

CONJUCHEM®

Q1 2009

LETTER TO SHAREHOLDERS

During the first quarter of fiscal 2009, we reported the results from our two randomized Phase II trials for PC-DAC™:Exendin-4. These results confirmed that our lead product for the treatment of Type 2 diabetes did achieve statistically significant reductions in HbA1c versus baseline and placebo; one cohort achieving a decrease of 1.4% versus baseline. We also confirmed that our product did achieve statistically significant weight loss versus baseline, with patients losing up to two kilograms over the three month treatment period. Consistent with previous studies, PC-DAC™:Exendin-4 was extremely well tolerated, with minimal rates of drug-related nausea, vomiting and diarrhea that decreased over time.

Based on these results, combined with the attractiveness of our product from a patient perspective (small needle size, low injection volume, no pre-mixing required), we believe PC-DAC™:Exendin-4 has the potential to become one of the leading products in its class. These features, added to the efficacy and safety parameters that have been achieved, represent a compelling product profile as we advance our discussions with potential partners who will support our efforts to bring this exciting product to market.

On March 10, we announced that the U.S. Patent & Trademark Office (USPTO) issued an Action Closing Prosecution in the *inter partes* reexamination of Patent No. 6,924,264. The patent, entitled “Modified Exendins and Exendin Agonists,” was issued in August 2005 and is assigned to Amylin Pharmaceuticals, Inc. The Action Closing Prosecution rejected all the claims for obviousness and/or lack of novelty. The counterpart to this patent was previously rejected in Europe. We are very pleased by this outcome, which will provide further comfort to potential partners regarding competing intellectual property claims in the exendin-albumin therapeutic field.

During the quarter, we also reported results from a preclinical study evaluating PC-Insulin, the second product in our pipeline that leverages our proprietary platform for extending the therapeutic window of peptides. PC-Insulin is being developed to have advantages over existing basal insulin therapies that may show clinically relevant peak-to-trough ratios and provide insulin coverage for only 24 hours or less. We showed that PC-Insulin has the potential for a longer duration of activity as measured by both blood glucose control and in normalizing physiological parameters compared to the leading longer-lasting insulin product, Lantus®. We are on track to submit an IND application this year to commence human trials for this product.

With the successful completion of our Phase II studies for PC-DAC™:Exendin-4, we are now able to further conserve our resources by limiting our focus to partnering discussions and the development of PC-Insulin. Subsequent to the close of the quarter, ConjuChem completed a consolidation of its operations, which included a workforce reduction of 18 employees, representing approximately 47% of the Company’s total workforce. I wish to extend my gratitude to all our employees who have contributed so much to ConjuChem’s progress.

Jacques Lapointe, Chairman of the Board, and I would also like to thank Dr. Randal Chase, who has resigned from our Board of Directors. Dr. Chase has contributed many years of service to the Board and to ConjuChem.

Certainly, the economic environment over the last several months has been daunting. In contrast with this general pessimism, we are encouraged by the clinical progress achieved this quarter. Furthermore, our response has been to manage our resources prudently and conservatively as we work to reach the partnering and clinical milestones we have set for 2009. I thank you again for your support and dedication and I look forward to reporting our progress to you next quarter.

Sincerely,



Mark D. Perrin,
President and CEO

Lantus® (insulin glargine [rDNA] injection) is a registered trademark of sanofi-aventis

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis provides a review of the performance of our company and should be read in conjunction with the unaudited financial statements as at January 31, 2009, the audited financial statements for the year ended October 31, 2008 and the related notes, which are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This discussion and analysis compares financial performance for the quarter ended January 31, 2009, as compared to the quarter ended January 31, 2008 and discusses issues and risks that may impact future operations. This review was performed by management with information available as at March 9, 2009. Additional information related to the Company, including its Annual Information Form, can be found on SEDAR on www.sedar.com.

To the extent any statements made in this document contain information that is not historical, these statements are essentially forward-looking and are subject to risks and uncertainties, as described in the "Risk factors" section of the Annual Information Form. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "plan", "foresee", "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. Actual results, levels of activity, performance, or achievements could differ materially from those projected herein and depend on a number of factors.

