

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ Quarterly Report Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

For the Quarter Ended June 30, 2007

OR

☐ Transition Report Pursuant To Section 13 Or 15(d) Of  
the Securities Exchange Act of 1934

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 0-23047

SIGA Technologies, Inc.  
(Exact name of registrant as specified in its charter)

A Delaware Corporation

IRS Employer No. 13-3864870

420 Lexington Avenue, Suite 408, New York, NY 10170  
Telephone Number (212) 672-9100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-Accelerated Filer ☒.

Indicate by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange Act). Yes ☐ No ☒.

As of August 6, 2007 the registrant had 33,497,728 shares of common stock outstanding.

SIGA Technologies, Inc.

Form 10-Q

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PART I - FINANCIAL INFORMATION  
Item 1 - Financial Statements

SIGA TECHNOLOGIES, INC.  
CONSOLIDATED BALANCE SHEETS

	Unaudited June 30, 2007	December 31, 2006
	-----	-----
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents .....	\$ 9,277,351	\$ 10,639,530
Accounts receivable .....	867,447	617,032
Prepaid expenses .....	193,843	141,032
	-----	-----
Total current assets .....	10,338,641	11,397,594
Property, plant and equipment, net .....	902,442	1,320,315
Goodwill .....	898,334	898,334
Intangible assets, net .....	86,753	165,243
Other assets .....	259,059	246,201
	-----	-----
Total assets .....	\$ 12,485,229	\$ 14,027,687
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable .....	\$ 912,649	\$ 1,357,906
Accrued expenses and other .....	660,720	584,504
Notes payable .....	86,761	107,520
	-----	-----
Total current liabilities .....	1,660,130	2,049,930
Non-current portion of notes payable .....	--	22,809
Common stock warrants .....	3,707,222	4,673,098
	-----	-----
Total liabilities .....	5,367,352	6,745,837
Commitments and contingencies .....	--	--
Stockholders' equity		
Common stock (\$ 0001 par value, 50,000,000 shares authorized, 33,491,478 and 32,452,210 issued and outstanding at June 30, 2007 and December 31, 2006, respectively) .....	3,348	3,245
Additional paid-in capital .....	66,097,077	63,646,224
Accumulated deficit .....	(58,982,548)	(56,367,619)
	-----	-----
Total stockholders' equity .....	7,117,877	7,281,850
	-----	-----
Total liabilities and stockholders' equity .....	\$ 12,485,229	\$ 14,027,687
	=====	=====

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

SIGA TECHNOLOGIES, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenues				
Research and development .....	\$ 1,459,694	\$ 1,458,865	\$ 3,327,135	\$ 2,853,319
Operating expenses				
Selling, general and administrative .....	1,141,540	1,493,070	2,018,655	2,434,611
Research and development .....	2,201,300	2,431,497	4,850,888	4,089,167
Patent preparation fees .....	127,109	112,911	264,796	222,447
Total operating expenses .....	3,469,949	4,037,478	7,134,339	6,746,225
Operating loss .....	(2,010,255)	(2,578,613)	(3,807,204)	(3,892,906)
Increase (decrease) in fair market value of common stock rights and common stock warrants .....	2,425,044	453,783	965,876	(1,071,852)
Other income (loss), net .....	111,959	(32,121)	226,399	(25,853)
Net income (loss) .....	\$ 526,748	\$ (2,156,951)	\$ (2,614,929)	\$ (4,990,611)
Weighted average shares outstanding: basic .....	33,300,066	26,758,890	32,945,516	26,629,769
Net income (loss) per share: basic .....	\$ 0.02	\$ (0.08)	\$ (0.08)	\$ (0.19)
Weighted average shares outstanding: fully diluted	40,730,803	26,758,890	32,945,516	26,629,769
Net income (loss) per share: fully diluted .....	\$ 0.01	\$ (0.08)	\$ (0.08)	\$ (0.19)

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

## SIGA TECHNOLOGIES, INC.

## CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six Months Ended June 30,	
	2007	2006
	-----	-----
Cash flows from operating activities:		
Net loss .....	\$ (2,614,929)	\$ (4,990,611)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation .....	516,004	277,197
Amortization of intangible assets .....	78,490	548,698
Increase (decrease) in fair market value of rights and warrants..	(965,876)	1,071,852
Stock based compensation .....	299,441	236,698
Non-cash consulting expense .....	--	216,840
Changes in assets and liabilities:		
Accounts receivable .....	(250,415)	672,810
Prepaid expenses .....	(52,811)	23,385
Other assets .....	(12,858)	(12,075)
Accrued interest payable .....	--	37,822
Deferred revenue .....	--	994,553
Accounts payable and accrued expenses .....	(358,849)	(567,159)
	-----	-----
Net cash used in operating activities .....	(3,361,803)	(1,489,990)
	-----	-----
Cash flows from investing activities:		
Capital expenditures .....	(98,131)	(656,776)
	-----	-----
Net cash used in investing activities .....	(98,131)	(656,776)
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of notes payable .....	--	3,000,000
Net proceeds from exercise of common stock rights .....	--	511,500
Net proceeds from exercise of warrants and options .....	2,151,515	--
Repayment of notes payable .....	(53,760)	(53,760)
	-----	-----
Net cash provided by financing activities .....	2,097,755	3,457,740
	-----	-----
Net increase (decrease) in cash and cash equivalents .....	(1,362,179)	1,310,974
Cash and cash equivalents at beginning of period .....	10,639,530	1,772,489
	-----	-----
Cash and cash equivalents at end of period .....	\$ 9,277,351	\$ 3,083,463
	=====	=====

