TranXenoGen, Inc.
Announces Operational Restructuring

SHREWSBURY, MA, July 28, 2004---TranXenoGen, Inc. ("TranXenoGen" or the "Company"), announces an operational restructuring resulting from its financial position. In addition, the Company announces its interim operating results for the six-months ended June 30, 2004.

Highlights

- On July 23, 2004, the Board of Directors approved a plan to significantly scale back operations and sell assets. As a result, the Company will be performing an impairment analysis of its assets. No adjustments have been made to the June 30, 2004 carrying value of the Company's assets as a result of the plan.
- Unrestricted cash was $732,000 at June 30, 2004.
- Loss for six-months ended June 30, 2004 was $1.7 million (six-months ended June 30, 2003 – loss $2.1 million); loss per share $0.05 (six-months ended June 30, 2003 – loss per share $0.07).
- Issuance by United States Patent office in June 2004 of patent covering a method of reprogramming somatic cell nuclei for the production of cloned animals or embryos using nuclear transfer techniques. Licensing program for patent portfolio launched.
- Publication of initial Anti-Neoplastic Urinary Protein ("ANUP") results. Subsequent animal model studies showed up to 60% reduction in tumor burden in an osteosarcoma nude mouse model.
- Continued progress in the Gene Testes Technology program with six of ten roosters testing positive for the selected transgene in their sperm.

George Uveges, President and Chief Executive Officer, commented: "During the last six-months the Company has been active in fund raising efforts on its own and through several investment banking firms. Unfortunately, the results of those efforts have not been successful. As a result, the Company has developed a plan to:

- Reduce its workforce to three key people whose focus will be on transforming the Company into a technology company focused primarily on licensing/selling the Company's technology portfolio, advancing its ANUP product to the point it can be licensed to a development partner and marketing the Company's other assets.
- Place its Shrewsbury facility up for sale
- Sell off excess assets (principally laboratory equipment) to fund on-going operations.
- Continue to seek additional funds to support its licensing activity.

The Board will continue to monitor the status of its cloning licensing program and progress in developing the remaining technology platforms. Upon completion of the sale of its Shrewsbury facility, the Board will review its net cash position, the status of its licensing program and the viability of the remaining business to determine the best use of the available cash.

As part of the restructuring, my last day as President and CEO will be July 31, 2004. I will remain a Director and support the transformation of the Company. Paul DiTullio will take over day-to-day management effective August 1, 2004."

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Risk Warning Notice:

TranXenoGen, Inc. (LSE: TXN.L) is a publicly traded development stage, biotechnology company, and, as such, investors should be aware that an investment in the Company involves a substantially high degree of risk. Its shares are quoted on the Alternative Investment Market of the London Stock Exchange. The securities of the Company have not been registered under the Securities Act of 1933 and therefore, may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements under such Act.

This press release contains forward-looking statements that can be identified by terminology such as "expects", "potential", "suggests", "may", "will" or similar expressions. Such forward-looking statements regarding our business, which are not historical facts, are "forward-looking statements" that involve risk and uncertainties, which could cause the Company's actual results and financial condition to differ materially from those anticipated by the forward-looking statements. Actual results may differ materially from statements made as a result of various factors, including, but not limited to sufficiency of cash to fund the Company's planned operations, risk associated with inherent uncertainty of product research and development, risk of protecting proprietary rights and competition. Forward-looking statements speak only as to the date they are made. The Company does not undertake to update forward-looking statements to reflect the circumstances or events that occur after the date the forward-looking statements are made.

TranXenoGen, Inc.

PRESIDENT AND CHIEF EXECUTIVE OFFICER'S STATEMENT

Overview

The first half of 2004 was a transition period for the Company as its scientific developments progressed to the point that it could begin commercialization activities. The commercialization activities were principally in two areas:

- Seeking a partner to support development of a novel protein, Anti-Neoplastic Urinary Protein ("ANUP") for the treatment of several types of cancer.
- Marketing the Company's patent portfolio, specifically its cloning patents.

The initial feedback on the ANUP partnering discussions is that while various parties had an interest, the project was "too early" in the development cycle. The Company intends to continue to develop the project on a limited, resource/funding available basis, through the preclinical development phase including additional animal model studies, seeking to develop a recombinant ANUP protein therapeutic, exploring the mechanism action to help formulate a clinical plan and preparation of a more complete licensing package.

With the issuance of the U.S. nuclear transfer technique patent in June 2004 the Company has begun a communication program to notify potential licensees of the availability of the patent portfolio for license. While the program is still in its early stages, the Company believes that there is an opportunity to obtain significant value in the cloning patent portfolio.