Factors that could cause actual results to differ materially include but are not limited to:

- our plans to develop and commercialize product candidates and the timing of these development programs;
- whether we will receive, and the timing and costs of obtaining, regulatory approvals;
- clinical development of our product candidates, including the results of current and future clinical trials;
- the benefits of our drug delivery technologies and product candidates as compared to others;
- our ability to maintain and establish intellectual property rights in our drug delivery technologies and product candidates;
- our need for additional financing and our estimates regarding our capital requirements and future revenues and profitability;
- our estimates of the size of the potential markets for our product candidates;
- our selection and licensing of product candidates;
- our ability to attract distributors and collaborators with acceptable development, regulatory and commercialization expertise and the benefits to be derived from such collaborative efforts;
- sources of revenues and anticipated revenues, including contributions from distributors and collaborators, product sales, license agreements and other collaborative efforts for the development and commercialization of product candidates;
- the rate and degree of market acceptance of our products;
- the timing and amount of reimbursement for our products;
- the success and pricing of other competing therapies that may become available;
- our ability to retain and hire qualified employees;
- the manufacturing capacity of third-party manufacturers for our product candidates; and
- other risk factors discussed herein and listed from time to time in our reports, public disclosure documents and other filings with the securities commissions in Canada.

All amounts are presented in Canadian dollars unless otherwise indicated. Where we say "we", "us", "our" or the "Company" we mean ConjuChem Biotechnologies Inc., unless otherwise indicated.

OVERVIEW

We are a publicly-traded Canadian biotechnology company dedicated to the discovery of novel therapeutics with an initial focus on diabetes. We are currently managing multiple research programs in-house and have one product in development. ConjuChem is focused on discovering and developing new drugs based on our novel technology platforms called Drug Affinity Complex ("DACTM") and Pre-formed Drug Affinity Complex ("PC-DACTM"). When applied to a compound, DACTM and PC-DACTM can create new drugs with similar therapeutic activity to the original compound but with a significantly longer duration of activity in the body. One of the greatest opportunities for

ConjuChem's DACTM and PC-DACTM technologies is their ability to harness the therapeutic potential of peptides, which are hindered by a variety of limitations. In particular, peptides have short durations of *in vivo* activity which not only decreases their efficacy, but can also limit their commercialization potential.

Our diabetes program has focused on the GLP-1 class of peptides for the treatment of Type 2 diabetes. These compounds help lower glucose through multiple mechanisms of actions in the body. We are currently pursuing the development of PC-DACTM:Exendin-4, a GLP-1 homolog combined with our PC-DACTM technology. Phase II multiple-dose clinical trials began in February 2008. Positive preliminary results from three-month multiple dose trials were announced December 3, 2008 and final results were released in February 2009.

We have incurred operating losses since our inception due principally to expenditures related to our research and development activities. As at January 31, 2009, we had an accumulated deficit of \$338.2 million. We expect to continue to incur operating losses in the next few fiscal years as we advance other product candidates from our research pipeline into clinical development. To date, ConjuChem has financed its operations, technology acquisitions and capital expenditures primarily through public equity offerings of common shares, private placements of common shares, issuance of convertible notes and debentures, the receipt of investment tax credits earned on eligible expenditures, interest income, and the proceeds from research collaboration agreements.

Our ability to continue as a going concern is dependent upon our ability to obtain additional financing. We are currently seeking additional capital to finance our operations. Management is considering all financing alternatives, including equity financing, debt arrangement, corporate collaboration and licensing arrangements. There can be no assurance that such financing will materialize on a timely basis or obtained on favourable terms. If the Company is unable to obtain additional financing, management may be required to curtail the Company's operations. Please refer to Note 1 – Description of Business and Going Concern Uncertainty - to the unaudited financial statements of the Company as of January 31, 2009 for more details. Our success is also dependent on obtaining the necessary regulatory approvals, generating revenue from licensing or sale of therapeutic drugs and achieving future profitable operations.

Our Goal

Our goal is to develop next generation medicines from therapeutic peptides based on our proprietary bioconjugation platform technologies. We anticipate applying our systemic PC-DAC Technologies to multiple drug candidates and undertaking the clinical development of said drug candidates until the stage at which we believe we can optimize value for our shareholders by entering into strategic alliances for the further development and eventual marketing of the subject drug candidates.

Revenues

To date, we have not generated revenues from product sales. Revenue to date has been generated from interest income on cash reserves and research collaboration agreements. To date, we have entered into a number of research collaboration agreements covering a variety of products. These agreements generally include up-front fees upon initiation of the research and milestone payments upon the attainment of specific objectives.

Investment Tax Credits ("ITCs")

As we are a public company, the federal ITCs for qualified Scientific Research and Experimental Development ("SR&ED") expenditures are not refundable and are calculated at a rate of 20%. These ITCs can be applied to reduce future income taxes payable with a twenty-year carry-forward period. Eligible SR&ED expenditures incurred in Quebec qualify for Quebec refundable tax credits at a rate of 37.5% for the first \$2 million of eligible expenditures and 17.5% on the remaining eligible expenses and are earned on payments made in Quebec for SR&ED labour and SR&ED contracts, after deducting governmental and non-governmental assistance related to SR&ED. However, only 50% of payments made to arm's length sub-contractors are eligible for the Quebec tax credit.

