounts herein unless indicated otherwise, are expressed in Canadian dollars. The discussion and analysis contained in this Management's Discussion & Analysis is as of September 11, 2009. Additional information on the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This Management's Discussion & Analysis of Financial Condition and Results of Operations ("MD&A") contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, and forward-looking information within the meaning of applicable securities laws in Canada (collectively referred to as "forward-looking statements"). Statements, other than statements of historical fact, are forward-looking statements and include, without limitation, statements regarding our strategy, future operations, timing and completion of clinical trials, prospects, plans and objectives of management. The words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking statements, which include underlying assumptions, although not all forward-looking statements contain these identifying words. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other matters contemplated by the forward-looking statements will not occur.

Although our management believes that the expectations represented by such forward-looking statements are reasonable, there is significant risk that the forward-looking statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking statements in this MD&A include, but are not limited to, statements concerning our expectations for: investigating a range of potential approval strategies for Omigard™; Cutanea Life Sciences' seeking a co-development partner to advance omiganan into Phase III clinical development for the treatment of rosacea; seeking strategic options for the MX-2401 and celgosivir programs; Spring Bank Pharmaceuticals advancing SB-9000 into clinical development in the first quarter of calendar 2010; receiving up to US\$21 million and US\$3.5 million in payments pursuant to our agreements with Cutanea Life Sciences and Spring Bank Pharmaceuticals, respectively; successfully completing termination of the ITO agreement for the MX-2401 program; the employment of two senior executives ending on or before November 30, 2009; our estimate of the probable royalties payable to holders of the convertible royalty participation units; our estimate of no milestone payments pursuant to our preferred shares in the next 12 months; working within an annual burn rate of under \$1.5 million; the Company's current financial resources being sufficient to fund operations into approximately the first quarter of calendar 2010; and the Company obtaining additional funds through licensing and non-dilutive financing arrangements.

With respect to the forward-looking statements contained in this MD&A, we have made numerous assumptions regarding, among other things: our ability to assess and advance opportunities in the Omigard™ program; Cutanea's ability to fund, manage and advance omiganan for dermatological applications into Phase III; our ability to generate and manage licensing and other strategic opportunities in the MX-2401 and celgosivir programs; our ability to retain or engage the personnel required to advance the Company's objectives; Spring Bank's ability to fund, manage and advance SB-9000 into clinical development; our ability to successfully complete the termination of the MX-2401 ITO agreement; our ability to obtain additional funds through licensing and non-dilutive financing arrangements; and future expense levels being within our current expectations.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors including: the possibility that opportunities will arise that require more cash than the Company has or can reasonably obtain; dependence on key personnel; dependence on corporate collaborations; potential delays; uncertainties related to early stage of technology and product development; uncertainties as to the requirement that a drug be found to be safe and effective after extensive clinical trials and the possibility that the results of such trials, if completed, will not establish the safety or efficacy of our products; uncertainties as to future expense levels and the possibility of unanticipated costs or expenses or cost overruns; and other risks and uncertainties which may not be described herein. Certain of these factors and other factors are described in detail in the Company's Annual Information Form 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 MIGENIX assumes no obligations to update such information to reflect later events or developments, except as required by applicable law.



BUSINESS OVERVIEW

We are in the business of researching, developing and commercializing drugs for the treatment of infectious diseases. We do not currently have any products approved for sale. Our drug development programs are summarized in the following table:

ANTI-INFECTIVE DRUG DEVELOPMENT PROGRAMS

Program Name and Compound Class	Disease Area	Stage of Development
Omiganan 1% gel (cationic peptide). Also known as Omigard™ and MX-226.	Prevention of catheter-related infections (topical)	Phase III; two Phase III studies completed. In March 2009 our former partner Cadence Pharmaceuticals Inc. ("Cadence") announced top-line results from the second Omigard™ Phase III clinical trial. The results did not meet the primary endpoint of the study. Cadence made a strategic decision to discontinue further development of Omigard™ and in May 2009 provided notice to us to end our collaboration and license agreement. We are currently investigating a range of opportunities for the Omigard™ program including interactions with our advisors and a regulatory agency regarding potential approval strategies for Omigard™.
Omiganan for dermatological diseases (cationic peptide). Also known as CLS001.	Treatment of rosacea and other dermatological diseases (topical)	Phase II; a Phase II rosacea study was completed in the United States (a precursor product, MX-594AN, completed two Phase II studies in the United States for the treatment of acne). The global development and commercialization rights for omiganan for use in dermatological diseases are licensed to Cutanea Life Sciences Inc. ("Cutanea"). Cutanea has completed an end of Phase II meeting with the US Food and Drug Administration. Cutanea is seeking a co-development partner to advance omiganan into Phase III development for the treatment of rosacea. Upon successful completion of various milestones in this program (starting with Phase III enrollment), we can receive up to US\$21 million in development and commercialization milestone payments and a single-digit royalty on net sales.
Celgosivir (alpha-glucosidase I inhibitor). Also known as MX-3253.	Treatment of viral infections (oral)	Phase II; completed three Phase II studies for the treatment of chronic hepatitis C virus (HCV) infections. This program is currently inactive and development work has stopped. We are currently seeking strategic options for the program.
MX-2401 (lipopeptide).	Treatment of serious Gram-positive bacterial infections (intravenous)	Preclinical; The features of MX-2401 indicate a highly competitive intravenous agent for treating serious Gram-positive infections (including the highly publicized resistant bacteria, VRE and MRSA). The focus of our activities in this program is on strategic options for advancing the development of MX-2401.
SB-9000 (dinucleotide). Also known as MX-1313.	Treatment of hepatitis B virus (HBV) infections	Preclinical; out-licensed to Spring Bank Pharmaceuticals Inc. ("Spring Bank"). Spring Bank plans to advance SB-9000 into clinical development in the first quarter of calendar 2010. We have a 1,000,000 convertible preferred share and a 50,000 common share ownership position in Spring Bank. Upon successful completion of various milestones in this program, we can receive up to US\$3.5 million in milestone payments during development of SB-9000 and royalties on net sales and sublicensing revenues.

DEVELOPMENT PROGRAMS

Omiganan 1% gel (Omigard™): Prevention of Catheter-Related Infections

We continue to investigate a range of opportunities for the Omigard™ program, including interactions with our advisors and a regulatory agency regarding potential approval strategies for Omigard™. Our objective in these interactions is to find a viable path forward for Omigard™ and resume activities to advance Omigard™ to commercialization. Responsibility for the United States Investigational New Drug application has been transferred back to us from our former partner and the process to transfer Omigard™ documentation to us is ongoing.

MX-2401: Treatment of Serious Gram-Positive Bacterial Infections

During the quarter we entered into contract and collaboration agreements with three researchers to further support the MX-2401 program and continued to pursue strategic options for advancing the development of MX-2401. As part of our initiatives to advance MX-2401 we will be presenting research results from the MX-2401 program at the 49th Annual Interscience Conference on Antimicrobial Agents and Chemotherapy (ICAAC) meeting being held in



San Francisco, September 12th to 15th, 2009 (www.icaac.org). The following are details of the MIGENIX MX-2401 presentations:

Oral Presentation: MX-2401: A 2nd Generation Lipopeptide Antibiotic

Session: Poster Summary Session 028: All New Antimicrobial Agents

Presenter: Dr. R.E.W. (Bob) Hancock

Time: Saturday, September 12, 2009 1:45 p.m. to 3:45 p.m. PDT

Poster Presentations

Poster session #155: Antibiotic Resistance in Staphylococcus aureus

Time: Monday, September 14, 2009 11:15 a.m. - 1:15 p.m. PDT

Poster: C1-1360. S. J. Kim, M. Singh, J. Schaefer; *Amphomycin-Based Lipopeptides Inhibit Transglycosylation Step of Peptidoglycan Biosynthesis in Staphylococcus aureus*

Poster session #235: New Lipopeptides and Glycopeptides.

Time: Tuesday, September 15, 2009 9:00 a.m. - 11:00 a.m. PDT

Poster: F1-2024. E. Rubinchik, C. J. Pasetka, and D. Dugourd. *Antimicrobial Lipopeptide MX-2401: a Novel Non-hemolytic Analog of Amphomycin.*

Poster: F1-2025. D. Dugourd, J. Fenn, C. Pasetka, H. Yang. *MX-2401: A Novel Lipopeptide Synergistic In Vitro With Beta-Lactams Against Methicillin Resistant Staphylococcus aureus*

Poster: F1-2026. D. Dugourd, H. Yang, E. Rubinchik. *MX-2401: a Novel Lipopeptide Active in the Presence of Lung Surfactant and in Streptococcus pneumoniae Bronchial-Alveolar Pneumonia Model*

Following the presentations copies of the posters will be available at www.migenix.com or by contacting MIGENIX.