The Company has been unsuccessful in its fund raising and partnering efforts to date. As a result, on July 23, 2004, the Board of Directors approved the reduction of the Company's workforce to three key people whose focus will be on:

- Selling the Shrewsbury facility and laboratory equipment.
- Licensing/selling the Company's technology portfolio.
- On a resource available basis, continue to develop ANUP to the point it can be licensed to a development partner.

The Company will incur a workforce reduction cost of approximately $200,000, $30,000 of which will be paid in August and the balance will be deferred until the Company either sells the Shrewsbury facility or receives sufficient funds from its licensing program to have cash available to make the payment.

After the sale of the Shrewsbury facility, the Company will review its net cash position, the status of its licensing program and the viability of the remaining business to determine the best use of its cash.

Financial Review as of and for the Six-Months Ended June 30, 2004

During March 2004, the Company implemented a cost reduction program to reduce its cash burn to provide additional time to deliver on the Company's initiatives. The March 2004 cost reduction program included a 30% workforce reduction, reduced salaries for senior management, including a $100,000 reduction in annual salary for the President and CEO, and deferral of payment of Director's fees for twelve months. Spending in other areas was reduced correspondingly. The results of the March 2004 cost reduction program are reflected in the operating results for the six-months ended June 30, 2004.

TranXenoGen's unrestricted cash position at June 30, 2004 was $732,000, compared to $2.2 million at December 31, 2003. The Company's current cash position is not sufficient to fund operations beyond the third quarter of 2004 at its current level of operations.

For the six-months ended June 30, 2004, TranXenoGen reported a net loss of $1.7 million, or $0.05 per share, compared to a net loss of $2.1 million, or $0.07 per share for the same period last year. On a cash basis (net loss excluding (i) the non-cash charge related to the issuance of stock options granted to directors and employees prior to the Initial Public Offering in 2000, (ii) depreciation and (iii) amortization), the net cash loss was $1.4 million for the six-months ended June 30, 2004 compared to $1.6 million for the six-months ended June 30, 2003.

Research and development expenses declined $133,000, or 16.7%, over the prior year reflecting cost savings associated with the cost reduction program including lower expenses for chemicals and supplies, animal care/animal facilities and outside testing as well as lower compensation expenses. The cost reduction program also reduced selling, general and administrative ("SG&A") expenses, which declined $145,000, or 18.6%, over the prior year due to lower compensation expenses, lower legal cost, lower building expenses and lower sales and marketing expenses. Partially offsetting these lower SG&A expenses were higher commercial insurance premiums, primarily D&O insurance and investment banking fees related to investment banking activities. As of June 2004, the non-cash charge for compensation expenses related to stock options issued prior to the Company's initial public offering in July 2000 was fully amortized. The higher net interest expense reflects lower interest income due to lower funds invested (as cash was used to fund operations) at lower rates.

The Company had 14 employees as of June 30, 2004 compared to 20 employees as of December 31, 2003.

Science Update

The Company has continued to make progress in regard to the ANUP program and in the development of its avian transgenic technology platform. ANUP research efforts have focused on testing of a synthetic peptide against additional cancer models and identification of the ANUP protein/gene. A number of animal models studies have been completed with both the synthetic ANUP peptides as well as plasma derived ANUP. Using an osteosarcoma nude mouse model, the synthetic ANUP peptide demonstrated the ability to inhibit tumor growth by up to 60%. In addition, two partially purified preparations of plasma derived ANUP have been tested in animal model studies and shown the ability to reduce tumor burden. These results are encouraging and will aid in the identification of the ANUP gene required for recombinant production.

Research on the avian transgenic platform has focused on identification of founder hens expressing commercial levels of protein in their eggs and the development of a more rapid and efficient technique for generating transgenic chickens. Selected chimeric chickens from the direct-egg transfection method continue to be bred to produce transgenic offspring, which will be screened for expression of the protein of interest. The main focus has been on producing transgenic chickens for the production of Human Serum Albumin and Insulin.

In addition, the Gene-Testes technology continues to make progress and provides an opportunity to reduce the development timeline by up to 50%. Initial experiments have demonstrated the ability to effectively deliver the transgene to the testes of a rooster and generate transgenic sperm. Improvements in the basic gene delivery technique have resulted in six out of ten roosters treated testing positive for the transgene. Based on these results, a breeding program has been initiated to demonstrate the ability of the technology to produce transgenic chickens.

