



STRESSGEN BIOTECHNOLOGIES REPORTS THIRD QUARTER 2001 FINANCIAL RESULTS

FOR IMMEDIATE RELEASE

October 25, 2001

Victoria, British Columbia, October 25, 2001 - Stressgen Biotechnologies Corporation (TSE: SSB) today reported financial results for the quarter and nine months ended September 30, 2001. All amounts, unless specified otherwise, are in Canadian dollars.

For the third quarter ended September 30, 2001, the Company reported a net loss of \$7,294,000 or \$0.14 per share, compared to a net loss of \$4,166,000 or \$0.10 per share in the third quarter of 2000, and a net loss of \$8,221,000, or \$0.16 per share in the second quarter of 2001.

For the nine months ended September 30, 2001, the Company reported a net loss of \$24,631,000, or \$0.49 per share, compared to a net loss of \$14,328,000 or \$0.38 per share, for the comparable nine months of 2000. The Company used net cash of \$26,280,000 in its operating activities for the nine months ended September 30, 2001, compared to \$15,077,000 for the same period of the prior year. The Company had cash and short-term investments of \$47,428,000 at September 30, 2001.

“We continue to meet our milestones in the clinical development of the Company’s broad-spectrum therapeutic candidate for HPV-related diseases, HspE7,” said Daniel L. Kopolinski, Stressgen’s President and Chief Executive Officer. “In addition to the Company’s existing multiple clinical trials, including a phase III anal dysplasia study, we anticipate opening a phase II trial in the new orphan drug indication of recurrent respiratory papillomatosis, genital warts of the upper airways, very shortly.”

“The increase in expenditures over last year reflects the progress of HspE7 into late stages of drug development,” said Donald D. Tartre, Stressgen’s Vice President and Chief Financial Officer. “In view of the current financial environment, we are prudently evaluating our R&D investments and are focusing all of our activities on those opportunities that maximize return to our shareholders while staying within our cash-burn objectives. Further, our profitable reagent business continues to subsidize our cash burn, and is expected to generate over \$2,000,000 in cash this year.”

Stressgen's third quarter 2001 highlights

- Completed patient enrollment in HspE7 phase III study in anal dysplasia two months ahead of schedule.
- Announced additional anal dysplasia phase II open label data where 71% of patients showed pathological downgrade of their disease, indicating that HspE7 could potentially eliminate the need for surgery.

Conference Call

Stressgen will hold its third quarter 2001 financial conference call on October 25, 2001 at 4:00 p.m. Eastern Time (1:00 p.m. Pacific Time). The call in number to access the call is 888-303-1409 in North America. A replay of this call will be available from October 25 at 3:00 p.m. Pacific Time through November 1, 2001. The playback number: 800-558-5253, reservation No. 19842968. The Company will retain information about accessing the call on its website at www.stressgen.com through the playback period.

About Stressgen Biotechnologies

Stressgen is a public biopharmaceutical company focused on the development and commercialization of innovative stress protein-based immunotherapeutics. The Company is developing a broad range of products for the treatment of viral infections and related cancers. In addition to targeting HspE7 in HPV-related diseases, the Company also has a program to evaluate stress protein fusions in hepatitis B and has initiated research studies to evaluate its heat shock protein technology in the treatment of several other indications. Stressgen is also an internationally recognized supplier of research products used by scientists worldwide for the study of cellular stress, apoptosis, oxidative stress and neurobiology.

HspE7 is a novel immunotherapeutic for the treatment of diseases caused by the human papillomavirus ("HPV"), one of the most common sexually transmitted diseases, estimated to infect approximately 30 to 50 percent of the sexually active population. There are 5.5 million new cases of genital HPV infection diagnosed per year in the U.S. alone, of which over 1 million represent cases of genital warts. In addition to warts, genital HPV infection can cause cervical cancer and a variety of precancerous conditions, including anal and cervical dysplasia.

This news release contains forward-looking statements that involve risks and uncertainties. Such forward-looking statements include statements regarding the timing of the Company's clinical trials, results of the Company's reagent business, and ability of the Company to develop and commercialize therapeutics. Such statements are only predictions. Factors that may cause the ultimate results or our performance to be materially different from those implied by such statements include delays in conducting clinical trials, difficulties in funding planned clinical trials, and findings that products that appeared promising in early research do not demonstrate efficacy in larger-scale clinical trials. These factors and others are more fully discussed in our Quarterly Report on Form 10-Q and other filings with the U.S. Securities and Exchange Commission and Canadian regulatory authorities. The Company does not assume any obligation to update or alter the contents of this news release.

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(financial information attached)

CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited)

(Canadian dollars in thousands, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2001	2000	2001	2000
Revenue:				
Bioreagent sales	\$1,190	\$1,138	\$3,769	\$2,905
Operating expenses:				
Research and development	7,852	4,595	25,174	13,376
Selling, general and administrative	1,569	992	5,299	4,255
Cost of bioreagent sales	460	159	1,009	447
Amortization	168	72	425	374
	10,049	5,818	31,907	18,452
Operating loss	(8,859)	(4,680)	(28,138)	(15,547)
Other income (expenses):				
Interest and other income, net	1,591	547	3,589	1,320
Interest expense	(26)	(33)	(82)	(101)
	1,565	514	3,507	1,219
Net loss	\$(7,294)	\$(4,166)	\$(24,631)	\$(14,328)
Basic and diluted loss per common share	\$(0.14)	\$(0.10)	\$(0.49)	\$(0.38)
Weighted average common shares outstanding (in thousands)	50,634	42,687	50,257	38,105

CONSOLIDATED BALANCE SHEET INFORMATION

(Canadian dollars in thousands)

	September 30, 2001	December 31, 2000
	(Unaudited)	
Cash and short-term investments	\$ 47,428	\$ 70,567
Total assets	52,176	74,325
Long-term obligations	657	1,036
Stockholders' equity	43,790	65,431

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