Research and Development

Our research and development expenses consist primarily of fees paid to external service providers, drug substance manufacturer's, laboratory supplies and costs for facilities and equipment and related personnel expenses. The majority of our research and development costs incurred in the quarters ended January 31, 2009 and 2008 are related to the development of PC-DACTM:Exendin-4. We intend to partner PC-DACTM:Exendin-4 with a third party with sufficient expertise and resources to contribute to its continued development and commercialization. Our research and development expenses have fluctuated significantly from period to period in the past and are likely to do so in the future as they are impacted by the progress related to our development efforts.

We intend to fund the advancement of further drug candidates into preclinical and clinical development.

Significant Projects

Our lead product candidate, PC-DACTM:Exendin-4, is currently in clinical development. This product candidate will have to complete further clinical trials and obtain regulatory approval before significant ongoing revenue streams can be generated. The costs to complete these clinical trials and to attain regulatory approval are significant and, subject to entering into licensing arrangements, the costs associated with this process may increase our research and development expenses over the next few years.

During 2008 we advanced PC-Insulin into pre-clinical trials and intend to pursue an IND for this compound in 2009. PC-Insulin is a basal insulin with potential use in patients with either Type I or Type II diabetes. PC-Insulin is being developed to have advantages over basal insulin therapies that may show clinically relevant peak-to-trough ratios and may also not always provide adequate insulin coverage for the total 24-hour dosing period. Developed with ConjuChem's proprietary PC-DACTM technology, PC-Insulin is a longer-acting more peakless recombinant insulin that is covalently bound to recombinant human albumin (**Recombunin**®, provided by Novozymes Biopharma).

We also have a number of other discovery programs and preclinical development programs to identify and develop other therapeutic products. The discovery and development of these products is part of our normal ongoing research and development activities and until product candidates are identified, significant clinical expenditures on these projects are not anticipated in the next year.

Segment Information

We operate in a single business segment focused on the discovery and development of novel therapeutics. In addition, we earn interest revenue from our investment of cash resources. We operate out of a single facility in Canada and all our assets are located in Canada.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing our financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. We have identified the following accounting policies that we believe require application of management's subjective judgments, often requiring the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Our actual results could differ from these estimates and such differences could be material.

Revenue Recognition

We recognize revenues from various research agreements as the contracted services are performed or when milestones are achieved, in accordance with the terms of the specific agreements. Upfront payments for the use of technology where further services are to be provided or fees received on the signing of research agreements are recognized over the period of performance of the related activities. The period of performance is based on our expected performance and requires us to make a number of estimates about future events. These estimates could significantly differ from our actual results and require us to change the recognition period. Amounts received in

advance of recognition of revenue are included in deferred revenue. Milestone payments are recognized as they are earned.

Impairment of Long-Lived Assets

Property, plant and equipment and other long-lived assets are regularly reviewed for impairment as well as when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with its expected future net undiscounted cash flows from use together with its residual value (net recoverable value). If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. Any impairment results in a write-down of the asset and a charge to income. The determination of expected future cash flows and fair values require estimates which are subject to change. No adjustments to asset values have been required in this quarter.

Refundable Investment Tax Credits

We incur research and development expenditures, which are eligible for refundable ITCs. The ITCs recorded are based on our estimates of amounts expected to be recovered and are subject to audit and reassessment by the taxation authorities and, accordingly, these amounts may vary materially.

Valuation Allowance for Future Tax Assets

We have not recorded a benefit related to future tax assets related to operating losses and research and development expenses incurred. We have assumed that the related tax benefits are not likely to be realized based on our historical results and estimated future taxable income. The implementation of tax planning strategies or the generation of future taxable income could result in the recognition of some portion or all of these benefits, which could result in a material improvement in our results of operations through the recovery of future income taxes.

Stock-Based Compensation

Assumptions that affect our evaluation of the fair value of stock options include the calculation of volatility factors and the life of the options issued, both of which require us to make assumptions about future events and have a direct impact on the determination of stock-based compensation.

CHANGES IN ACCOUNTING POLICIES

Effective November 1, 2008, the Company adopted the following Handbook Sections recently introduced by the Canadian Institute of Chartered Accountants [“CICA”]:

Section 1400, “General Standards of Financial Statement Presentation”. This section has been amended to include requirements to assess and disclose an entity’s ability to continue as a going concern. The adoption of this section did not have any impact on the Company’s unaudited interim financial statements.

Section 3064, “Goodwill and Intangible Assets”. This section, which replaces Section 3062, “Goodwill and Other Intangible Assets” and Section 3450, “Research and Development Costs”, establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this section did not have any impact on the Company’s unaudited interim financial statements.