MIGENIX and the Government of Canada are working towards the termination of the agreement under the former Technology Partnerships Canada program which was funding 26% of eligible MX-2401 development costs (see "LIQUIDITY AND CAPITAL RESOURCES – Technology Partnerships Canada Agreement" below).

Celgosivir: Treatment of Viral Infections

There are currently no development activities in the celgosivir program. We are seeking strategic options for the program. The Company has prioritized the OmigardTM and MX-2401 initiatives ahead of the celgosivir program.

OTHER MATTERS

MIGENIX currently has four employees and is utilizing the services of several consultants including former employees to carry out its objectives which include: (i) investigating opportunities for the OmigardTM program; (ii) obtaining additional funds through licensing and non-dilutive financing arrangements; and (iii) continuing to reduce expenses. As part of the Company's efforts to manage costs, the Company has invoked the notice provisions in its employment agreements with the Company's Chief Financial Officer and the Vice President, Business Development, and the employment of these senior executives will end on or before November 30, 2009 unless otherwise agreed by the parties.

The Company does not plan to renew the leases for its Vancouver office and lab premises that end in December 2009. As part of downsizing our operations we are currently in the process of selling our laboratory equipment and other furniture/equipment that is not needed for ongoing operations.



DISCLOSURE CONTROLS AND PROCEDURES

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us is recorded, processed, summarized and reported within the time periods specified under Canadian and United States securities laws, and include controls and procedures that are designed to ensure that information required to be disclosed by us is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

As of July 31, 2009, an evaluation was carried out by the Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as defined under National Instrument 52-109 ("NI 52-109"). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures were effective as at July 31, 2009.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal controls over financial reporting ("ICFR") are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles ("GAAP"). For ICFR we use the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework. Because of its inherent limitations, ICFR may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's Chief Executive Officer and Chief Financial Officer carried out an evaluation of the design and effectiveness of the Company's ICFR as at April 30, 2009, pursuant to NI 52-109 and have concluded that, the Company's ICFR, and the design of such controls, provides reasonable assurance that the Company's financial reporting is reliable and the Company's consolidated financial statements were prepared in accordance with GAAP.

Based on that evaluation, it was also determined that an aspect of our ICFR remains deficient. This control deficiency did not result in adjustments to any of our annual audited or interim unaudited consolidated financial statements. As a small organization, similar to other small organizations, the Company's finance department is composed of a small number of key individuals, resulting in limitations on the segregation of duties. The Chief Executive Officer and Chief Financial Officer have concluded that considering the management and Audit Committee oversight, the risks associated with the segregation of duties are not significant and therefore do not justify the expense associated with adding more personnel at this time.

The Chief Executive Officer and the Chief Financial Officer of the Company have evaluated whether there were changes to its ICFR during the three months ended July 31, 2009 that have materially affected, or are reasonably likely to materially affect, ICFR. No such significant changes were identified through their evaluation.

CRITICAL ACCOUNTING POLICIES

The Company's audited consolidated financial statements and unaudited interim consolidated financial statements are prepared in accordance with GAAP and the reporting currency is Canadian dollars. These accounting principles require the Company to make certain estimates and assumptions. The Company believes that the estimates and assumptions upon which it relies are reasonable based upon information available at the time that these estimates and assumptions are made. Actual results could differ from these estimates. Areas of significant estimates include: recognition of revenue, amortization of intangible assets, assessment of the carrying value of intangible assets, accretion of the convertible royalty participation units based on the Company's estimate of the probable royalties payable and stock-based compensation.

The significant accounting policies that the Company believes are the most critical in fully understanding and evaluating the reported financial results are disclosed in the Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended April 30, 2009.

NEW ACCOUNTING PRONOUNCEMENTS

The Company will be evaluating the impact of the following new standards:

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board of the CICA announced that GAAP for publicly accountable enterprises will be converged with IFRS for fiscal years beginning on or after January 1, 2011. The Company will be required to report under IFRS for interim and annual financial statements beginning May 1, 2011 and we will



need to provide IFRS comparative figures for the preceding fiscal year, including an opening balance sheet as at May 1, 2010. Under IFRS, there is significantly more disclosure required. Further, while IFRS uses a conceptual framework similar to current GAAP, there are significant differences in accounting principles that must be addressed. The Company is currently preparing for the switchover to IFRS and assessing the impact of IFRS on its operations and consolidated financial statements. The Company's Chief Financial Officer has completed several IFRS training sessions, reviewed software applications for managing the Company's transition to IFRS and has commenced planning for the transition.

Business Combinations (Section 1582), Consolidated Financial Statements (Section 1601) and Non-Controlling Interests (Section 1602)

Effective May 1, 2011, the Company will be required to adopt the requirements of the CICA Handbook Sections 1582, 1601 and 1602. Section 1582, which replaces the former Section 1581 with the same title, establishes new accounting standards for business combinations. Section 1601, which replaces the former Section 1600 with the same title, establishes new standards for the preparation of consolidated financial statements. Section 1602, establishes standards on accounting for non-controlling interests in a subsidiary in consolidated financial statements prepared subsequent to a business combination. The Company will be assessing the impact that these new standards will have on its financial position and results of operations in conjunction with its changeover to IFRS.

SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

The following table provides summary financial data for our last eight quarters:

	Three months ended,			
	July 31, 2009 ("Q1/10")	April 30, 2009 ("Q4/09")	January 31, 2009 ("Q3/09")	October 31, 2008 ("Q2/09")
<i>(Expressed in thousands, except per share amounts)</i>				
Revenue	\$-	\$132	\$38	\$28
Loss before other income and expense	\$(714)	\$(864)	\$(810)	\$(2,848)
Income (loss) and comprehensive income (loss)	\$(741)	\$6,713	\$(1,309)	\$(3,322)
Basic and diluted income (loss) and comprehensive income (loss) per common share	\$(0.01)	\$0.05	\$(0.02)	\$(0.03)
Weighted average number of common shares outstanding	141,696	124,145	94,464	94,464
	Three months ended,			
	July 31, 2008 ("Q1/09")	April 30, 2008 ("Q4/08")	January 31, 2008 ("Q3/08")	October 31, 2007 ("Q2/08")
Revenue	\$ -	\$ -	\$ -	\$ -
Loss before other income and expense	\$(2,108)	\$(2,760)	\$(3,107)	\$(2,714)
Income (loss) and comprehensive income (loss)	\$(2,644)	\$(3,244)	\$(3,424)	\$(2,997)
Basic and diluted income (loss) and comprehensive income (loss) per common share	\$(0.03)	\$(0.04)	\$(0.04)	\$(0.03)
Weighted average number of common shares outstanding	94,464	94,464	94,464	94,464

The primary factors affecting the magnitude of the Company's losses before other income and expense are summarized as follows:

- Q1/10, Q4/09 and Q3/09 are lower due to the reduction in personnel in prior quarters (particularly Q2/09); and limited research and development activities during these quarters;
- Q2/09 is higher due to the reversal of approximately \$0.3 million in government assistance receivable; the severance paid to the former President & CEO and the severance paid or accrued for other staff including four Vice Presidents; and



- Q4/08 and Q3/08 are higher due to the write-downs of intangible assets (Q4/08: \$0.4 million; Q3/08: \$0.5 million).

The primary factors affecting the magnitude of the Company's other income and expenses are summarized as follows:

- in Q4/09 the Company recorded a \$7.8 million gain on the adjustment of the carrying value of the convertible royalty participation units issued in May 2006; and
- accretion expense as follows: Q1/10: <\$0.1 million; Q4/09: \$0.3 million; Q3/09: \$0.5 million; Q2/09: \$0.4 million; Q1/09: \$0.6 million; Q4/08: \$0.6 million; Q3/08: \$0.5 million; and Q2/08: \$0.4 million. The lower accretion expense in Q4/09 and subsequent quarters are due to the Q4/09 adjustment of the carrying value of the convertible royalty participation units.

We have no fixed dividend policy and have not paid dividends since our incorporation. The payment of dividends is subject to the discretion of the board of directors and will depend, among other factors, on our earnings, capital requirements and financial condition. We currently intend to retain future earnings, if any, to finance the growth and development of our business and do not intend to pay any dividends on our common shares or preferred shares in the foreseeable future.

See "RESULTS OF OPERATIONS" and "LIQUIDITY AND CAPITAL RESOURCES" below for additional discussion of the period variations and trends in results of operations and financial condition.

RESULTS OF OPERATIONS

MIGENIX commenced operations in January 1993 and has devoted its resources to the research and development of experimental new drug candidates. See "BUSINESS OVERVIEW" and "DEVELOPMENT PROGRAMS" for a description of the Company's business, the drug candidates being developed and current program activities, development and commercialization agreements, and near-term milestones. No product candidates being developed by MIGENIX have been approved to be marketed commercially to date. MIGENIX has been unprofitable since its formation, incurring significant operating losses each year, and has incurred a cumulative deficit of \$138.8 million to July 31, 2009.