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

## 1. Basis of Presentation

SIGA Technologies, Inc. ("SIGA" or the "Company") is a bio-defense company engaged in the discovery, development and commercialization of products for use in defense against biological warfare agents such as Smallpox and Arenaviruses. The Company is also engaged in the discovery and development of other novel anti-infectives, and antibiotics for the prevention and treatment of serious infectious diseases. The Company's anti-viral programs are designed to prevent or limit the replication of viral pathogens. SIGA's anti-infectives programs target the increasingly serious problem of drug resistant bacteria and emerging pathogens.

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the rules and regulations of the Securities and Exchange Commission (the "SEC") for quarterly reports on Forms 10-Q and should be read in conjunction with the Company's consolidated audited financial statements and notes thereto for the year ended December 31, 2006, included in the 2006 Form 10-K. All terms used but not defined elsewhere herein have the meaning ascribed to them in the Company's 2006 annual report on Form 10-K filed on March 16, 2007. The year-end consolidated condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair statement of the results of the interim periods presented have been included. The results of operations for the three and six months ended June 30, 2007 are not necessarily indicative of the results expected for the full year.

The accompanying consolidated financial statements have been prepared on a basis which assumes that the Company will continue as a going concern and which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has incurred cumulative net losses and expects to incur additional losses to perform further research and development activities. The Company does not have commercial products and has limited capital resources. Management's plans with regard to these matters include continued development of its products as well as seeking additional research support funds and future financial arrangements. Although management will continue to pursue these plans, there is no assurance that the Company will be successful in obtaining sufficient future financing on commercially reasonable terms or that the Company will be able to secure funding from anticipated government contracts and grants. Management believes that existing cash balances combined with anticipated cash flows will be sufficient to support its operations beyond the next twelve months, and will fund the Company's business objectives during that period.

## 2. Significant Accounting Policies

### Use of Estimates

The consolidated financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States of America. Management is 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 revenue and expenses during the period reported. These estimates include the realization of deferred tax assets, useful lives and impairment of tangible and intangible assets, and the value of options and warrants granted or issued by the Company. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from these estimates.

### Cash and cash equivalents

Cash and cash equivalents consist of short term, highly liquid investments, with original maturities of less than three months when purchased and are stated at cost. Interest is accrued as earned.

### Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the various asset classes. Estimated lives are 5 years for laboratory equipment; 3 years for computer equipment; 7 years for furniture and fixtures; and the life of the lease for leasehold improvements. Maintenance, repairs and minor replacements are charged to expense as incurred. Upon retirement or disposal of assets, the cost and related accumulated depreciation are removed from the Balance Sheet and any gain or loss is reflected in the Statement of



## Revenue Recognition

The Company recognizes revenue from contract research and development and research payments in accordance with SEC Staff Accounting Bulletin No. 104, Revenue Recognition, ("SAB 104"). In accordance with SAB 104, revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, collectibility is reasonably assured, contractual obligations have been satisfied and title and risk of loss have been transferred to the customer. The Company recognizes revenue from non-refundable up-front payments, not tied to achieving a specific performance milestone, over the period which the Company is obligated to perform services or based on the percentage of costs incurred to date, estimated costs to complete and total expected contract revenue. Payments for development activities are recognized as revenue as earned, over the period of effort. Substantive at-risk milestone payments, which are based on achieving a specific performance milestone, are recognized as revenue when the milestone is achieved and the related payment is due, providing there is no future service obligation associated with that milestone. In situations where the Company receives payment in advance of the performance of services, such amounts are deferred and recognized as revenue as the related services are performed.

For the six months ended June 30, 2007 and 2006, revenues from National Institutes of Health ("NIH") contracts and Small Business Innovation Research ("SBIR") grants were 62% and 42%, respectively, of total revenues recognized by the Company. Revenues from contracts with the United States Army and the United States Air Force for the six months ended June 30, 2007 and 2006 were 38% and 49%, respectively.