Summary

It is unfortunate that the Company was unsuccessful in raising additional capital as it had a number of opportunities in its future. We appreciate the support and effort of our staff and it has been my pleasure to work with them over the last two and a half years.

Paul DiTullio will take over day-to-day management effective August 1, 2004. I will continue as a member of the Board of Directors and will provide Paul whatever support and assistance I can.

George Uveges
President and Chief Executive Officer

TranXenoGen, Inc.
UNAUDITED CONDENSED BALANCE SHEETS
(Amounts in US Dollars)

	June 30, 2004	June 30, 2003	December 31, 2003
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 732,463	$ 3,772,024	$ 2,186,090
Prepaid expenses and other current assets	42,869	51,945	128,684
Total current assets	775,332	3,823,969	2,314,774
Property and equipment, net	7,278,953	7,810,902	7,545,689
Other Assets:			
Restricted cash	365,443	362,136	363,785
Other non-current assets	9,013	20,422	10,643
Total other assets	374,456	382,558	374,428
Total assets	$ 8,428,741	$12,017,429	$10,234,891
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable	$ 69,703	$ 151,904	$ 215,157
Accrued expenses and other current liabilities	243,654	172,386	224,367
Current portion of long-term debt	136,420	109,841	136,420
Total current liabilities	449,777	434,131	575,944
Long-term deferred lease income	188,139	-	190,583
Long-term debt, less current portion	3,495,592	3,638,661	3,548,283
Commitments and contingencies			
Stockholders' Equity:			
Common stock	40,570	40,560	40,570
Treasury stock	(195,659)	(195,659)	(195,659)
Additional paid-in capital	22,964,558	22,962,668	22,964,558
Deferred compensation	-	(305,361)	(98,236)
Accumulated deficit	(18,514,236)	(14,557,571)	(16,791,152)
Total stockholders' equity	4,295,233	7,944,637	5,920,081
Total liabilities and stockholders' equity	$ 8,428,741	$12,017,429	$10,234,891

The accompanying notes are an integral part of these unaudited condensed financial statements.

TranXenoGen, Inc.
UNAUDITED CONDENSED STATEMENTS OF OPERATIONS
(Amounts in US Dollars)

	Six-Months Ended June 30, 2004	Six-Months Ended June 30, 2003	Year-ended December 31, 2003
Expenses:			
Selling, general and administrative	$ 645,700	$ 790,973	$ 1,633,473
Research and development	663,443	796,790	1,647,762
Stock-based compensation	98,236	207,125	414,250
Depreciation and amortization	268,366	282,101	562,377
Total expenses	1,675,745	2,076,989	4,257,862
Operating loss	(1,675,745)	(2,079,989)	(4,257,862)
Other Income (Expense):			
Interest income	6,423	26,023	39,838
Interest expense	(92,473)	(99,837)	(194,709)
Other income, net	38,711	33,704	62,053
Loss before provision for income taxes	(1,723,084)	(2,117,099)	(4,350,680)
Provision for income taxes	-	-	-
Net loss	$(1,723,084)	$(2,117,099)	$(4,350,860)
Net Loss per Share:			
Basic and diluted	$ (0.05)	$ (0.07)	$ (0.14)
Basic and diluted weighted-average common shares outstanding	32,180,000	32,170,000	32,172,904

The accompanying notes are an integral part of these unaudited condensed financial statements.

TranXenoGen, Inc.
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
(Amounts in US Dollars)

	Six-Months Ended June 30, 2004	Six-Months Ended June 30, 2003	Year-Ended December 31, 2003
Cash Flows from Operating Activities:			
Net loss	$(1,723,084)	$(2,117,099)	$(4,350,680)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization expense	268,366	282,101	562,377
Compensation expense related to stock options issued	98,236	207,125	414,250
Changes in assets and liabilities:			
Prepaid expenses and other current assets	85,815	43,584	(33,155)
Accounts payable	(145,454)	(26,580)	36,673
Accrued expenses and other current liabilities	16,843	(63,398)	(16,534)
Proceeds from cell tower lease	-	-	197,600
Net cash used in operating activities	(1,399,278)	(1,674,267)	(3,189,469)
Cash Flows for Investing Activities:			
Additions to property and equipment	-	(18,103)	(23,387)
Increase in restricted cash	(1,658)	(2,006)	(3,655)
Net cash used in investing activities	(1,658)	(20,109)	(27,042)
Cash Flows for Financing Activities:			
Repayment of notes payable	(52,691)	(59,961)	(123,760)
Net cash used in financing activities	(52,691)	(59,961)	(123,760)
Net decrease in cash and cash equivalents	(1,453,627)	(1,754,337)	(3,340,271)
Cash and cash equivalents, beginning of period	2,186,090	5,526,361	5,526,361
Cash and cash equivalents, end of period	$ 732,463	$ 3,772,024	$ 2,186,090
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 93,248	$ 100,657	$ 196,064
Fair value of shares of common stock issued in connection with milestone payment	$ -	$ -	$ 1,900

The accompanying notes are an integral part of these unaudited condensed financial statements.