For Q1/10 MIGENIX incurred a loss of \$0.7 million (Q1/09: loss \$2.6 million) or \$0.01 (Q1/09: loss \$0.03) per common share. The \$1.9 million difference between the Q1/10 loss and the Q1/09 loss consists of: a \$1.4 million decrease in operating expenses (see "Operating Expenses" below); and a \$0.5 million decrease in accretion expense for the convertible royalty participation units (see "Other Income and Expenses" below).

Revenues

During Q1/10 the Company had no revenues (Q1/09: \$nil). We have the opportunity for revenues from: our agreement with Cutanea Life Sciences; the potential re-partnering of Omigard™ should a viable regulatory approval strategy be determined; the potential partnering of MX-2401; and our agreement with Spring Bank, however, at this time we are unable to estimate revenues (if any) over the next five financial years from them. We may earn development and commercial milestone revenue of up to US\$21 million plus a single-digit percentage royalty based on net sales pursuant to our agreement with Cutanea. Additionally, we can receive from Spring Bank up to US\$3.5 million in milestone payments during development of SB-9000 and royalties on net sales and sublicensing revenues. The development milestones are dependent on the successful completion of various individual development and regulatory steps in each of the programs, and the commercial milestones are dependent on obtaining marketing approvals for the product candidates and achieving certain sales thresholds. The completion, timing and success of the activities that would lead to these milestone revenues and royalties are outside our control as the programs are directed by our partners.

Operating Expenses

Operating expenses in Q1/10 were approximately \$0.7 million (Q1/09: \$2.1 million). The \$1.4 million decrease in Q1/10 operating expenses compared to Q1/09 consists principally of a \$0.7 million decrease in research and development expenses (see "Research and Development" below) and a \$0.7 million decrease in general and corporate expenses (see "General and Corporate" below), partially offset by a \$0.1 million write-down of property and equipment (see "Write-down of Property and Equipment" below).

Expenses in Q1/10 have decreased significantly compared to Q1/09 due to the Company's initiatives to reduce expenses including personnel reductions and focusing on the out-licensing of the Company's un-partnered programs with minimal research and development activities being conducted that are not funded by partners.



Research and Development

Our research and development expenses have consisted primarily of salaries and related personnel expenses, costs associated with clinical trials, costs associated with non-clinical activities, patent-related costs and facility related costs. Clinical trial expenses include payments to vendors such as clinical research organizations, contract manufacturers, clinical trial sites, laboratories for testing of clinical samples and consultants. We charge all research and development expenses to operations as incurred because the underlying technology associated with these expenditures relates to our research and development efforts and has no alternative future uses.

Our internal research and development costs, including personnel and facility, are used across various projects, and we do not account for these internal research and development expenses on a project basis. These expenses are included in the "unattributed expenses" category in the table below. We use external service providers to assist us in the conduct of clinical trials, to manufacture our product candidates and to provide various other research and development related products and services. We have tracked many of these external research and development expenses on a project basis. To the extent that expenses associated with external service providers are not attributable to a specific project, they are included in the "unattributed expenses" category in the table below.

The following table summarizes our research and development expenses^(1,2) for the periods indicated:

Research & Development Expenses <i>(Canadian dollars, millions)</i>	Three months ended July 31	
	2009	2008
Program Expenses		
Omigard™	\$0.0	\$0.0
Omiganan for dermatological diseases (partnered)	0.0	0.0
Celgosivir	0.0	0.0
MX-2401 ⁽³⁾	0.0	0.1
Other projects	0.0	0.0
Total Program Expenses	\$0.0	\$0.1
Unattributed Expenses⁽³⁾		
Personnel	\$0.1	\$0.6
Patent costs	0.1	0.2
Other	0.1	0.1
Total Unattributed Expenses	\$0.3	\$0.9
Total Research & Development Expenses	\$0.3	\$1.0

(1) Before amortization expense, technology and license acquisition costs, and write-downs of intangibles assets.

(2) Value of \$0.0 million represents \$nil to ~\$50,000 in expenses during the period.

(3) Net of government assistance.

Our former partner for the North American and European development and commercialization of Omigard™ funded the clinical, regulatory and commercialization costs related to the program from August 2004 to April 2009 and were responsible for manufacturing. Omigard™ expenses in Q1/10 were less than \$0.1 million.

Our partner for omiganan and its analogues for dermatological indications, Cutanea, is responsible for funding all development activities including formulation, clinical, regulatory, and commercialization costs.

Celgosivir and MX-2401 program expenses in Q1/10 were less than \$0.1 million.

The approximate \$0.6 million decrease in the unallocated research and development costs in Q1/10 compared with Q1/09 is principally due to reductions in personnel, less research activity and lower patent costs.

At this time, we are unable to estimate with any certainty the costs we will incur in the development of our product candidates for potential commercialization. Our future research and development expenses will depend on our financial resources, as well as ongoing assessments as to each product candidate's commercial potential and prioritization. In addition, we cannot forecast with any degree of certainty which of our current product candidates will be subject to future collaborations, when such arrangements will be secured, if at all, and to what degree such arrangements would affect our development plans and capital requirements. Additionally, there are numerous



factors associated with the successful commercialization of any of our drug candidates, including future trial design and various regulatory requirements, many of which cannot be determined with accuracy at this time. With product development timelines, the probability of success and development costs vary widely.

Our development expenses are currently less than they would otherwise be due to our limited financial resources and our focus on obtaining collaborations to fund the future development and commercialization of our product candidates. Our development expenses could be substantial over the next few years if we obtain more financial resources and if we decide to fund all or a portion of the advancement of our product development programs. The lengthy process of completing clinical trials and seeking regulatory approval for our product candidates requires the expenditure of substantial resources. Any failure by us to obtain, or any delay in obtaining, regulatory approvals could materially adversely affect our product development efforts and, in turn, have a material adverse effect on our results of operations. As we obtain results from non-clinical studies, clinical trials and regulatory submissions, we may elect to discontinue or delay studies or clinical trials for a product candidate or development program in order to focus our resources on the most promising and/or highest priority product candidates or programs.

General and Corporate

General and corporate expenses in Q1/10 were approximately \$0.2 million (Q1/09: \$0.9 million). The approximate \$0.7 million decrease in general and corporate expenses for Q1/10 compared to Q1/09 is principally due to: reduced personnel costs; reduced legal costs; reduced rent expense including closing of the San Diego office; and reduction in external investor relations services. Personnel costs were \$0.2 million in Q1/10 (Q1/09: \$0.6 million). The lower Q1/10 personnel costs compared to Q1/09 include reductions in personnel, elimination of cash compensation for directors and other cost reduction initiatives.

Amortization

Amortization expense for property and equipment was approximately \$0.1 million in Q1/10 (Q1/09: \$0.1 million).

Amortization expense for intangible assets was less than \$0.1 million in Q1/10 (Q1/09: <\$0.1 million).

Loss on disposal/write-down of property and equipment

The loss on disposal and write-down of property and equipment in Q1/10 was approximately \$0.1 million (Q1/09: <\$0.1 million). The loss on disposal/write-down of property and equipment for Q1/10 includes an estimated \$0.1 million impairment loss in respect of lab equipment that the Company is planning to sell.

Other Income and Expenses

Other income and expenses include three items: (1) interest income generated from investments of the Company's cash balances; (2) accretion expense related to the convertible royalty participation unit financing completed in May 2006 (see "LIQUIDITY AND CAPITAL RESOURCES – Convertible Royalty Participation Units" below); and (3) foreign exchange gains and losses on the Company's United States dollar denominated cash and cash equivalents, amounts receivable and accounts payable balances (see "FINANCIAL INSTRUMENTS AND RISKS" below).

Interest Income

Interest income was less than \$0.1 million for Q1/10 (Q1/09: <\$0.1 million). Interest income is lower due to lower cash balances available for investing and lower interest rates obtained on our investments.

Accretion Expense Convertible Royalty Participation Units

Accretion expense related to the convertible royalty participation units for Q1/10 was less than \$0.1 million (Q1/09: \$0.6 million). The approximate \$0.5 million decrease in Q1/10 accretion expense compared to Q1/09 is principally due to the Q4/09 adjustment of the carrying amount of the debt component of the convertible royalty participation units resulting from the Company's lower estimate of the probable royalties payable to the unit holders over the royalty payment term (estimate was reduced from the maximum royalties payable of approximately \$29.5 million to approximately \$7.3 million). The Company will periodically review and if appropriate update its estimate of the probable royalties payable to the unit holders based on future developments in the Omigard™ program and the license agreement with Cutanea Life Sciences.

Foreign Exchange Gain/Loss

The foreign exchange loss in Q1/10 was less than \$0.1 million (Q1/09: <\$0.1 million gain).



PROPERTY & EQUIPMENT AND INTANGIBLE ASSET EXPENDITURES

Property and equipment expenditures for Q1/10 were \$nil (Q1/09: <\$0.1 million).