RESULTS OF OPERATIONS

Fluctuations in Operating Results

Our results of operations have fluctuated significantly from year to year in the past and are likely to do so in the future.

We anticipate that our quarterly and annual results of operations will be impacted for the foreseeable future by several factors, including the progress and timing of expenditures related to our clinical development programs, our research efforts and the further expansion of facilities and headcount. Due to these fluctuations, we believe that the year to year comparisons of our operating results are not a good indication of our future performance.

Quarterly Financial Information (unaudited)

The selected financial information provided below is derived from the Company's unaudited quarterly financial statements for each of the last eight quarters, all of which cover periods of three months.

	Jan. 31, 2009	Oct. 31, 2008	July 31, 2008	April 30, 2008	Jan. 31, 2008	Oct. 31, 2007	July 31, 2007	April 30, 2007
	(in thousands of dollars, except for earnings per share)							
Revenues								
Contract revenue	—	—	9	25	27	45	24	—
Interest income	106	195	306	376	573	876	950	1,005
Net loss	(5,828)	(10,915)	(8,737)	(7,925)	(11,841)	(6,490)	(8,562)	(12,209)
Basic loss per share	(0.02)	(0.04)	(0.04)	(0.03)	(0.05)	(0.03)	(0.04)	(0.05)

Our interest revenue fluctuates from quarter to quarter based on the timing of our financing initiatives while our net loss has fluctuated due to the timing of our clinical trial initiatives. The basic loss per share has decreased from previous periods, due to the completion of our phase II clinical trials in November 2008 for our PC-DACTM:Exendin-4 compound.

THREE MONTHS ENDED JANUARY 31 2009 COMPARED TO THE THREE MONTHS ENDED JANUARY 31, 2008

Net loss for the quarter ended January 31, 2009 amounted to \$5.8 million compared to \$11.8 million for the quarter ended January 31, 2008. The decrease in the net loss is mainly attributable to a decrease in the accretion in the carrying value of the convertible senior unsecured notes and interest due to the early redemption of the convertible senior unsecured notes during the first quarter of the 2008 fiscal year, a decrease in G&A expenses of \$533,897 and by the reversal of tax-related reserves following the results of tax audits in the quarter ended January 31, 2009.

Revenues

For the quarter ended January 31, 2009, revenues were derived principally from interest income on investments. We recognized income from a research collaboration and generated \$27,347 of revenues in the quarter ended January 31, 2008, compared to nil of research collaboration revenues earned for the quarter ended January 31, 2009. The Company recorded interest income on cash and investments that amounted to \$106,241 for the quarter ended January 31, 2009, compared to \$572,655 for the quarter ended January 31, 2008. The decrease in interest income was a result of a reduced investment portfolio base combined with a general decrease in market rates.

Research and Development

Gross research and development expenses amounted to \$4.1 million for the quarter ended January 31, 2009, compared to \$3.7 million for the quarter ended January 31, 2008. The increase is largely attributable to the costs of our Phase II clinical trials for PC-DACTM:Exendin-4.

Investment tax credits were estimated at \$1.1 million for the quarter ended January 31, 2009, compared to \$100,000 in investment tax credits for the quarter ended January 31, 2008. The increase in 2009 is attributable to the fact that the Company has reversed tax reserves for SR&ED tax credits following the results of tax audits during the quarter ended January 31, 2009. These investment tax credits are subject to audit by the taxation authorities. The amounts recognized in 2009 have been recorded as a reduction of research and development expenditures.

Research and development expenditures represent the majority of ConjuChem's corporate spending. Through a focused effort to validate our technology, we are targeting, in 2009, to license our lead diabetes compound, PC-DACTM:Exendin-4. We also intend to advance one or more compound into clinical testing during 2009. These research and development initiatives will have a direct effect on our R&D expenditures which are expected to decline in comparison to the 2008 fiscal year in which we conducted multiple Phase II trials for which we announced final results in February 2009.

General and Administrative

General and administrative costs amounted to \$1.1 million for the quarter ended January 31, 2009, compared to \$1.6 million for the quarter ended January 31, 2008. The decrease in general and administrative expenses is largely attributable to fees related to the early redemption of the convertible senior unsecured notes in the quarter ended January 31, 2008 and to a decrease in headcount compensation and benefits in the quarter ended January 31, 2009.

We reiterate our commitment to maintain the highest standards of corporate governance and continue to allocate resources in this area as we strongly believe that this is mandatory for maintaining shareholders' confidence.

Amortization and Debt Service

Amortization expense decreased to \$45,503 for the quarter ended January 31, 2009, compared to \$57,602 for the quarter ended January 31, 2008. The decrease is a function of the decreasing capital base upon which amortization is calculated.