Notes to the Unaudited Condensed Financial Statements

1. Basis of Presentation and Management's Plan

The Unaudited Condensed Financial Statements included in this announcement have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business, in conformity with accounting principles generally accepted in the United States. The financial statements should be read in conjunction with the Company's financial statements and notes thereto included in the Company's Annual Report to Shareholders for the year ended December 31, 2003.

During the six-months ended June 30, 2004, the Company was focused on several short-term revenue programs to support a longer-term business strategy. The short-term revenue programs included:

- Licensing of the Company's cloning patent portfolio.
- Partnership of its Anti-Neoplastic Urinary Protein ("ANUP") for the treatment of several types of cancer.
- Seeking grants in the areas of biodefense and vaccine production.

The Company's longer-term business strategy was to pursue the development of a practical, effective manufacturing platform to address the production requirements for high-volume protein based therapeutics as well as to develop novel therapeutic products. The three-pronged business strategy encompasses the following:

- Production of generic biologicals;
- Production of high-volume novel therapeutics such as monoclonal antibodies for strategic partners; and
- Development and manufacture of novel therapeutic protein based products.

The Company's research and development efforts were targeted primarily on achieving the production of protein-based drugs in the egg whites of transgenic chickens. The Company was developing a transgenic process to manufacture therapeutic protein-based drugs, including Human Serum Albumin, Insulin and monoclonal antibodies.

The Company is subject to a number of risks common to emerging companies in the life sciences industry. Among those risks are the successful development of its transgenic technology, technological innovations, dependence on key individuals, dependence on collaborative arrangements, development of the same or similar technological innovations by the Company's competitors, protection of proprietary technology, compliance with government regulations and approval requirements, including those of the U.S. Food and Drug Administration, uncertainty of market acceptance of products, product liability and the ability to obtain additional financing necessary to fund product development and operations.

2. Subsequent Events and Basis of Presentation

On July 23, 2004, the Board of Directors approved a plan to significantly scale back operations and sell assets. The plan includes:

- Reducing the Company's workforce from 13 to three people.
- Offering for sale the Shrewsbury facility and laboratory equipment.
- Significantly reducing the Company's development activity.

The Company's primary focus going forward will be on licensing/selling the Company's technology portfolio.

The Company will incur in July 2004, a workforce reduction charge of approximately $200,000 of which $30,000 will be paid in August 2004. The balance will be deferred until the Company either sells the Shrewsbury facility or receives sufficient funds from its licensing program to have cash available to make the payment. The Company has severance agreements with the remaining employees totaling approximately $150,000.

The Company believes that it can obtain higher value from the sale of the Shrewsbury facility if it is sold to a user of the facility versus an investor group. As such, the purchaser may also acquire certain equipment in the facility. Other, stand-alone equipment will be sold to help finance the on-going operations.

The Company has not determined if the assets will be sold in excess of net book value ($7.3 million) or if a loss will be incurred on the sale. The proceeds from the sale of the facility will be used to retire the mortgage on the property, $3.6 million at June 30, 2004. The repayment of the mortgage will release the $365,000 of restricted cash held by the mortgagor.

As a result of the July 2004 Board of Directors' approved plan described above, the Company will be performing an impairment analysis of its assets. No adjustments have been made to the June 30, 2004 carrying value of its assets in the accompanying condensed financial statements as a result of this plan.

looking statements regarding our business, which are not historical facts, are "forward-looking statements" that involve risk and uncertainties, which could cause the Company's actual results and financial condition to differ materially from those anticipated by the forward-looking statements. Actual results may differ materially from statements made as a result of various factors, including, but not limited to sufficiency of cash to fund the Company's planned operations, risk associated with inherent uncertainty of product research and development, risk of protecting proprietary rights and competition. Forward-looking statements speak only as to the date they are made. The Company does not undertake to update forward-looking statements to reflect the circumstances or events that occur after the date the forward-looking statements are made.

Additional Copies:

Copies of this press release can be obtained directly from the Company at 800 Boston Turnpike, Shrewsbury, Massachusetts, USA 01545 or from the Company's website at www.tranxenogen.com.