Intangible asset costs capitalized in Q1/10 and Q1/09 were \$nil. Intangible assets at July 31, 2009 include acquired technology and capitalized technology license costs for the Company's lipopeptide (MX-2401) and HBV (SB-9000) programs. The \$0.3 million carrying value of these intangible assets at July 31, 2009 does not necessarily reflect present or future values of the underlying programs/technologies and the ultimate amount recoverable by the Company in respect of these assets will be dependent upon the successful development and commercialization of products based on these assets and/or out-licensing of the programs/technologies to third parties (see "RISKS AND UNCERTAINTIES" below).

LIQUIDITY AND CAPITAL RESOURCES

As of July 31, 2009, the Company had cash, cash equivalents and short-term investments of approximately \$1.3 million (April 30, 2009: \$2.1 million) and the Company's net working capital was approximately \$1.0 million (April 30, 2009: \$1.5 million). The approximate \$0.5 million decrease in net working capital from April 30, 2009 is primarily attributable to the \$0.7 million in cash used in Q1/10 operating activities. The Company's cash equivalents and short-term investments are invested in high-grade liquid financial instruments with maturity dates selected with respect to the expected timing of expenditures to fund operations (not to exceed three years), and prevailing and expected interest rates (see "FINANCIAL INSTRUMENTS AND RISKS" below).

MIGENIX has financed its operations to date primarily through the sale of equity securities. MIGENIX believes that its funds on hand at July 31, 2009, combined with ongoing cost reduction measures, are sufficient to provide for operations into approximately the first quarter of calendar 2010 before funds received, if any, from existing or new license agreements, new financings, or the exercise of warrants and options.

The Company's ability to advance its programs is constrained due to the Company's current financial and personnel resources. The Board and management have worked to reduce our financial commitments and, where necessary, rationalize certain programs through controlled spending and increased out-licensing efforts. The Company currently plans to operate within an annual burn rate of under \$1.5 million. The magnitude of future spending in the Company's programs will be dependent on: the Company's financial resources, personnel resources, business strategies and the licensing status of our programs. We may need to increase or decrease our annual burn rate in response to such matters. MIGENIX will need to raise additional funds in support of its operations and there is no assurance that such funds can be obtained on satisfactory terms, or at all (see "RISKS AND UNCERTAINTIES" below).

Cash Flows

In Q1/10, cash used for operating activities amounted to approximately \$0.7 million (Q1/09: \$2.0 million). The approximate \$1.3 million decrease in cash flows used for operating activities for Q1/10 compared to Q1/09 is principally due to the reductions in our operations as described in "Operating Expenses".

In Q1/10, cash used by financing activities amounted to approximately \$0.1 million relating to the payment of rights offering expenses recorded in accounts payable at April 30, 2009.

In Q1/10 cash used by investing activities amounted to approximately \$0.4 million principally from purchases of short-term investments exceeding maturities of short-term investments. In Q1/10 we increased our short-term investments (investments with original maturity greater than three months) with the purchase of \$0.9 million in one year GICs. These GICs can be redeemed by the Company anytime after the first 30 days without penalty. We have classified these GICs as held for trading rather than held to maturity as it is our intent to draw upon these investments prior to their maturity.

Convertible Royalty Participation Units

During Fiscal 2007 the Company completed a financing involving a portion of the future royalties from the Company's license agreements with Cadence Pharmaceuticals Inc (former Omigard™ partner) and Cutanea Life Sciences Inc (partner in the Omiganan for Dermatological Diseases program). A total of 29,465 convertible royalty participation units were issued at a price of \$300 per unit. Each unit entitles the purchaser to receive up to \$1,000 of royalties under the license agreements to May 3, 2021. The \$1,000 of royalties per unit is as follows: [i] 75% of the royalties under the license agreements until \$300 of royalties is paid per unit; [ii] thereafter 50% of the royalties until a further \$300 of royalties is paid per unit; and [iii] thereafter 25% of the royalties until a further \$400 of royalties is paid per unit. The units contain features whereby the Company or the unit holders may elect to convert



the units into the Company's common shares (see "OUTSTANDING SHARE DATA" below). In the event there are no royalties under the license agreements, there is no obligation for the Company to make any payments to the unit holders. In the event of the termination of the Cadence or Cutanea license agreements (the Cadence agreement was terminated in May 2009) and should the Company within one year thereafter enter into an agreement with a third party for similar rights, the royalties from such new agreement(s) would be included in the above determination of the royalties payable to the unit holders. The Company's obligation to pay royalties from the license agreements and/or to issue common shares upon conversion of a unit terminates upon the earlier of: (i) the date \$1,000 of royalties has been paid in respect of the unit; (ii) the date the unit is converted into common shares; and (iii) May 3, 2021. The Company has provided the purchasers (through a trustee) with a first-lien security interest over certain assets of the Company relating to the license agreements. The security interest can be acted on in the event of default by the Company including bankruptcy, non-payment of royalties received, and certain other specified events. In the event of default the Company would become obligated to pay the unit holders \$1,000 per unit less the royalties paid in respect of the unit.

Technology Partnerships Canada ("TPC") Agreement

In March 2005, the Company entered into an agreement with the Government of Canada under the former Technology Partnerships Canada ("TPC") program. TPC projects are now managed by Industry Canada's Industrial Technologies Office ("ITO"). The ITO funding covered approximately 26% of eligible research and development costs in the Company's MX-2401 development program up to a maximum contribution from ITO of approximately \$9.3 million (see "DEVELOPMENT PROGRAMS – MX-2401: Treatment of Serious Gram-Positive Bacterial Infections"). As of July 31, 2009 the Company had received approximately \$1.1 million of ITO contributions pursuant to the ITO agreement.

The Company and ITO are working towards the termination of the agreement. Pursuant to the ITO agreement the Company is required to pay royalties to ITO should the MX-2401 project be determined a success based on certain factors including MX-2401 receiving regulatory approval for marketing in Canada and the United States. Additionally, the ITO agreement provides that in the event of a default by the Company, ITO may require the Company to repay all or part of the ITO contributions received to date. The Company is unable at this time to predict the outcome of termination of the ITO agreement, including royalties to ITO or repayments of ITO contributions, if any. Royalties and contribution repayments, if any, that may be paid to ITO would be accounted for in the period in which conditions arise that will cause the contributions to be repayable or royalties to be payable.

Convertible/Redeemable Preferred Shares

The Company has used redeemable/convertible preferred shares to structure acquisitions and in-licensing transactions so as to lower the immediate cash cost of the transactions, to pay milestones in the future in cash and/or common shares (at our option) based on the achievement of pre-determined product development milestones. The outstanding preferred shares at July 31, 2009 (see "OUTSTANDING SHARE DATA" below) represent US\$5.25 million in potential future milestone payments in the lipopeptide/MX-2401 (US\$575,000), polyene (US\$675,000), and celgosivir (US\$4,000,000) programs. During the next 12 months we estimate that no preferred shares (US\$nil) could become convertible or redeemable pursuant to the achievement of certain of these milestones. Each series of preferred shares includes provision for the Company to redeem the entire series for US\$1, in which event any development milestones achieved subsequent to such redemption would be payable in cash.

Contractual Obligations and Commitments

As at July 31, 2009, we had the following contractual obligations and commitments ^{(1) (2) (3)(4)(5)}:



Contractual Obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Payments due by period <i>(Expressed in thousands of dollars)</i>					
Operating Leases ⁽⁶⁾	125	125	-	-	-
Purchase Obligations ⁽⁷⁾	36	36	-	-	-
Total Contractual Obligations	161	161	-	-	-

- (1) Excludes US\$5.25 million in contingent milestone obligations pursuant to the preferred shares discussed in "LIQUIDITY AND CAPITAL RESOURCES – Convertible/Redeemable Preferred Shares" above and in "OUTSTANDING SHARE DATA" below.
- (2) Excludes the following in respect of technology license and acquisition agreements: (i) up to an additional US\$3.0 million of contingent milestone payments (payable in cash) if certain drug development milestones are achieved; and (ii) royalties on product sales and/or sub-licensing revenues.
- (3) Excludes the potential royalties and repayments in respect of the ITO agreement (see "LIQUIDITY AND CAPITAL RESOURCES – Technology Partnerships Canada" above)
- (4) Excludes \$29.5 million in respect of potential royalties pursuant to the convertible royalty participation units (see "LIQUIDITY AND CAPITAL RESOURCES – Convertible Royalty Participation Units" above).
- (5) Excludes approximately \$1.2 million of potential future milestone based payments to the Company's former President & CEO and other executives in respect of restructuring the severance requirements for such employees and salary reductions.
- (6) Includes office and lab premises lease agreements. The Company is seeking to reduce these premise lease obligations. The leases end in December 2009.
- (7) Represents obligations under research, manufacturing, and service agreements.