## Accounts Receivable

Accounts receivable are recorded net of provisions for doubtful accounts. An allowance for doubtful accounts is based on specific analysis of the receivables. At June 30, 2007 and December 31, 2006, the Company had no allowance for doubtful accounts.

## Research and development

Research and development expenses include costs directly attributable to the conduct of research and development programs, including employee related costs, materials, supplies, depreciation on and maintenance of research equipment, the cost of services provided by outside contractors, and facility costs, such as rent, utilities, and general support services. All costs associated with research and development are expensed as incurred. Costs related to the acquisition of technology rights, for which development work is still in process, and that have no alternative future uses, are expensed as incurred.

## Goodwill

Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired.

The Company evaluates goodwill for impairment annually, in the fourth quarter of each year. In addition, the Company would test goodwill for recoverability between annual evaluations whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Examples of such events could include a significant adverse change in legal matters, liquidity or in the business climate, an adverse action or assessment by a regulator or government organization, loss of key personnel, or new circumstances that would cause an expectation that it is more likely than not that we would sell or otherwise dispose of a reporting unit. Goodwill impairment is determined using a two-step approach in accordance with Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142"). The impairment review process compares the fair value of the reporting unit in which goodwill resides to its carrying value. In 2006, the Company operated as one business and one reporting unit. Therefore, the goodwill impairment analysis was performed on the basis of the Company as a whole using the market capitalization of the Company as an estimate of its fair value.

## Identified Intangible Assets

In accordance with Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), the Company performs a review of its identified intangible assets to determine if facts and circumstances exist which indicate that the useful life is shorter than originally estimated or that the carrying amount of assets may not be recoverable. If such facts and circumstances do exist, the Company assesses the recoverability of identified intangible assets by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets. Our estimates of projected cash flows are dependent on



many factors, including general economic trends, technological developments and projected future contracts and government grants. It is reasonably likely that future cash flows associated with our intangible assets may exceed or fall short of our current projections, in which case a different amount for impairment would result.

## Income taxes

Income taxes are accounted for under the asset and liability method prescribed by Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Deferred income taxes are recorded for temporary differences between financial statement carrying amounts and the tax basis of assets and liabilities. Deferred tax assets and liabilities reflect the tax rates expected to be in effect for the years in which the differences are expected to reverse. A valuation allowance is provided if it is more likely than not that some or the entire deferred tax asset will not be realized.

## Net income per common share

The Company computes, presents and discloses earnings per share in accordance with SFAS 128 "Earnings Per Share" ("EPS") which specifies the computation, presentation and disclosure requirements for earnings per share of entities with publicly held common stock or potential common stock. The statement defines two earnings per share calculations, basic and diluted. The objective of basic EPS is to measure the performance of an entity over the reporting period by dividing income (loss) by the weighted average shares outstanding. The objective of diluted EPS is consistent with that of basic EPS, that is to measure the performance of an entity over the reporting period, while giving effect to all dilutive potential common shares that were outstanding during the period. The calculation of diluted EPS is similar to basic EPS except the denominator is increased for the conversion of potential common shares.

The Company recognized net income for the three months ended June 30, 2007. The details of the earnings per share calculations for the three months ended June 30, 2007 are as follows:

Income	
Net Income	\$ 526,748
Average shares	
Average shares outstanding - basic	33,300,066
Dilutive securities issuable in connection with stock options and warrants	7,430,737
	-----
Average shares outstanding - diluted	40,730,803
	=====
Earnings per share of common stock - basic	\$ 0.02
Earnings per share of common stock - diluted	\$ 0.01

The Company incurred losses for the three months ended June 30, 2006 and for the six months ended June 30, 2007 and 2006, and as a result, certain equity instruments are excluded from the calculation of diluted loss per share. At June 30, 2006, 68,038 shares of the Company's Series A convertible preferred stock have been excluded from the computation of diluted loss per share as they were anti-dilutive. These shares were converted into shares of the Company's common stock in 2006. At June 30, 2007 and 2006 outstanding options to purchase 192,893 and 8,488,727 shares, respectively, of the Company's common stock with exercise prices ranging from \$0.94 to \$5.50 have been excluded from the computation of diluted loss per share as they are anti-dilutive. At June 30, 2007 and 2006, outstanding warrants to purchase 1,272,401 and 9,655,396, shares, respectively, of the Company's common stock, with exercise prices ranging from \$1.18 to \$4.99 have been excluded from the computation of diluted loss per share as they are anti-dilutive.

## Fair value of financial instruments

The carrying value of cash and cash equivalents, accounts payable and accrued expenses approximates fair value due to the relatively short maturity of these instruments. Common stock rights and warrants which are classified as assets or liabilities under the provisions of EITF 00-19, are recorded at their fair market value as of each reporting period.

