

## COMPENSATION REPORT

### COMPOSITION OF THE COMPENSATION COMMITTEE

The Compensation Committee is comprised of the Company's Non-Executive Directors: Cary Garner, Non-Executive Chairman, and Dr. Kim Tan. The Committee, which is chaired by Mr. Garner, meets at least once a year and more often as required.

### COMPLIANCE

The Company has, during the year under review, complied with the Combined Code in respect of the membership and operation of the Compensation Committee.

The Company's Compensation Committee decides the compensation policy that applies to all senior management and Executive Directors. Currently, the Company has two Executive Directors. In setting the policy, the Compensation Committee considers a number of factors, in addition to the performance of the individual, including:

- (a) the basic salaries and benefits available to senior management and Executive Directors of comparable companies;
- (b) the need to attract and retain senior management and Executive Directors of an appropriate caliber;
- (c) the need to ensure senior management and Executive Directors' commitment to the continued success of the Company by means of incentive plans; and
- (d) the funding position of the Company.

### COMPENSATION OF DIRECTORS

Mr. Garner and Dr. Tan have letters of appointment with the Company, which are reviewed on an annual basis. The compensation of the Non-Executive Directors is determined by the Board of Directors as a whole, based on review of current practices in other companies. The Compensation Committee considers and sets the annual salaries for senior management and Executive Directors.

### ANNUAL BONUS

The Company does not have a formal bonus program. The Compensation Committee has the right to award discretionary bonuses based on Company or individual performance. No bonuses were paid in 2003 or 2002. The decision by the Compensation Committee not to pay any discretionary bonuses was based upon TranXenoGen being a development-stage company and is not a reflection of performance.

### DIRECTORS' COMPENSATION

Details of Directors' compensation and other benefits for the years ended December 31, 2003 and 2002 are as follows:

Name of director	2003	2003	2003	2003	2003	2002
	Basic salary/fees US\$	Taxable benefit US\$	Non- taxable benefits US\$	Annual bonus US\$	Total US\$	Total US\$
<i>Executive</i>						
George Uveges	160,000	—	12,928	—	172,928	169,555
Paul A DiTullio	110,000	—	3,298	—	113,298	102,717
<i>Non-Executive</i>						
Cary E Garner	23,000	—	—	—	23,000	10,000
Dr. Kim S Tan	23,000	—	—	—	23,000	36,000

## DIRECTORS' CONTRACTS

Mr. DiTullio has an Employment Agreement, which was amended as of March 21, 2004 as part of the Company's cost reduction program, that provides for a reduced base salary of \$75,000, expires on July 3, 2004 and is automatically renewed for an additional year if not cancelled by the Company. In the event of early termination without cause, Mr. DiTullio will receive 50% of his annual base salary, as in effect prior to the March 21, 2004 reduction, of \$113,900 and six months of certain fringe benefits. Mr. Uveges has an Employment Agreement, which was also amended as of March 21, 2004, that provides for a reduced annual salary of \$60,000, a severance period of twelve months for termination other than for cause at his annual base salary, as in effect prior to the March 21, 2004 reduction, of \$160,000 and a change of control provision, which includes an acceleration of vesting of previously unvested stock options.

Mr. Garner and Dr. Tan do not have service contracts, but annual letters of appointment. Mr. Garner and Dr. Tan will each receive \$23,000 for their contracted services in 2004. In March 2004, the Board agreed to defer the payment of Directors fees for a period of twelve months.

The Non-Executive Directors have no notice period.

## DIRECTORS' SHARE OPTIONS

Aggregate compensation disclosed above does not include any amounts for the value of options to acquire shares in the Company granted to or held by the Directors. Details of Directors' share options for the twelve-months ended December 31, 2003 are as follows:

<i>Name of director</i>	<i>Held on January 1, 2003</i>	<i>Granted during 2003</i>	<i>Exercised during 2003</i>	<i>Held on December 31, 2003</i>	<i>Exercise price US\$</i>	<i>Expiration Date</i>
<i>Executive</i>						
George Uveges	700,000 <sup>(1)</sup>	—	—	700,000	\$2.54	October 22, 2011
		250,000 <sup>(2)</sup>	—	250,000	\$0.20	November 21, 2013
Paul A DiTullio	500,000 <sup>(3)</sup>	—	—	500,000	\$0.04	March 3, 2010
<i>Non-Executive</i>						
Cary E Garner	200,000 <sup>(3)</sup>	—	—	200,000	\$0.04	March 3, 2010
	25,000 <sup>(4)</sup>	—	—	25,000	\$0.20	December 12, 2012
Dr. Kim S Tan	2,000,000 <sup>(3)</sup>	—	—	2,000,000	\$0.04	March 25, 2010
	<u>3,425,000</u>	<u>250,000</u>	<u>—</u>	<u>3,675,000</u>		

(1) 350,000 shares are currently exercisable and an additional 175,000 shares become exercisable on each of October 22, 2004 and 2005.

(2) 62,500 shares become exercisable on each of November 21, 2004, 2005, 2006 and 2007.

(3) Shares are currently exercisable.

(4) 6,250 shares are currently exercisable and an additional 6,250 shares become exercisable on each of November 12, 2004, 2005 and 2006.

The market price of the Company's shares as of December 31, 2003 was £0.11 (December 31, 2002 £0.13) and the range of market prices during 2003 was £0.01 to £0.17 (during 2002 the market price range was £0.13 and £1.69).

## COMPENSATION REPORT

### DIRECTORS' INTERESTS IN SHARES

The interests of the Directors in the shares of the Company at December 31, 2003 and 2002 were as follows:

<i>Name of director</i>	<i>Beneficial ownership as of</i>	
	<i>December 31, 2003</i>	<i>December 31, 2002</i>
<i>Executive</i>		
George Uveges	950,000	443,000
Paul A DiTullio <sup>(1)</sup>	7,070,000	7,070,000
<i>Non-Executive</i>		
Cary E Garner	—	—
Dr. Kim S Tan <sup>(2)</sup>	1,800,000	1,800,000

(1) Includes 3,850,000 shares held by CDT Riflemen's Partnership, of which Mr. DiTullio is a limited partner.

(2) These shares are held by PKF Trustees Limited, of which Dr. Tan is the beneficial owner.

### DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

GeneMedix plc, a publicly quoted company, has granted the Company an exclusive worldwide license with the right to sublicense certain proprietary technologies relating to a novel pre-cursor gene used in recombinant insulin production. The Company is required to make one-time payments to GeneMedix based on the region where regulatory and market approvals are granted: \$2 million for the United States, \$2 million for Europe and \$1 million for Asia. Additional one-time payments from \$50,000 to \$750,000 are due to GeneMedix from the Company upon development milestones being achieved by the Company. Such milestones or approvals have yet to be achieved. Dr. Tan, a Non-Executive Director of the Company, also serves as the Non-Executive Chairman of, and holds 154,309,111 shares (approximately 52% of the entire issued share capital) of GeneMedix plc.