Accretion in the carrying value of the convertible senior unsecured notes and interest amounted to nil for the quarter ended January 31, 2009, compared to \$5.5 million for the quarter ended January 31, 2008. The decrease arises due to the early redemption of the convertible senior unsecured notes during the first quarter of the 2008 fiscal year. Accretion, a non-cash item, is a function of the notional allocation of the convertible senior unsecured note between debt and equity components and represents the accelerated accretion in the carrying value of the debt component to its redemption on November 30, 2007. Accretion in the carrying value of the convertible unsecured subordinated debentures and interest amount to \$1.1 million for the quarter ended January 31, 2009, compared to \$568,517 for the quarter ended January 31, 2008. The debentures were issued in December 2007.

Stock-based Compensation

Stock-based compensation for the quarter ended January 31, 2009 amounted to \$601,705 compared to \$714,879 for the quarter ended January 31, 2008. This non-cash expense relates to the amortization of amounts calculated under the fair value method of accounting for stock options and uses the Black-Scholes option pricing model to determine the fair market value of stock option grants. This expense varies from period to period as variables used in the calculation of the Black-Scholes option pricing model change and due to the decline in the Company's stock price.

Foreign Exchange Gain or loss

Foreign exchange conversion resulted in a loss of \$90,463 for the quarter ended January 31, 2009, compared to a loss of \$178,951 for the quarter ended January 31, 2008. The majority of our clinical trial expenses are incurred in U.S. dollars and British pounds and the loss in this current period is attributable to the unfavorable impact on our expenditures resulting from the need to convert Canadian dollars into foreign currencies at various times during the year.

Liquidity and Capital Resources

As at January 31, 2009, working capital amounted to \$7.5 million. Funds applied to operating activities in the first quarter of 2009 amounted to \$7.6 million compared to \$6.3 million in the first quarter of 2008. Funds were used primarily to complete the Phase II trials for PC-DACTM:Exendin-4.

Cash flows generated from investing activities for the quarter ended January 31, 2009 amounted to \$9.9 million compared to \$57.0 million used for in the quarter ended January 31, 2008, primarily as a result of funds applied to operating activities and in Q1 of 2008, for the repayment of the convertible senior unsecured notes. The net proceeds of cash from acquisitions, disposals and maturities of investments for the quarter ended January 31, 2009 was \$9.9 million compared to \$57.0 million of proceeds for the comparative year.

Capital expenditures for the quarter ended January 31, 2009 were \$10,694 compared to \$10,951 for the quarter ended January 31, 2008. We do not anticipate making any significant capital acquisitions in fiscal 2009.

Cash flows used from financing activities amounted to nil for the quarter ended January 31, 2009 compared to \$37.8 million generated for the quarter ended January 31, 2008. In November 2008, we redeemed the convertible senior unsecured notes amounting to \$45,000,000 plus accrued interest of \$13,006,914 for a total amount of \$58,006,914.

Our receivables totaled \$89,450 as at January 31, 2009 and included commodity tax refunds. Accounts payable and accrued liabilities decreased from \$10.1 million as at October 31, 2008 to \$7.0 million as at January 31, 2009 due to the timing of disbursements relating to clinical development activities and the reversal of tax-related reserves.

As at January 31, 2009, we had cash and cash equivalents and investments totaling \$13.5 million. As at October 31, 2008, cash, cash-equivalents and short-term investments totaled \$21.1 million. ConjuChem's Investment Policy regulates its investment activities relating to cash resources. An Investment Committee composed of representatives from management and the Board of Directors monitors compliance with said Policy. The Company invests strictly in liquid, high-grade investment securities with varying terms to maturity, selected with regard to the expected timing of expenditures for continuing operations and prevailing interest rates. As of January 31, 2009, ConjuChem had invested in seven major Canadian companies, including three chartered banks, in amounts ranging from approximately \$100,000 to \$2.4 million. As at January 27, 2009, we do not have any investments in non-bank sponsored asset-backed commercial paper (ABCP). We believe that our current cash and cash equivalents, marketable securities and interest income will be sufficient to carry out our current research and development plans and operations into the third quarter of 2009.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements are described below under "Contractual Obligations" and consist of operating leases. Other than these commitments, which are considered to be in the ordinary course of business, we do not have any other off-balance sheet arrangements and do not expect to enter into any other such arrangements outside of the ordinary course of our business in the near future.

Transactions with Related Parties

Subsequent to the issuance of the Series 1 convertible notes, the managing partner of the investment fund managing the noteholders became a director of the Company and the investment fund is therefore considered to be a related party. This investment fund manages investment partnerships that hold an aggregate of \$3.5 million of the \$22 million principal amount of convertible unsecured subordinated debentures as of January 31, 2009.