## Concentration of credit risk

The Company has cash in bank accounts that exceed the Federal Deposit Insurance Corporation insured limits. The Company has not experienced any losses on its cash accounts. No allowance has been provided for potential credit losses because management believes that any such losses would be minimal.

## Share-based Compensation

The Company accounts for its stock-based compensation programs under the provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)"), which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options and employee stock

purchases related to the Employee Stock Purchase Plan

("employee stock purchases") based on estimated fair values. The Company does not have a stock purchase plan at the current time.

#### Segment information

The Company is managed and operated as one business. The entire business is managed by a single management team that reports to the chief executive officer. The Company does not operate separate lines of business or separate business entities with respect to any of its product candidates. Accordingly, the Company does not prepare discrete financial information with respect to separate product areas or by location and only has one reportable segment as defined by SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information".

#### Recent accounting pronouncements

In June 2007, the FASB issued EITF Issue 07-3 "Accounting for Advance Payments for Goods or Services to Be Used in Future Research and Development Activities" (EITF 07-3). The scope of this Issue is limited to nonrefundable advance payments for goods and services related to research and development activities. The Issue addresses whether such advanced payments should be expensed as incurred or capitalized. SIGA is required to adopt EITF 07-3 effective January 1, 2008. As of June 30, 2007, the Company does not have any arrangements that would be subject to the scope of EITF 07-3.

Effective January 1, 2007, the Company adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes--an Interpretation of FASB Statement 109 ("FIN 48"). FIN 48 prescribes a comprehensive model for the manner in which a company should recognize, measure, present and disclose in its financial statements all material uncertain tax positions that the Company has taken or expects to take on a tax return.

As of the date of adoption, there were no tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within twelve months from the date of adoption of FIN 48 or from June 30, 2007. As of June 30, 2007, the only tax jurisdiction to which the Company is subject is the United States. Open tax years relate to years in which unused net operating losses were generated. Thus, upon adoption of FIN 48, the Company's open tax years extend back to 1995. In the event that the Company concludes that it is subject to interest and/or penalties arising from uncertain tax positions, the Company will present interest and penalties as a component of income taxes. No amounts of interest or penalties were recognized in the Company's Consolidated Statements of Operations or Consolidated Balance Sheets upon adoption of FIN 48 or as of and for the three months ended June 30, 2007.

#### 3. Intangible Assets

Amortization expense recorded for the six months ended June 30, 2007 and 2006 was as follows:

	Six Months Ended June 30,	
	2007	2006
	-----	-----
Amortization of acquired grants	\$ --	\$490,674
Amortization of customer contract and grants	--	16,714
Amortization of acquired technology	78,490	41,310
	-----	-----
	\$ 78,490	\$548,698
	-----	-----

#### 4. Stockholders' Equity

At June 30, 2007, the Company's authorized share capital consisted of 60,000,000 shares, of which 50,000,000 are designated common shares and 10,000,000 are designated preferred shares. The Company's Board of Directors is authorized to issue preferred shares in series with rights, privileges and qualifications of each series determined by the Board.

#### 2006 Placement

On October 19, 2006, the Company sold 2,000,000 shares of the Company's common stock at \$4.54 per share and warrants to purchase 1,000,000 shares of the Company's common stock. The warrants are exercisable at \$4.99 per share at any time and from time to time through and including the seventh anniversary of the closing date. As of June 30, 2007, warrants to acquire 1,000,000 shares of common stock were outstanding.

The Company accounted for the transaction under the provisions of EITF 00-19 which requires that free standing derivative financial instruments that require net cash settlement be classified as assets or liabilities at the time of the transaction, and recorded at their fair value. EITF 00-19 also requires that any changes in the fair value of the derivative instruments be reported in earnings or loss as long as the derivative contracts are classified as assets or liabilities. At June 30, 2007, the fair market value of the warrants to acquire common stock was \$1.8 million. The Company applied the Black-Scholes model to calculate the fair values of the respective derivative instruments using the contracted term of the warrants. Management estimates the expected volatility using a combination of the Company's historical volatility and the volatility of a group of comparable companies. SIGA recorded a gain of \$610,000 for the decline in the instruments' fair value from December 31, 2006 to June 30, 2007.

#### 2005 Placement

In November 2005, the Company sold 2,000,000 shares of the Company's common stock at \$1.00 per share and warrants to purchase 1,000,000 shares of the Company's common stock at an initial exercise price of \$1.18 per share, at any time and from time to time through and including the seventh anniversary of the closing date. The investors were also entitled to purchase additional shares of the Company's common stock for a gross amount of \$2.0 million at an initial price of \$1.10 per share for a period of 90 trading days following the effectiveness of a registration statement. The rights to acquire additional shares of common stock expired on August 25, 2006. As of June 30, 2007, warrants to acquire 725,000 shares of common stock were outstanding.