OUTSTANDING SHARE DATA

As at September 11, 2009, there are:

- 141,695,709 (July 31, 2009 and April 30, 2009: 141,695,709) common shares outstanding;
- 5,250,000 (July 31, 2009 and April 30, 2009: 5,250,000) convertible redeemable preferred shares outstanding consisting of 300,000 Series A, 950,000 Series B, and 4,000,000 Series D preferred shares. On the achievement of any of the pre-determined product development milestones underlying the Series A, Series B and Series D preferred shares and the Company electing to convert, rather than redeem the applicable number of preferred shares for such milestone(s), the maximum number of common shares that could be issued under each series of preferred shares and the conversion price to be used to determine the number of common shares to be issued for such milestone(s) are as follows: Series A and B - 9,728,204 (average closing price 5 trading days prior to the conversion date, minimum price \$0.29); and Series D - 11,778,846 (average closing price 10 trading days prior to the conversion date). See "LIQUIDITY AND CAPITAL RESOURCES - Convertible/Redeemable Preferred Shares" above for additional information on the Company's preferred shares;
- 29,465 (July 31, 2009 and April 30, 2009: 29,465) convertible royalty participation units outstanding (see "LIQUIDITY AND CAPITAL RESOURCES – Convertible Royalty Participation Units" above) convertible into approximately 22,039,820 (July 31, 2009 and April 30, 2009: 22,039,820) common shares. The units are convertible at any time by the holders into the Company's common shares at 748 common shares per unit based on a adjusted conversion price of \$0.40 per common share (the conversion price was adjusted for the Company's rights offering completed March 2009; prior to the adjustment, the conversion was 600 common shares per unit based at conversion price of \$0.50 per common share, with the number of common shares reduced proportionately for any royalties received by the unit holders). Additionally, the Company has an option to convert the units into common shares exercisable if the 20 trading day weighted average closing price of the Company's common shares is \$2.00 or greater and the average daily trading volume is 30,000 or greater;
- stock options outstanding for the purchase of 5,075,773 (July 31, 2009: 5,234,648; April 30, 2009: 5,670,573) common shares at an average exercise price per common share of \$0.35 (July 31, 2009: \$0.37; April 30, 2009: \$0.40);
- deferred share units outstanding that can be settled at the option of the Company by issuing up to 480,000 common shares (July 31, 2009 and April 30, 2009: 480,000), their equivalent fair market value in cash, or a combination of cash and common shares. The fair value of the outstanding deferred share units based on the \$0.035 closing price of the Company's common shares on September 11, 2009 is \$16,800 (July 31,



2009: \$12,000 [480,000 at a price of \$0.025 per common share]; April 30, 2009: \$16,800 [480,000 at a price of \$0.035 per common share]). As the Company has the intent and ability to settle the outstanding deferred share units by the issuance of common shares rather than payment in cash, no liability has been recorded in the Company's accounts at July 31, 2009 and April 30, 2009 with respect to the fair value of the outstanding deferred share units; and

- warrants outstanding for the purchase of 59,784,503 (July 31, 2009: 59,784,503; April 30, 2009: 60,668,453) common shares at a weighted average exercise price per common share of \$0.24 (July 31, 2009: \$0.24; April 30, 2009: \$0.24), as follows:

Number of Common Shares Issuable Upon Exercise	Exercise Price(s) per Common Share	Expiry Date(s)
40,913,160 ⁽¹⁾	\$0.10	March 5, 2010
6,318,743 ⁽¹⁾	\$0.10	March 13, 2010
12,430,091 ⁽²⁾	\$0.62 ⁽²⁾	December 6, 2011
122,509 ⁽³⁾	US\$5.21 to US\$22.85	December 15, 2009 to June 22, 2011
Total = 59,784,503	Average = \$0.24 ⁽⁴⁾	

(1) Issued March 5, 2009 and March 13, 2009 as part of March 2009 rights offering.

(2) Issued as part of the December 2006 bought deal public offering. As a result of the Company's March 2009 rights offering the exchange basis of these warrants was adjusted from 1 common share per warrant to 1.2906 common shares per warrant, reducing the price per common share from \$0.80 to \$0.62.

(3) These warrants were assumed by the Company as part of the acquisition of MitoKor in August 2004.

(4) Weighted average exercise price using closing September 11, 2009 exchange rate of US\$1.00 equals \$1.0786.

Warrants for the purchase of 883,950 common shares at an exercise price of \$0.50 per common share expired May 4, 2009 unexercised.

FINANCIAL INSTRUMENTS AND RISKS

We are exposed to market risks related to changes in interest rates and foreign currency exchange rates. The Company's investments in interest bearing held to maturity financial instruments provide a fixed rate of return if held to maturity, therefore an increase or decrease in market interest rates can result in a decrease or increase in the market value of such investments respectively. The Company and its US subsidiaries purchase goods and services in US dollars and also earn revenues in US dollars. The Company also purchases goods and services in Euros. The Company does not use derivative instruments to hedge against interest rate or foreign exchange rate fluctuations.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

RISKS AND UNCERTAINTIES

No product candidates being developed by MIGENIX have been approved to be marketed commercially. The Company has incurred significant losses since inception and as at July 31, 2009 had an accumulated deficit of approximately \$138.8 million. The Company's current financial resources are not sufficient to advance its non-partnered programs, including OmigardTM, celgosivir and MX-2401. The Company's ability to realize the carrying value of its assets is dependent on successfully advancing its technologies to market through the drug development and approval processes and ultimately achieving future profitable operations, the outcome of which



cannot be predicted at this time, or in the alternative being able to sell the assets for proceeds equal to their carrying value or greater. The Company's current financial resources are expected to be sufficient for operations into the first quarter of calendar 2010.

The Company's business entails significant risks, including the costs, time and uncertainties involved to obtain the required regulatory approvals to market new drugs, the uncertainties involved in preclinical and clinical testing to obtain the information required for regulatory approvals and for marketing of new drugs, the availability of capital and corporate alliances, managing and maintaining corporate collaborations, the degree of patent and other intellectual protection, intense competition and technological change. There can be no assurance that MIGENIX's or its partner's research and development activities will result in any commercially viable products or profitability, and we may incur substantial losses over at least the next several years.

The Company received top-line Phase III clinical trial results for the Company's most advanced program, Omigard™ in March 2009 – these results did not meet the primary endpoint of the study. In May 2009, the Company received notice to end the collaboration and license agreement in respect of the Omigard™ program. Additionally, in April 2009 the Company received notice to discontinue the option agreement in respect of the celgosivir program. The Company is currently concentrating its efforts on: (i) investigating opportunities for the Omigard™ product candidate; (ii) obtaining additional funds through licensing and non-dilutive financing arrangements; and (iii) reducing expenses, however, the outcome of these matters cannot be predicted at this time. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company has limited personnel and financial resources with which to advance its programs. At July 31, 2009 the carrying value of the Company's intangible assets in respect of its development programs was approximately \$0.3 million. The Company may in the future determine to terminate one or more programs, or that the carrying value of one or more programs should be written down based on:

- termination of the program following preclinical and/or clinical testing results;
- inability to secure development partnership and/or funding to support the program;
- carrying value of program exceeds estimated net recoverable value based on factors including projected cash flows;
- loss of license rights for failure to perform in accordance with license agreements; and/or
- decision not to pursue further development in the program.

A write-down in the carrying value of one or more intangible assets in respect of the Company's development programs could have a significant non-cash impact on our operating results.

MIGENIX will need to raise additional funds in support of its operations and there is no assurance that such funds can be obtained on satisfactory terms, or at all. The Company's ability to raise capital is primarily dependent on equity markets, the Company's market capitalization and results in the Company's drug development programs. To maintain a sufficient cash position to fund its operations MIGENIX will need to further delay development work, sell or out-license certain development programs, and/or reduce other expenditures. Our future cash flows and capital requirements will depend on many factors, including, but not limited to, the following: changes in our strategy to develop or out-license currently non-partnered programs; the progress of our research and development programs including clinical trials and the magnitude and scope of these activities; our ability to establish and maintain corporate collaborations and licensing arrangements; the receipt and/or payment of milestone based payments pursuant to licensing agreements; the time and costs involved in obtaining regulatory approvals; the time and costs involved in scaling up the manufacturing of our products; the amount of government and/or grant funding obtained; the costs involved in preparing, filing, obtaining, maintaining, defending and enforcing patent claims; the acquisition or in-licensing of any new technologies and products, and other factors not within our control.

Our risks and uncertainties are discussed in further detail in our Annual Information Form which can be found at www.sedar.com.

Consolidated Financial Statements

MIGENIX Inc.

(Expressed in Canadian dollars)

July 31, 2009

The attached interim unaudited consolidated financial statements have been prepared by management of MIGENIX Inc and have not been reviewed by the independent external auditors of MIGENIX Inc.

MIGENIX Inc.

