

FINANCIAL STATEMENTS

DELTAGEN, INC.

CONSOLIDATED BALANCE SHEET (UNAUDITED)

Consolidated Balance Sheet

As of 09/30/11

	Unaudited 9/30/11 <u>Consolidated</u>
(Dollars in Thousands)	
Assets	
Current assets:	
Cash and cash equivalents	\$ 813
Accounts receivable, net	223
Prepaid expenses, deposits and deferred tax assets	<u>325</u>
Total current assets	\$ 1,361
Property and equipment, net	2,595
Goodwill	224
Non-current portion of deferred tax assets	1,586
Total assets	<u><u>\$ 5,765</u></u>
Liabilities and Stockholders' Equity	
Current liabilities:	
Accounts payable	\$ 387
Accrued expenses	<u>63</u>
Total liabilities	\$ 450
Stockholders' equity:	
Common stock	39
Treasury Stock	(867)
Additional paid-in capital	230,638
Retained Earnings	(224,897)
Foreign currency translation adjustment	<u>402</u>
Total stockholders' equity	\$ 5,315
Total liabilities and stockholders' equity	<u><u>\$ 5,765</u></u>

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

DELTAGEN, INC.

**CONSOLIDATED INCOME STATEMENT
(UNAUDITED)**

**Consolidated Income Statement and
Statement of Retained Earnings
For Quarter Ended 09/30/11**

(Dollars In Thousands)	Unaudited 9/30/11 <u>Consolidated</u>
Revenue	\$ 259
Royalty and commission expenses	61
Operating expenses	<u>776</u>
Income from operations	\$ (578)
Interest income	1
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Income (loss) before provision for income taxes	\$ (578)
Provision for income taxes	
Current income tax expense	-
Deferred income tax expense	-
Adjustment for valuation allowance	-
Total income tax expense/(income)	<u>0</u>
Net income (loss)	\$ (578)
Retained earnings (deficit) at beginning of period	<u>(224,317)</u>
Retained earnings (deficit) at end of period	<u><u>\$ (224,895)</u></u>

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

DELTAGEN, INC.
CONSOLIDATED CASH FLOWS
(UNAUDITED)

Consolidated Cash Flows
For Quarter Ended 09/30/11

Unaudited
9/30/11
Consolidated

(Dollars In Thousands)

Cash flows from operating activities:

Net income (loss)		\$ (578)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation		3
Stock-based compensation expense		-
Loss on disposal of fixed assets		-
(Increase)/decrease in operating assets		
Accounts receivable		(6)
Prepaid expenses, deposits and deferred tax assets		234
Purchase of assets		(194)
Deferred tax assets		-
Increase/(decrease) in operating liabilities		
Accounts payable		57
Accrued expenses		4
		<hr/>
Change in goodwill		-
Dividends paid		-
		<hr/>
Net Increase/(decrease) in cash		\$ (480)
Effect of foreign exchange rate change on cash and cash equivalents		-
Cash and cash equivalents, at beginning of period		<hr/> 1,295
Cash and cash equivalents, at end of period		<hr/> <u>814</u>

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

DELTAGEN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR QUARTER ENDED SEPTEMBER 30, 2010 September 30, 2010

1. Basis of Presentation

The accompanying consolidated financial statements of Deltagen, Inc. (“Deltagen” or the “Company”) for the three-month period ended September 30, 2010 are unaudited, but have been prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for financial information.

These consolidated financial statements have been prepared so that they present fairly, in the opinion of management, the Company’s financial position and its results of operations and its cash flows for the periods presented. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included.

The preparation of consolidated financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the amounts that are reported in the consolidated financial statements and accompanying disclosures. Although these estimates are based on the Company’s best knowledge of current events and actions that the Company may undertake in the future, actual results may differ materially from the estimates.

Under our revenue recognition policy, revenues are recognized when a definitive agreement with a determinable price exists, product delivery and/or invoicing (in each case where there is reasonable assurance of meeting customer-specified criteria) have occurred, and collectability is reasonably assured.

Cash and cash equivalents include cash in banks and money market mutual funds with a maturity of three months or less when purchased.

The Company has incurred expenditures relating to the pursuit of patent rights covering certain of its products and technologies. These expenditures have not been capitalized because, in the Company’s opinion, the probability of future benefits from such patent rights cannot at present be reasonably assessed and/or the useful life of such assets cannot be reasonably estimated.

Property and equipment are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of assets ranging from three to seven years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expenses as incurred. When an asset is sold or retired, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss on disposition is recognized in the current year.

The Company accounts for income taxes under the liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. In the calculation of the deferred tax assets, the Company established a 98% valuation allowance due to uncertainties relating to future income and the realization of such deferred tax assets. The Company evaluates and adjusts on an ongoing basis, based on expected income, the recoverability of the deferred tax assets and the level of the valuation allowance.

For further information, refer to the financial statements and related notes posted on the Company’s website (www.deltagen.com).

2. Treatment of Subsidiaries

The consolidated financial statements include the accounts and activities of the Company's wholly-owned subsidiaries, Deltagen Research Laboratories, L.L.C., Xenopharm, Inc. and Deltagen BioServices, Inc. ("Deltagen BioServices").

Intercompany transactions and balances are eliminated in consolidation.

3. Stock-Based Compensation

The Company's stock awards are governed by its 2000 Stock Incentive Plan (a qualified stock option plan under Internal Revenue Code), as amended (the "Plan").

In determining the valuation of stock options granted under the Plan, the Company adopted the fair value recognition provisions of FASB Statement No. 123(R), by which the compensation cost for stock-based payments are based on the grant-date fair value estimated in accordance with the provisions of Statement 123(R). Stock-based compensation is recognized on the straight-line basis.

On December 21, 2009, the Company issued stock options to certain directors and officers of the Company. For more information on these stock option grants, please refer to Management's Discussion & Analysis for the quarter and year ended December 31, 2009, which is posted on the Company's website.

4. Deltagen BioServices Lease

Deltagen BioServices is a party to a ten-year lease for a facility in Malvern, Pennsylvania covering approximately 35,000 square feet. Because of unanticipated facility issues necessitating repair, the Company is in negotiations with the landlord of Deltagen BioServices' Malvern, Pennsylvania facility with respect to the amount of base rent and the commencement date for monthly rent payments. Deltagen BioServices expects to commence rent payments in the first quarter of 2012. In addition to the base rent, Deltagen will pay its pro-rata share (34%) of the building operating expenses. Deltagen entered into a lease guaranty in favor of the landlord to guarantee payments under the lease during the first four years rent is payable. The liability of Deltagen under this guaranty is capped at \$3,800,000.

5. Subsequent Event

Deltagen BioServices received \$1.275 million in secured bridge loan financing on December 22, 2011. The financing was led by Life Sciences Green House of Central Pennsylvania. Deltagen BioServices will require additional capital by the second quarter of 2012 in order to continue to fund its operations in accordance with its business plan. If Deltagen BioServices does not raise funds sufficient to fund its business plan and does not repay the bridge notes, the bridge lenders may foreclose on and take possession of Deltagen BioServices' assets.