The Company accounted for the transaction under the provisions of EITF 00-19. At June 30, 2007, the fair market value of the warrants to acquire common stock was \$1.9 million. SIGA recorded a gain of \$355,000 for the decline in the instruments' fair value from December 31, 2006 to June 30, 2007.

#### 5. Related Parties

During the six months ended June 30, 2007, the Company incurred costs of \$20,000 related to work performed by Transtech Pharma, Inc., a related party, and its affiliates.

#### 6. Stock Compensation Plans

In January 1996, the Company implemented its 1996 Incentive and Non-Qualified Stock Option Plan (the "Plan"). The Plan as amended provides for the granting of up to 11,000,000 shares of the Company's common stock to employees, consultants and outside directors of the Company. The exercise period for options granted under the Plan, except those granted to outside directors, is determined by a committee of the Board of Directors. Stock options granted to outside directors pursuant to the Plan must have an exercise price equal to or in excess of the fair market value of the Company's common stock at the date of grant.

For the six months ended June 30, 2007 and 2006, the Company recorded compensation expense of approximately \$299,000 and \$237,000, respectively, related to stock employees and directors options. The total fair value of options vested during the six months ended June 30, 2007 and 2006 was \$126,324 and \$318,700. The total compensation cost not yet recognized related to non-vested awards at June 30, 2007 is \$378,000. The weighted average period over which total compensation cost is expected to be recognized is 0.63 years.

On May 30, 2007, at the Company's 2007 annual shareholders' meeting, the Company awarded its non-employee directors a total of 105,000 fully-vested options, exercisable at \$3.73 per share.

#### 7. Commitments and Contingencies

As of June 30, 2007, our purchase obligations are not material. We lease certain facilities and office space under operating leases. Minimum future rental commitments under operating leases having non-cancelable lease terms in excess of one year are as follows:

Year ended December 31,	Lease obligations	Loans and related interest payable	Total commitments
2007	\$ 576,948	\$ 107,521	\$ 684,469
2008	576,948	22,809	599,757
2009	579,648	--	579,648
2010	466,448	--	466,448
2011	443,748	--	443,748
	-----	-----	-----
Total	\$ 2,643,740	\$ 130,330	\$ 2,774,070
	=====	=====	=====

#### Other

On December 20, 2006, PharmAthene, Inc. ("PharmAthene") filed an action against the Company in the Court of Chancery in the State of Delaware, captioned PharmAthene, Inc. v. SIGA Technologies, Inc., C.A. No. 2627-N. In its Complaint, PharmAthene asks the Court to order the Company to enter into a license agreement with PharmAthene with respect to SIGA-246, as well as issue a declaration that the Company is obliged to execute such a license agreement, and award damages resulting from the Company's supposed breach of that obligation. PharmAthene also alleges that the Company breached an obligation to negotiate such a license agreement in good faith, as well as seeks damages for promissory estoppel and unjust enrichment based on supposed information, capital and assistance that PharmAthene allegedly provided to the Company during the negotiation process. On January 9, 2007, the Company filed a motion to dismiss the Complaint in its entirety for failure to state a claim upon which relief can be granted. Oral argument on the motion to dismiss was held on June 1, 2007 and the parties are awaiting a decision from the Court. On January 19, 2007, PharmAthene served on the Company its first request for production of documents. The Company moved to stay discovery on January 26, 2007 and this motion was granted on March 8, 2007. SIGA believes that the claims are without merit and plans to defend itself vigorously.

#### 8. Subsequent Event

On July 26, 2007, we held a special meeting at which our shareholders approved the increase in our authorized common stock from 50,000,000 to 100,000,000 shares. Subsequent to such meeting, we granted 200,000 options to Dr. Eric A. Rose, our Chief Executive Officer (which will vest pro rata on the first, second and third anniversaries of the date of grant), 150,000 options to Thomas N. Konatich, our Chief Financial Officer (100,000 of which will vest pro rata on the first, second and third anniversaries of the date of grant, and 50,000 of which will vest upon the achievement of certain milestones), and 300,000 options to Dr. Dennis E. Hraby, our Chief Scientific Officer (100,000 of which will vest pro rata on the first, second and third anniversaries of the date of grant, and 200,000 of which will vest upon the achievement of certain milestones). All of the aforementioned options have an exercise price of \$3.10 per share.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our financial statements and notes to those statements and other financial information appearing elsewhere in this Quarterly Report. In addition to historical information, the following discussion and other parts of this Quarterly Report contain forward-looking information that involves risks and uncertainties.