Incorporated under the laws of British Columbia

**CONSOLIDATED BALANCE SHEETS**

(See Note 1 – Business Operations, Basis of Presentation and Going Concern Uncertainty)

As at	July 31, 2009	April 30, 2009
(Unaudited—Canadian dollars)	\$	\$
ASSETS		
Current		
Cash and cash equivalents <i>[note 3]</i>	403,192	1,645,494
Short-term investments <i>[note 3]</i>	939,459	487,007
Amounts receivable <i>[note 3]</i>	221,225	193,180
Prepaid expenses and deposits <i>[note 3[b]]</i>	99,442	124,264
Total current assets	1,663,318	2,449,945
Long-term investments <i>[note 3[a]]</i>	1,000	1,000
Property and equipment <i>[note 4]</i>	396,111	588,002
Intangible assets <i>[note 5]</i>	317,323	341,733
	2,377,752	3,380,680
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities <i>[note 3]</i>	646,307	933,827
Total current liabilities	646,307	933,827
Convertible royalty participation units <i>[notes 3, 6]</i>	213,987	193,920
Preferred shares	4	4
	860,298	1,127,751
<i>Commitments and contingencies [notes 7, 8]</i>		
Shareholders' equity		
Common shares <i>[note 9[a][i]]</i>	126,404,167	126,404,167
Equity portion of convertible royalty participation units <i>[note 6]</i>	4,554,165	4,554,165
Contributed surplus <i>[note 9[a][ii]]</i>	9,343,971	9,339,195
Deficit	(138,784,849)	(138,044,598)
Total shareholders' equity	1,517,454	2,252,929
	2,377,752	3,380,680

See accompanying notes

On behalf of the Board:

"Alistair Duncan"

Director

"Pieter Dorsman"

Director

CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

	Three months ended July 31,	
	2009 \$	2008 \$
(Unaudited—Canadian dollars)		
REVENUE		
Research and development services	-	-
EXPENSES		
Research and development <i>[notes 7, 9[c]]</i>	292,829	1,050,397
General and corporate <i>[notes 7, 9[c]]</i>	222,254	949,017
Amortization <i>[notes 4, 5]</i>	85,089	104,719
Loss on disposal/write-down of property and equipment <i>[note 4]</i>	113,361	4,652
	713,533	2,108,785
Loss before other income (expenses)	(713,533)	(2,108,785)
Other income (expenses)		
Accretion of convertible royalty participation units <i>[note 6]</i>	(20,067)	(573,992)
Interest income	2,583	37,406
Foreign exchange gain (loss)	(9,234)	747
	(26,718)	(535,839)
Loss and comprehensive loss for the period	(740,251)	(2,644,624)
Deficit, beginning of period	(138,044,598)	(137,482,305)
Deficit, end of period	(138,784,849)	(140,126,929)
Basic and diluted loss and comprehensive loss per common share	(0.01)	(0.03)
Weighted average number of common shares outstanding	141,695,709	94,463,806

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended July 31,	
	2009	2008
	\$	\$
<i>(Unaudited— Canadian dollars)</i>		
OPERATING ACTIVITIES		
Loss for the period	(740,251)	(2,644,624)
Items not affecting cash:		
Amortization	85,089	104,719
Loss on disposal/write-down of property and equipment	113,361	4,652
Stock-based compensation	4,776	181,228
Issuance of deferred share units	-	62,400
Accretion of convertible royalty participation units and amortization of transaction costs	20,067	573,992
Changes in non-cash working capital items relating to operating activities:		
Accrued interest on short-term investments	662	22,209
Amounts receivable	(28,045)	(23,518)
Government assistance receivable	-	24,849
Prepaid expenses and deposits	24,822	(13,921)
Accounts payable and accrued liabilities	(177,678)	(244,920)
Cash used in operating activities	(697,197)	(1,952,934)
FINANCING ACTIVITIES		
Rights offering costs	(109,840)	-
Cash provided by (used in) financing activities	(109,840)	-
INVESTING ACTIVITIES		
Funds from short-term investments	486,345	2,975,176
Purchase of short-term investments	(939,459)	-
Proceeds on disposal of equipment	17,849	-
Purchase of property and equipment	-	(5,476)
Cash provided by (used in) investing activities	(435,265)	2,969,700
Increase (decrease) in cash and cash equivalents	(1,242,302)	1,016,766
Cash and cash equivalents, beginning of period	1,645,494	2,620,994
Cash and cash equivalents, end of period	403,192	3,637,760

See accompanying notes

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended July 31, 2009 (Unaudited—Canadian dollars)

1. BUSINESS OPERATIONS, BASIS OF PRESENTATION AND GOING CONCERN UNCERTAINTY

MIGENIX Inc. (the “Company”) is incorporated under the Business Corporations Act (British Columbia). The Company is a biopharmaceutical company engaged in the research, development and commercialization of drugs for the treatment of infectious diseases to advance therapy, improve health and enrich lives.

The accompanying unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for interim financial statements on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. The Company has incurred significant losses since inception and as at July 31, 2009 had working capital of \$1,017,011 million and an accumulated deficit of \$138,784,849. Management has been able, thus far, to finance its cash requirements primarily from equity financings and payments from licensing agreements.

The Company’s ability to realize the carrying value of its assets is dependent on successfully advancing its technologies to market through the drug development and approval processes and ultimately achieving future profitable operations, the outcome of which cannot be predicted at this time, or in the alternative being able to sell the assets for proceeds equal to their carrying value or greater.

The Company’s current financial resources are expected to be sufficient for operations into the first quarter of calendar 2010. The Company is currently concentrating its efforts on: (i) investigating opportunities for the Omigard™ product candidate; (ii) obtaining additional funds through licensing and non-dilutive financing arrangements; and (iii) continuing to reduce expenses, however, the outcome of these matters cannot be predicted at this time. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company was unable to continue as a going concern and such adjustments could be material.

The accounting policies used in the preparation of these unaudited interim consolidated financial statements are consistent with the Company’s most recent annual audited consolidated financial statements for the year ended April 30, 2009. These unaudited interim consolidated financial statements and notes do not include all disclosures required for annual financial statements and should be read in conjunction with the annual audited consolidated financial statements of the Company. In the opinion of management, all adjustments (including reclassification and normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows have been made. Interim results are not necessarily indicative of results for a full year.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended July 31, 2009 (Unaudited—Canadian dollars)

2. RECENT CANADIAN ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET ADOPTED

International Financial Reporting Standards (“IFRS”)

In February 2008, the Accounting Standards Board of the CICA announced that Canadian generally accepted accounting practices for publicly accountable enterprises will be converged with IFRS for fiscal years beginning on or after January 1, 2011. The Company will be required to report under IFRS for its fiscal year beginning May 1, 2011. The Company is currently preparing for the switchover to IFRS and assessing the impact of IFRS on its operations.

3. FINANCIAL INSTRUMENTS

[a] Fair value

The following table summarizes the carrying and fair values of the Company’s financial assets and liabilities at July 31, 2009 and April 30, 2009:

	July 31, 2009		April 30, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$	\$	\$	\$
Financial assets				
Held for trading				
Cash	99,172	99,172	362,013	362,013
Short-term investments	939,459	939,459	-	-
	1,038,631	1,038,631	362,013	362,013
Held to maturity				
Cash equivalents	304,020	303,942	1,283,481	1,283,609
Short-term investments	-	-	487,007	487,213
	304,020	303,942	1,770,488	1,770,822
Loans and receivables				
Amounts receivable	221,225	221,225	193,180	193,180
	221,225	221,225	193,180	193,180
Available for sale				
Long-term investment	1,000	n/a	1,000	n/a
Total financial assets	1,564,876	1,563,798	2,326,681	2,326,015
Financial liabilities				
Other liabilities				
Accounts payable and accrued liabilities	646,307	646,307	933,827	933,827
Convertible royalty participation units	213,987	551,000	193,220	771,000
Preferred shares	4	3	4	4
	860,298	1,197,310	1,127,751	1,704,831
Total financial liabilities	860,298	1,197,310	1,127,751	1,704,831

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended July 31, 2009 (Unaudited—Canadian dollars)

3. FINANCIAL INSTRUMENTS (cont'd)

[a] Fair value (cont'd)

The fair values of the Company's held to maturity cash equivalents and short-term investments are derived from their quoted values.

The carrying amounts of the Company's held for trading short-term investments, amounts receivable, and accounts payable, approximate fair value due to their short-term nature.

The fair value of long-term investments has not been disclosed because of the unavailability of quoted market prices for the Spring Bank Series A preferred shares and common shares held by the Company. The Company does not currently have the intent to sell its investment in Spring Bank.

The fair value of the Company's outstanding preferred shares at July 31, 2009 and April 30, 2009 is estimated to be US\$3 based on the redemption price for such preferred shares and no milestones underlying the outstanding preferred shares were achieved at July 31, 2009 and April 30, 2009.