Proposed Transactions

As discussed elsewhere, we expect to strengthen our financial position through various financing initiatives and potential licensing agreements. The Company is not party to any such undertakings at this time.

Financial Instruments

The Company does not use currency hedging instruments.

Contractual Obligations

Payments due by period (\$ '000's)				
	Less than 12 months	12 to 36 months	37 to 60 months	Total
Operating leases	558	20	6	584
Convertible unsecured subordinated debentures	—	20,365	—	20,365
Purchase commitments	609	5,938	2,436	8,983

There were no commitments for capital expenditures as at January 31, 2009.

Outstanding Share Data

The number of common shares outstanding as of January 31, 2009 and March 9, 2009 is 250,432,418. The number of stock options outstanding as of January 31, 2009 and March 9, 2009 is 23,793,909.

Furthermore, as at January 31, 2009, we have 131,201,750 warrants outstanding with prices and expiration dates as described in the following table:

# of warrants	Price	Expiration Date
96,826,750	\$1.00	11/28/2009
34,375,000	\$0.25	12/31/2011

Disclosure Controls and Procedures

In accordance with the Canadian Securities Administrators Multilateral Instrument 52-109, the Company has filed certificates signed by the President and Chief Executive Officer and the Vice-President, Finance and Chief Financial Officer, that among other things, report on the design and effectiveness of disclosure controls and procedures and the design of internal control over financial reporting.

Also at January 31, 2009, an evaluation of the design and effectiveness of disclosure controls and procedures, and the design of internal controls over financial reporting, as defined in the Canadian Securities Administrators Multilateral Instrument 52-109, was carried out to provide reasonable assurance regarding the reliability of financial reporting and financial statement compliance with GAAP. Based on that evaluation, the President and Chief Executive Officer and the Vice-President, Finance and Chief Financial Officer will certify that the design of internal controls over financial reporting was effective.

Controls systems have limitations, no matter how well designed, including the possibility of human error and the circumvention or overriding of the controls or procedures. As a result, there is no certainty that our disclosure controls and procedures or internal control over financial reporting will prevent all errors or all fraud.

There were no changes in our internal controls over financial reporting during the fiscal quarter ended January 31, 2009, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Subsequent Event

On March 10, 2009, the Company announced that, in order to preserve cash and to continue its development plan, it was terminating 18 employees. The estimated costs of this measure amount to approximately \$300,000 and these costs will be recorded in the statement of operations for the quarter ending April 30, 2009.

ConjuChem Biotechnologies Inc.

UNAUDITED INTERIM BALANCE SHEETS

[See Description of Business and Going Concern Uncertainty - *note 1*]

As at

	January 31, 2009	October 31, 2008
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	4,477,074	2,187,423
Investments	9,066,870	18,934,737
Accounts receivable	89,450	160,644
Investment tax credits receivable	772,000	542,000
Prepaid expenses	119,491	229,006
Total current assets	14,524,885	22,053,810
Property, plant and equipment	808,265	841,685
Intangible assets	9,719	11,108
	15,342,869	22,906,603
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities	6,981,485	10,080,463
Total current liabilities	6,981,485	10,080,463
Convertible unsecured subordinated debentures <i>[note 4]</i>	14,324,406	13,634,906
	21,305,891	23,715,369
Shareholders' deficiency		
Capital stock <i>[note 5]</i>	266,823,735	266,823,735
Warrants <i>[note 5]</i>	10,817,394	10,817,394
Equity portion of convertible unsecured subordinated debentures	5,193,793	5,193,793
Contributed surplus <i>[note 5]</i>	49,420,531	48,818,826
Deficit	(338,219,066)	(332,390,857)
Accumulated other comprehensive income gain (loss)	591	(71,657)
Total shareholders' deficiency	(5,963,022)	(808,766)
	15,342,869	22,906,603

Subsequent event *[note 7]*

See accompanying notes

On behalf of the Board:



Director



Director

ConjuChem Biotechnologies Inc.