### Overview

Since our inception in December 1995, SIGA has pursued the research and development of novel products for the prevention and treatment of serious infectious diseases, including products for use in the defense against biological warfare agents such as Smallpox and Hemorrhagic Fevers. During the third quarter of 2006 we were awarded a 3 year, \$16.5 million contract from the NIH and an additional 3 year, \$4.8 million SBIR Phase II continuation grant from the NIH. Both awards support the continuing development of our smallpox drug candidate, ST-246. Our efforts to develop ST-246 were also supported by previous SBIR grants from the NIH totaling \$5.8 million, a \$1.0 million agreement with Saint Louis University, and a \$1.6 million contract with the U.S. Army. Our initiative to advance SIGA's Hemorrhagic Fevers programs is supported by a 3 year, \$6.0 million SBIR grant from the NIH, received in September 2006 and previous SBIR grants from the NIH totaling \$6.3 million.

Our anti-viral programs are designed to prevent or limit the replication of the viral pathogen. Our anti-infectives programs are aimed at the increasingly serious problem of drug resistance. These programs are designed to block the ability of bacteria to attach to human tissue, the first step in the infection process.

We do not have commercial biomedical products, and we do not expect to have such products for one to three years, if at all. We believe that we will need additional funds to complete the development of our biomedical products. Our plans with regard to these matters include continued development of our products as well as seeking additional research support funds and financial arrangements. Although we continue to pursue these plans, there is no assurance that we will be successful in obtaining future financing on terms acceptable to us. Management believes it has sufficient funds and projected cash flows to support operations beyond the next twelve months.

Our biotechnology operations are based in our research facility in Corvallis, Oregon. We continue to seek to fund a major portion of our ongoing antiviral, antibiotic and vaccine programs through a combination of government grants, contracts and strategic alliances. While we have had success in obtaining strategic alliances, contracts and grants, there is no assurance that we will continue to be successful in obtaining funds from these sources. Until additional relationships are established, we expect to continue to incur significant research and development costs and costs associated with the manufacturing of product for use in clinical trials and pre-clinical testing. It is expected that general and administrative costs, including patent and regulatory costs, necessary to support clinical trials and research and development will continue to be significant in the future.

To date, we have not marketed, or generated revenues from, the commercial sale of any products. Our biopharmaceutical product candidates are not expected to be commercially available for several years, if at all. Accordingly, we expect to incur operating losses for the foreseeable future. There can be no assurance that we will ever achieve profitable operations.

### Critical Accounting Estimates

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on the results we report in our consolidated financial statements, which we discuss under the heading "Results of Operations" following this section of our Management's Discussion and Analysis. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Our most critical accounting estimates include the assessment of recoverability of goodwill, which could impact goodwill impairments, and the assessment of recoverability of long-lived assets, which primarily impacts operating income if impairment exists. Below, we discuss these policies further, as well as the estimates and judgments

involved. Other key accounting policies, including revenue recognition, are less subjective and involve a far lower degree of estimation and judgment.

#### Significant Accounting Policies

The following is a brief discussion of the more significant accounting policies and methods used by us in the preparation of our consolidated financial statements. Note 2 of the Notes to the Consolidated Financial Statements includes a summary of all of the significant accounting policies.

##### Share-based Compensation

The Company accounts for its stock-based compensation programs under the provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)"), which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options and employee stock purchases related to the Employee Stock Purchase Plan ("employee stock purchases") based on estimated fair values. SFAS 123(R) requires companies to estimate the fair value of share-based awards on the grant date using an option pricing model. The value of the portion of the award that is ultimately expected to vest is recorded as expense over the requisite periods in the Company's consolidated statement of operations.

##### Fair value of financial instruments

The carrying value of cash and cash equivalents, accounts payable and accrued expenses approximates fair value due to the relatively short maturity of these instruments. Common stock rights and warrants which are classified as assets or liabilities under the provisions of EITF 00-19 are recorded at their fair market value as of each reporting period. The Company applies the Black-Scholes pricing model to calculate the fair values of common stock rights and warrants using the contracted term of the instruments and expected volatility that is calculated as a combination of the Company's historical volatility and the volatility of a group of comparable companies.

##### Revenue Recognition

The Company recognizes revenue from contract research and development and research progress payments in accordance with SEC Staff Accounting Bulletin No. 104, Revenue Recognition, ("SAB 104"). In accordance with SAB 104, revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed and determinable, collectibility is reasonably assured, contractual obligations have been satisfied and title and risk of loss have been transferred to the customer. The Company recognizes revenue from non-refundable up-front payments, not tied to achieving a specific performance milestone, over the period which the Company is obligated to perform services or based on the percentage of costs incurred to date, estimated costs to complete and total expected contract revenue. Payments for development activities are recognized as revenue is earned, over the period of effort. Substantive at-risk milestone payments, which are based on achieving a specific performance milestone, are recognized as revenue when the milestone is achieved and the related payment is due, providing there is no future service obligation associated with that milestone. In situations where the Company receives payment in advance of the performance of services, such amounts are deferred and recognized as revenue as the related services are performed.

##### Goodwill

Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired.