The fair value of the convertible royalty participation units at July 31, 2009 is estimated to be approximately \$551,000 based on the July 31, 2009 closing price of the Company's common shares of \$0.025 and the number of common shares issuable by the Company if 100% of the convertible royalty participation units were converted as of July 31, 2009 [April 30, 2009 - \$771,000 based on \$0.035 closing price per common share]. There is no quoted market price for the Company's convertible royalty participation units.

[b] Financial Risk Management

The Company is exposed to certain financial risks, including credit risk, market risk and liquidity risk:

Credit risk. The Company is exposed to credit risk on its cash, cash equivalents, short-term investments, amounts receivable, and deposits in the event of non-performance of the other parties. At July 31, 2009 and April 30, 2009, the Company's maximum credit risk exposure is as follows:

	July 31, 2009	April 30, 2009
	\$	\$
Cash	99,172	362,013
Cash equivalents	304,020	1,283,481
Short-term investments	939,459	487,007
Amounts receivable	221,225	193,180
Prepaid expenses and deposits	99,442	124,264
	1,663,318	2,449,945

The bulk of the Company's cash balances are in accounts at a major Canadian chartered bank [July 31, 2009 - \$92,022; April 30, 2009 - \$358,827]. Consequently, management considers the risk of non-performance related to cash to be minimal.

3. FINANCIAL INSTRUMENTS (cont'd)

[b] Financial Risk Management (cont'd)

Credit risk (cont'd).

The Company has an investment policy governing the purchase of cash equivalents and short-term investments and the Company monitors these investments on a regular basis. The investment policy contains objectives for the purchase of investments including preservation of capital, liquidity and return, as well as specifying minimum credit ratings for investments, types of permitted investments and diversification requirements. The Company's investment policy is periodically reviewed by the Company's audit committee. At July 31, 2009 \$300,888 [April 30, 2009 - \$1,279,963] of the Company's cash equivalents and \$939,459 [April 30, 2009 - \$487,007] of the Company's short-term investments were in an account at an investment firm owned by a Canadian chartered bank. The investments at July 31, 2009 consisted of: (i) \$300,888 in bank sponsored asset backed commercial paper (one entity with R1 High credit rating, maturing September 1, 2009); and (ii) \$939,459 in one year GICs (two entities, three maturities from July 7, 2010 to July 23, 2010, however the Company has the ability to redeem without penalty all or part of the GICs after the first 30 days of the investment term; the Company has classified these GIC short-term investments as held for trading). Management considers the risk of non-performance related to cash equivalents and short-term investments to be minimal.

The Company does not currently maintain a provision for bad debts as the majority of amounts receivable are amounts recoverable under license agreements and refundable sales taxes and the Company expects to collect these amounts. The aging of amounts receivable at July 31, 2009 and April 30, 2009 is as follows:

	July 31, 2009 \$	April 30, 2009 \$
Current and amounts not billed	115,581	93,441
Past due 30 – 90 days	7,594	18,552
Past due greater than 90 days	98,050	81,187
	221,225	193,180

Market risk. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or valuation of its financial instruments.

Interest rate risk: The Company's held to maturity cash equivalents and short-term investments provide a fixed rate of return if held to maturity, therefore an increase or decrease in market interest rates can result in a decrease or increase in the market value of such investments prior to their maturity. The Company's practice is to hold such investments till their maturity. At July 31, 2009 the Company's cash equivalents and short-term investments had weighted average interest rates of 0.4% and 0.4%, respectively [April 30, 2009 – 1.1% and 1.1%, respectively] (for additional information on these investments see "Credit risk" above).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended July 31, 2009 (Unaudited—Canadian dollars)

3. FINANCIAL INSTRUMENTS (cont'd)

[b] Financial Risk Management (cont'd)

Currency risk: The Company is exposed to financial risk related to fluctuation of foreign exchange rates. Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar, primarily expenses for the Company's patent portfolio and research and development activities incurred in US dollars ("USD"). The Company may also incur Euro denominated development costs. The Company believes that the results of operations, financial position and cash flows would be affected by a sudden change in foreign exchange rates, but would not impair or enhance its ability to pay its USD and Euro denominated obligations. The Company maintains USD cash balances to fund its short-term USD expenditure requirements, however the Company must periodically purchase USD and Euros to meet its foreign currency requirements. USD and Euro balances at July 31, 2009 and April 30, 2009 are as follows:

	USD		Euros	
	July 31, 2009	April 30, 2009	July 31, 2009	April 30, 2009
Cash	45,044	175,371	-	-
Cash equivalents	2,907	2,949	-	-
Amounts receivable	129,530	105,513	-	-
Accounts payable and accrued liabilities	(135,587)	(238,466)	(9,660)	-
Net currency (exposure)	41,894	45,367	(9,660)	-

A 5% weakening of the Canadian dollar against the USD and Euro at July 31, 2009 would have decreased the loss for the three months ended July 31, 2009 by approximately \$1,500.

A 5% strengthening of the Canadian dollar against the USD and Euro at July 31, 2009 would have increased the loss for the three months ended July 31, 2009 by approximately \$1,500.

Liquidity risk. Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the board of directors considers securing additional funds through equity, debt or partnering transactions. The board of directors approves the Company's annual operation and capital budgets as well as any material transactions outside the ordinary course of business.

The net liquidity of the Company is considered to be the cash, cash equivalents and short-term investments available less accounts payable and accrued liabilities. The Company's obligation under the convertible royalty participation units [note 6] is not included in the net liquidity and contractual maturities analyses below, as the obligation is payable from royalties from two of the Company's product candidates, conversion into the Company's common shares, or a combination of payments from the royalties and conversion into common shares. At July 31, 2009 and April 30, 2009 net liquidity is as follows:

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended July 31, 2009 (Unaudited—Canadian dollars)

3. FINANCIAL INSTRUMENTS (cont'd)

[b] Financial Risk Management (cont'd)

	July 31, 2009 \$	April 30, 2009 \$
Cash and cash equivalents	403,192	1,645,494
Short-term investments	939,459	487,007
Accounts payable and accrued liabilities	(646,307)	(933,827)
	696,344	1,198,674

At July 31, 2009 and April 30, 2009 the following are the contractual maturities of the Company's accounts payable and accrued liabilities:

	July 31, 2009 \$	April 30, 2009 \$
Less than 91 days	391,118	572,084
91 days to 1 year	41,960	37,442
Timing of payment controlled by the Company/no time specified	193,500	193,500
Provisions by the Company that may or may not be paid	19,729	130,801
	646,307	933,827

4. PROPERTY AND EQUIPMENT

	Cost \$	Accumulated Amortization \$	Net Book Value \$
July 31, 2009			
Furniture and equipment	1,962,822	1,705,399	257,423
Computer equipment	558,729	463,407	95,322
Leasehold improvements	273,336	229,970	43,366
	2,794,887	2,398,776	396,111
April 30, 2009			
Furniture and equipment	2,218,317	1,810,206	408,111
Computer equipment	542,371	438,699	103,672
Leasehold improvements	273,336	197,117	76,219
	3,034,024	2,446,022	588,002

During the three months ended July 31, 2009, amortization expense for property and equipment was \$60,670 [July 31, 2008 - \$75,584]; and the loss on disposal/write-down of property and equipment was \$113,361 [July 31, 2008 - \$4,652]. The loss on disposal/write-down of property and equipment for the three months ended July 31, 2009 includes an estimated \$115,798 impairment loss in respect of lab equipment that the Company is planning to sell as part of the process of downsizing the Company's operations.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended July 31, 2009 (Unaudited—Canadian dollars)

5. INTANGIBLE ASSETS

	Cost \$	Accumulated Amortization \$	Net Book Value \$
July 31, 2009			
Acquired technology	976,379	659,056	317,323
Technology licenses	798,015	798,015	-
	1,774,394	1,457,071	317,323
April 30, 2009			
Acquired technology	976,379	634,646	341,733
Technology licenses	798,015	798,015	-
	1,774,394	1,432,661	341,733

During the three months ended July 31, 2009, amortization expense for intangible assets was \$24,409 [July 31, 2008 - \$29,135].

6. CONVERTIBLE ROYALTY PARTICIPATION UNITS

	Number of Units	Debt Component \$	Equity Component \$
Balance, April 30, 2009	29,465	193,920	4,554,165
Accretion of royalty obligation	-	20,067	-
Balance, July 31, 2009	29,465	213,987	4,554,165

The carrying value of the debt component of the convertible royalty participation units is being accreted to the Company's estimate of the probable royalties payable to the unit holders over the royalty payment term of \$7,265,000. The maximum royalties payable to the unit holders over the royalty payment term is \$29,465,000. The Company will periodically review and if appropriate update its estimate of the probable royalties payable to the unit holders based on future developments in the Omigard™ program and the license agreement with Cutanea Life Sciences.

For the three months ended July 31, 2009, the accretion of the convertible royalty participation units amounted to \$20,067 [July 31, 2008 - \$562,610] and the amortization of deferred transaction costs amounted to \$nil [July 31, 2008 - \$11,382].