UNAUDITED INTERIM STATEMENTS OF DEFICIT
[See Description of Business and Going Concern Uncertainty - *note 1*]

Three-month periods ended January 31

	2009	2008
	\$	\$
Deficit, beginning of period	(332,390,857)	(292,973,699)
Net loss for the period	(5,828,209)	(11,840,517)
Deficit, end of period	(338,219,066)	(304,814,216)

See accompanying notes

ConjuChem Biotechnologies Inc.**UNAUDITED INTERIM STATEMENTS OF
OPERATIONS AND COMPREHENSIVE LOSS**[See Description of Business and Going Concern Uncertainty - *note 1*]

Three-month periods ended January 31

	2009	2008
	\$	\$
REVENUES		
Contract revenues	—	27,347
Interest income	106,241	572,655
	106,241	600,002
EXPENSES		
Research and development	4,127,231	3,657,857
Investment tax credits <i>[note 6]</i>	(1,080,000)	(100,000)
Net research and development expenses	3,047,231	3,557,857
General and administrative expenses	1,052,744	1,586,641
Amortization of property, plant and equipment	44,114	55,121
Amortization of intangible assets	1,389	2,481
Stock-based compensation	601,705	714,879
Financial charges	3,352	4,206
Foreign exchange loss	90,463	178,951
Accretion in carrying value of convertible senior unsecured notes and interest	—	5,504,427
Accretion in carrying value of convertible unsecured subordinated debentures and interest	1,093,452	568,517
Loss on redemption of long-term investments	—	267,439
	5,934,450	12,440,519
Net loss	(5,828,209)	(11,840,517)
OTHER COMPREHENSIVE INCOME		
Unrealized gain on investments	72,248	2,327
Comprehensive loss	(5,755,961)	(11,838,190)
Basic and diluted loss per share	(0.02)	(0.05)
Weighted average number of common shares outstanding during the period	250,432,418	240,213,668

See accompanying notes

ConjuChem Biotechnologies Inc.

UNAUDITED INTERIM STATEMENTS OF CASH FLOWS

[See Description of Business and Going Concern Uncertainty - *note 1*]

Three months ended January 31

	2009	2008
	\$	\$
OPERATING ACTIVITIES		
Net loss	(5,828,209)	(11,840,517)
Items not affecting cash:		
Amortization of property, plant and equipment	44,114	55,121
Amortization of intangible assets	1,389	2,481
Amortization of premium on long-term investments	—	(8,436)
Stock-based compensation	601,705	714,879
Accretion in carrying value of convertible senior unsecured notes and interest	—	5,504,427
Accretion in carrying value of convertible unsecured subordinated debentures	689,500	568,517
Loss on redemption of long-term investments	—	267,439
	<u>(4,491,501)</u>	<u>(4,736,089)</u>
Net changes in non-cash working capital balances relating to operations	(3,148,269)	(1,576,156)
Cash flows relating to operating activities	<u>(7,639,770)</u>	<u>(6,312,245)</u>
INVESTING ACTIVITIES		
Acquisition of investments	(4,806,200)	(12,910,701)
Proceeds on maturities of investments	14,746,315	10,399,827
Acquisition long-term investments	—	(167,037)
Proceeds on redemption of long-term investments	—	59,644,132
Acquisition of property, plant and equipment	(10,694)	(9,772)
Acquisition of intangible assets	—	(1,179)
Cash flows relating to investing activities	<u>9,929,421</u>	<u>56,955,270</u>
FINANCING ACTIVITIES		
Repayment of convertible senior unsecured notes	—	(58,006,914)
Issuance of convertible unsecured subordinated debentures	—	22,000,000
Issuance costs paid in cash	—	(1,764,414)
Cash flows relating to financing activities	<u>—</u>	<u>(37,771,328)</u>
Net increase in cash and cash equivalents during the period	2,289,651	12,871,697
Cash and cash equivalents, beginning of period	<u>2,187,423</u>	<u>1,235,704</u>
Cash and cash equivalents, end of period	<u>4,477,074</u>	<u>14,107,401</u>
Supplemental cash flow information:		
Interest paid	<u>814,609</u>	<u>13,006,914</u>

See accompanying notes

ConjuChem Biotechnologies Inc.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

January 31, 2009

1. DESCRIPTION OF BUSINESS AND GOING CONCERN UNCERTAINTY

Description of business

ConjuChem Biotechnologies Inc. ["ConjuChem" or the "Company"] is a biotechnology company operating in a single business segment out of its Canadian facility and its primary business purpose is the development and use of its bioconjugation technologies to develop therapeutic drugs. The Company enters into contracts with companies for the exclusive right to use certain of its technologies and to jointly develop specific drugs. All of the Company's contract revenues were derived from clients in the United States in 2008. The Company's assets are all located in Canada.

Going concern uncertainty

These financial statements have been prepared by management on a going concern basis, which assumes the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business. The use of these principles may not be appropriate because as of January 31, 2009, there was substantial doubt that the Company will be able to continue as a going concern without raising additional financial resources.