The Company evaluates goodwill for impairment annually, in the fourth quarter of each year. In addition, the Company would test goodwill for recoverability between annual evaluations whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Examples of such events could include a significant adverse change in legal matters, liquidity or in the business climate, an adverse action or assessment by a regulator or government organization, loss of key personnel, or new circumstances that would cause an expectation that it is more likely than not that we would sell or otherwise dispose of a reporting unit. Goodwill impairment is determined using a two-step approach in accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). The impairment review process compares the fair value of the reporting unit in which goodwill resides to its carrying value. In 2006, the Company operated as one business and one reporting unit. Therefore, the goodwill impairment analysis was performed on the basis of the Company as a whole using the market capitalization of the Company as an estimate of its fair value. In the past, our market capitalization has been significantly in excess of the Company's carrying value. It is reasonably likely that the future market capitalization of SIGA may exceed or fall short of our current market



capitalization. If future market capitalization falls short of the Company's carrying value, a potential impairment might result.

The use of the discounted expected future cash flows to evaluate the fair value of the Company as a whole is reasonably likely to produce different results than the Company's market capitalization.

#### Intangible Assets

In accordance with Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), the Company performs a review of its identified intangible assets to determine if facts and circumstances exist which indicate that the useful life is shorter than originally estimated or that the carrying amount of assets may not be recoverable. If such facts and circumstances do exist, the Company assesses the recoverability of identified intangible assets by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets. Our estimates of projected cash flows are dependent on many factors, including general economic trends, technological developments and projected future contracts and government grants. It is reasonably likely that future cash flows associated with our intangible assets may exceed or fall short of our current projections, in which case a different amount for impairment would result. If our actual cash flows exceed our estimates of future cash flows, any impairment charge would be greater than needed. If our actual cash flows are less than our estimated cash flows, we may need to recognize additional impairment charges in future periods, which would be limited to the carrying amount of the intangible assets.

#### Recent accounting pronouncements

In June 2007, the FASB issued EITF Issue 07-3 "Accounting for Advance Payments for Goods or Services to Be Used in Future Research and Development Activities" (EITF 07-3). The scope of this Issue is limited to nonrefundable advance payments for goods and services related to research and development activities. The Issue addresses whether such advanced payments should be expensed as incurred or capitalized. SIGA is required to adopt EITF 07-3 effective January 1, 2008. As of June 30, 2007, the Company does not have any arrangements that would be subject to the scope of EITF 07-3.

Effective January 1, 2007, the Company adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes--an Interpretation of FASB Statement 109 ("FIN 48"). FIN 48 prescribes a comprehensive model for the manner in which a company should recognize, measure, present and disclose in its financial statements all material uncertain tax positions that the Company has taken or expects to take on a tax return.

As of the date of adoption, there were no tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within twelve months from the date of adoption of FIN 48 or from June 30, 2007. As of June 30, 2007, the only tax jurisdiction to which the Company is subject is the United States. Open tax years relate to years in which unused net operating losses were generated. Thus, upon adoption of FIN 48, the Company's open tax years extend back to 1995. In the event that the Company concludes that it is subject to interest and/or penalties arising from uncertain tax positions, the Company will present interest and penalties as a component of income taxes. No amounts of interest or penalties were recognized in the Company's Consolidated Statements of Operations or Consolidated Balance Sheets upon adoption of FIN 48 or as of and for the three months ended June 30, 2007.

#### Results of Operations

##### Three months ended June 30, 2007 and 2006

Revenues from research and development contracts and grants for the three months ended June 30, 2007 and 2006 were \$1.5 million. For the three months ended June 30, 2007 and 2006 we recorded \$825,000 and \$703,000, respectively, from an NIH contract and NIH SBIR grants, supporting two of our lead programs. Revenue recognized from our programs with the USAF was \$634,000 and \$756,000 for the three months ended June 30, 2007 and 2006, respectively.

Selling, general and administrative expenses ("SG&A") for the three months ended June 30, 2007 and 2006 were \$1.1 million and \$1.5 million, respectively. Higher expenses for the three months ended June 30, 2006 were mainly due to professional fees incurred in connection with a business transaction and a non-cash consulting charge. During the three months ended June 30, 2006 we recorded legal, accounting, and consulting expenses of \$373,000, \$102,000, and \$82,000, respectively, for due diligence services, fairness opinion and legal advice related to a potential business transaction. During that same period we also recorded \$217,000 reflecting a non-cash consulting charge related to issuance of warrants to consultants. The decline in G&A for the three months ended June 30, 2007 was partially



offset by an increase of \$143,000 in non-cash stock-based compensation due to the issuance of 105,000 fully vested options on May 30, 2007, and an increase of \$93,000 in payroll expenses.