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended July 31, 2009 (Unaudited—Canadian dollars)

7. COMMITMENTS

[a] Premises lease agreements

As at July 31, 2009 the Company has the following future annual minimum lease commitments through December 2009 with respect to its office and research premises in Vancouver, Canada:

Year ending April 30	Amount \$
2010	124,554
	<u>124,554</u>

The Vancouver office and research premises leases expire December 2009.

Rent expense for the three months ended July 31, 2009 amounted to \$74,732 (\$93,710 for the three months ended July 31, 2008). For the three months ended July 31, 2009, this expense has been allocated to: [i] research and development \$64,173 (\$63,599 for the three months ended July 31, 2008); and [ii] general and corporate \$10,559 (\$30,111 for the three months ended July 31, 2008).

[b] Research, manufacturing, service, acquisition and license agreements

[i] The Company is responsible for the payment of royalties on revenues derived from technology licensed to the Company. The term of these royalty obligations generally coincide with the life of the patents underlying the technologies licensed to the Company. As at July 31, 2009 and April 30, 2009, there were no royalties payable.

[ii] As at July 31, 2009, the Company has the following commitments to fund expenditures pursuant to research, manufacturing, and service agreements:

	Amount \$
Less than 1 year	35,953
1 to 3 years	-
4 to 5 years	-
After 5 years	-
	<u>35,953</u>

Of this amount, approximately \$2,300 (US\$2,100) is denominated in US dollars and approximately \$18,400 (Euro12,000) is denominated in Euros.

[iii] Pursuant to certain technology and in-licensing/acquisition agreements, the Company may be required to pay upon the achievement of specified development milestones up to US\$8,250,000 of which US\$5,250,000 can be settled at the Company's option by the conversion and/or redemption of the Company's issued and outstanding preferred shares.

7. COMMITMENTS (cont'd)**[c] Employment Contracts and Severance Agreements**

During the year ended April 30, 2009, the Company entered into agreements with the Company's former President & CEO and other executives in respect of restructuring their severance. As at July 31, 2009 and April 30, 2009, pursuant to these agreements the Company is required to pay upon the achievement of specified milestones up to approximately \$1,151,000 to such executives. These commitments expire as follows: [i] approximately \$878,000 between August 10, 2010 and December 31, 2010; and [ii] approximately \$273,000 the later of: December 31, 2012 and twelve months from termination of the executive's employment. No milestones pertaining to these severance payments have been achieved and none of the \$1,151,000 has been recorded in the Company's accounts at July 31, 2009 and April 30, 2009.

During the year ended April 30, 2009, the Company entered into agreements with six employees in respect of a voluntary reduction in their salaries. As at July 31, 2009 and April 30, 2009, pursuant to these agreements the Company is required to pay upon the achievement of specified milestones up to approximately \$85,000 to such employees. These commitments expire December 31, 2009. No milestones pertaining to these bonus payments have been achieved and none of the \$85,000 has been recorded in the Company's accounts at July 31, 2009 and April 30, 2009.

8. CONTINGENCIES**Government of Canada Industrial Technologies Office Contribution Agreement**

The Company and Industry Canada's Industrial Technologies Office ("ITO") are working towards the termination of the agreement under the former Technology Partnerships Canada ("TPC") program. The Company had received \$1,133,075 of contributions pursuant to the ITO agreement.

The Company is unable at this time to predict the outcome of termination of the ITO agreement, including royalties to ITO or repayments of ITO contributions, if any. Royalties and contribution repayments, if any, that may be paid to ITO would be accounted for in the period in which conditions arise that will cause the contributions to be repayable or royalties to be payable.

9. SHARE CAPITAL**[a] Issued and outstanding****[i] Common shares**

	Number of Shares	Amount \$
Balance, April 30, 2009 and July 31, 2009	141,695,709	126,404,167

[ii] Contributed surplus

	Amount \$
Balance, April 30, 2009	9,339,195
Stock-based compensation <i>[note 9[c]]</i>	4,776
Balance, July 31, 2009	9,343,971

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

There months ended July 31, 2009 (Unaudited—Canadian dollars)

9. SHARE CAPITAL (cont'd)

[b] Stock options

[i] Stock option transactions and the number of stock options outstanding under the Company's stock option plans are summarized as follows:

	Number of Common Shares	Weighted Average Exercise Price \$
Balance, April 30, 2009	5,670,573	0.40
Options forfeited/expired	(435,925)	(0.81)
Balance, July 31, 2009	5,234,648	0.37

[ii] The following table summarizes information about options outstanding at July 31, 2009:

Range of Exercise Prices \$	Options Outstanding			Options Exercisable	
	Number Common Shares (000's)	Weighted Average Exercise Price \$	Weighted Average Remaining Contractual Life (years)	Number Common Shares (000's)	Weighted Average Exercise Price \$
0.09 - 0.13	1,765	0.11	4.6	1,510	0.11
0.14 - 0.20	-	-	-	-	-
0.21 - 0.30	1,285	0.21	4.2	1,282	0.21
0.31 - 0.45	888	0.42	2.5	888	0.42
0.46 - 0.68	691	0.62	3.9	568	0.62
0.69 - 1.02	368	0.88	0.6	368	0.88
1.03 - 1.53	177	1.13	1.7	177	1.13
1.54 - 2.30	55	1.83	1.3	55	1.83
2.31 - 3.45	-	-	-	-	-
3.46 - 5.18	1	5.03	0.6	1	5.03
5.19 - 6.21	5	5.76	0.4	5	5.76
	5,235	0.37	3.6	4,854	0.37

The stock options expire at various dates between August 11, 2009 and October 21, 2016.

The maximum number of common shares that can be issued as at July 31, 2009 under the Company's stock option plans inclusive of stock options outstanding at July 31, 2009 is 9,286,625 (April 30, 2009 –9,286,625).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

There months ended July 31, 2009 (Unaudited—Canadian dollars)

9. SHARE CAPITAL (cont'd)

[c] Stock-based compensation expense

The Company recorded stock-based compensation expense of \$4,776 for the three months ended July 31, 2009 (\$181,228 for the three months ended July 31, 2008) relating to stock options granted to executive officers, directors, and employees since May 1, 2003 and to consultants since May 1, 2002. This expense has been allocated on the same basis as cash compensation resulting in \$(2,820) for the three months ended July 31, 2009 being allocated to research and development (\$30,732 for the three months ended July 31, 2008) and \$7,596 for the three months ended July 31, 2009 being allocated to general and corporate (\$150,496 for the three months ended July 31, 2008).

No options were granted during the three month period ended July 31, 2009. The weighted average fair value of stock options granted during the three months ended July 31, 2008 was \$0.13. The estimated fair value of stock options is amortized to expense over the vesting period of the stock options. The estimated fair value of the stock options granted was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three months ended July 31,	
	2009	2008
Annualized volatility	n/a	79.4%
Risk-free interest rate	n/a	3.4%
Expected life of options in years	n/a	5.3
Dividend yield	n/a	0.0%

The Black-Scholes pricing model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly variable assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the input assumptions can materially affect the fair value estimate, the Black-Scholes model does not necessarily provide a reliable single measure of the fair value of the Company's stock options.

[d] Warrants

As at July 31, 2009, the Company had warrants outstanding for the purchase of 59,784,503 (April 30, 2009 - 60,668,453) common shares as follows:

Number of Common Shares Issuable upon Exercise (000's)	Exercise Price(s) per Common Share	Expiry Date(s)
40,913,160	\$0.10	March 5, 2010
6,318,743	\$0.10	March 13, 2010
12,430,091	\$0.62	December 6, 2011
122,509	US\$5.21 to US\$22.85	December 15, 2009 to June 22, 2011
59,784,503	Average = \$0.24 ⁽¹⁾	

[1] Weighted average exercise price using closing July 31, 2009 exchange rate of US\$1.00 equals 1.0775.

During the three months ended July 31, 2009 warrants to acquire 883,950 common shares expired unexercised at an exercise price of \$0.50 per common share.

9. SHARE CAPITAL (cont'd)**[e] Deferred share units**

	Number of Units
Balance, April 30, 2009 and July 31, 2009	480,000

The fair value of the 480,000 outstanding deferred share units based on the \$0.025 closing price of the Company's common shares on July 31, 2009 is \$12,000 (April 30, 2009 – 480,000 outstanding at \$0.035 share price for fair value of \$16,800). As the Company has the intent and ability to settle the outstanding deferred share units by the issuance of common shares rather than payment in cash no liability has been recorded in the Company's accounts at July 31, 2009 and April 30, 2009 with respect to the fair value of the outstanding deferred share units.

10. SUBSEQUENT EVENTS

Subsequent to July 31, 2009 options to acquire 158,875 common shares at exercise prices of \$0.09 to \$1.79 expired unexercised.