The Company has incurred significant operating losses since inception and has accumulated a deficit of \$338,219,066 as at January 31, 2009. Also, the Company's anticipated level of annual expenditures exceeds the committed sources of funds and the Company's cash, cash equivalents, and investments on hand as of January 31, 2009. To date the Company has financed its cash requirements primarily through the issuance of common shares, convertible unsecured notes, debenture issuances, and investment tax credits. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing. The Company is currently seeking additional capital to finance its operations. Management is considering all financing alternatives, including equity financing, debt arrangement, corporate collaboration and licensing arrangements. There can be no assurance that such financing will materialize on a timely basis or be obtained on favourable terms. If the Company is unable to obtain additional financing, management may be required to curtail the Company's operations.

These financial statements do not give effect to any adjustments to the amounts and classification for assets and liabilities that may be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

ConjuChem Biotechnologies Inc.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

January 31, 2009

2. BASIS OF PRESENTATION

The unaudited interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles applicable to interim financial statements. Accordingly, they do not include all the information and disclosures required according to Canadian generally accepted accounting principles for audited annual financial statements and should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended October 31, 2008.

Information with respect to the October 31, 2008 balance sheet is derived from the Company's audited financial statements. The accounting policies underlying these interim financial statements are those set forth in note 2 of the audited financial statements for the year ended October 31, 2008 and those mentioned in note 3 to the interim financial statements.

3. CHANGE IN ACCOUNTING POLICIES

Effective November 1, 2008, the Company adopted the following Handbook Sections recently introduced by the Canadian Institute of Chartered Accountants ["CICA"]:

Section 1400, "General Standards of Financial Statement Presentation". This section has been amended to include requirements for management to assess and disclose an entity's ability to continue as a going concern. The adoption of this section did not have any impact on the Company's unaudited interim financial statements.

Section 3064, "Goodwill and Intangible Assets". This section, which replaces Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs", establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this section did not have any impact on the Company's unaudited interim financial statements.

ConjuChem Biotechnologies Inc.

**NOTES TO UNAUDITED INTERIM
FINANCIAL STATEMENTS**

January 31, 2009

4. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

The carrying value of the convertible unsecured subordinated debentures is detailed as follows as at January 31, 2009:

	\$
Fair value upon issuance	13,500,000
Accumulated accretion expense	2,487,474
Less: Unamortized portion of deferred financing costs	(659,773)
Less: Portion of the carrying value attributable to the 1,635 units converted into common stock in June 2008	(1,003,295)
Balance as at January 31, 2009	<u>14,324,406</u>

5. SHAREHOLDERS' DEFICIENCY

Authorized

An unlimited number of common shares.

Issued and outstanding

As at January 31, 2009 and October 31, 2008, the Company had 250,432,418 common shares issued and outstanding.

Contributed surplus

	\$
Balance as at October 31, 2008	48,818,826
Stock-based compensation charge for the period	601,705
Balance as at January 31, 2009	<u>49,420,531</u>

ConjuChem Biotechnologies Inc.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

January 31, 2009

5. SHAREHOLDERS' DEFICIENCY [Cont'd]

Warrants

Warrants outstanding as at January 31, 2009 are as follows:

Exercise price (\$)	Number outstanding	Weighted average months to expiry
1.00	96,826,750	10
0.25	34,375,000	35
	131,201,750	

Stock option plan

The changes to the number of stock options granted by the Company and their weighted-average exercise price, for the three-month period ended January 31, 2009, are as follows:

	#	\$
Balance as at October 31, 2008	23,848,443	0.69
Forfeited	(54,534)	4.53
Balance as at January 31, 2009	23,793,909	0.67
Options exercisable, end of period	10,625,971	1.09

Compensation expense of \$601,705 [2008 – \$714,879] has been recorded in the three-month period ended January 31, 2009 for stock options granted with a corresponding credit to contributed surplus. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	2009	2008
	\$	\$
Expected dividend	—	0.0%
Volatility	—	130.5%
Risk-free interest rate	—	3.2%
Expected option life in years	—	5
Weighted-average fair value of options on date of grant	—	\$0.09

No options were granted in the three-month period ended January 31, 2009.

ConjuChem Biotechnologies Inc.

**NOTES TO UNAUDITED INTERIM
FINANCIAL STATEMENTS**

January 31, 2009

5. SHAREHOLDERS' DEFICIENCY [Cont'd]

Diluted earnings per share

No options or warrants outstanding at January 31, 2009 and 2008 were included in the calculation of diluted earnings per share, as all such securities would be anti-dilutive.

6. INVESTMENT TAX CREDITS

Following the results of tax audits during the quarter ended January 31, 2009, the Company reversed tax reserves for investment tax credits in the amount of \$850,000.

7. SUBSEQUENT EVENT

On March 10, 2009, the Company announced that, in order to preserve cash and to continue its development plan, it was terminating 18 employees. The estimated costs of this measure amount to approximately \$300,000 and these costs will be recorded in the statement of operations for the quarter ending April 30, 2009.

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