Research and development expenses declined \$230,000 to \$2.2 million from \$2.43 million for the three months ended June 30, 2007 and 2006, respectively. Amortization of intangible assets for the three months ended June 30, 2007 and 2006 was \$58,000 and \$274,000 accounting for \$216,000 of the decline. Expenditures related to clinical and pre-clinical testing of our lead drug candidates declined \$200,000. These declines were partially offset by higher payroll expenses related to the expansion of the Company's research and development workforce from 38 full time employees on June 30, 2006 to 40 on June 30, 2007.

During the three months ended June 30, 2007 and 2006, we spent \$598,000 and \$728,000, respectively, on the development of our lead drug candidate, ST-246, an orally administered anti-viral drug that targets the smallpox virus. For the three months ended June 30, 2007, we spent \$230,000 on internal human resources and \$368,000 mainly on clinical testing. For the three months ended June 30, 2006, we spent \$122,000 on internal human resources and \$606,000 on pre-clinical testing of ST-246. From inception of the ST-246 development program to-date, we expended a total of \$8.1 million related to the program, of which \$2.0 million and \$6.1 million were spent on internal human resources, and clinical and pre-clinical work, respectively. These resources reflect SIGA's research and development expenses directly related to the program. They exclude additional expenditures such as the cost to acquire the program, patent costs, allocation of indirect expenses, and the value of other services received from the NIH and the DoD.

R&D expenses of \$334,000 and \$188,000 during the three months ended June 30, 2007 and 2006, respectively, were used to support the development of ST-294, a drug candidate which has demonstrated significant antiviral activity in cell culture assays against arenavirus pathogens, as well as other drug candidates for hemorrhagic fevers. For the three months ended June 30, 2007, we spent \$61,000 on internal human resources and \$273,000 mainly on pre-clinical testing. For the three months ended June 30, 2006, we spent \$175,000 on internal human resources and \$13,000 on pre-clinical testing of ST-294. From inception of our program to develop ST-294 and other drug candidates for hemorrhagic fevers, to-date, we spent a total of \$3.7 million related to the program, of which \$1.7 million and \$2.0 million were expended on internal human resources and pre-clinical work, respectively. These resources reflect SIGA's research and development expenses directly related to the program. They exclude additional expenditures such as the cost to acquire the program, patent costs, allocation of indirect expenses, and the value of other services received from the NIH and the DoD.

For the three months ended June 30, 2007, R&D expenses related to our USAF Agreements were \$266,000 and \$157,000 for internal human resources and external R&D services, respectively. During the same period in 2006, we spent \$219,000 and \$165,000 on internal human resources and external R&D services, respectively. Costs related to our work on the USAF Agreements from September 2005 to date were \$2.8 million, of which we spent \$1.3 million and \$1.5 million on internal human resources and external R&D services, respectively. These resources reflect SIGA's research and development expenses directly related to this agreement. They exclude additional expenditures such as patent costs and allocation of indirect expenses.

Patent preparation expenses for the three months ended June 30, 2007 were \$127,000 compared to \$113,000 for the three months ended June 30, 2006. We incurred slightly higher costs during the 2007 three months period for work performed in connection with our two lead programs.

Changes in the fair value of common stock rights and common stock warrants sold together with common stock in October 2006 and November 2005 are recorded as gains or losses. For the three months ended June 30, 2007 and 2006 we recorded gains of \$2.4 million and \$454,000 reflecting a decline in the fair market value of rights and warrants to purchase common stock during the respective periods. The warrants and rights to purchase common stock of SIGA were recorded at fair market value and classified as liabilities at the time of the transaction.

For the three months ended June 30, 2007 and 2006 we recorded other income of \$112,000 and other loss of \$32,000, respectively. Other income reflects interest income on our net cash balance for the three months. Other loss for the three months ended June 30, 2006 mainly reflects interest expense on notes payable.

Six months ended June 30, 2007 and 2006

Revenues from research and development contracts and grants for the six months ended June 30, 2007 and 2006 were \$3.33 million and \$2.85 million, respectively. Revenues recorded for the six months ended June 30, 2007 increased

\$480,000 or 17% from the same period in the prior year. For the six months ended June 30, 2007, we recorded

\$2.1 million from NIH SBRI grants and an agreement with the NIH supporting our lead programs. Revenues from NIH SBIR grants and an agreement with St. Louis University supporting these programs during the same period in 2006 was \$1.4 million. Revenue recognized from our programs with the US Army and the USAF was \$1.3 million and \$1.4 million for the six months ended June 30, 2007 and 2006, respectively.

SG&A expenses for the six months ended June 30, 2007 and 2006 were \$2.0 million and \$2.4 million, respectively. Higher expenses for the six months ended June 30, 2006 were mainly due to professional fees incurred in connection with a business transaction and a non-cash consulting charge. During the six months ended June 30, 2006 we recorded legal, accounting, and consulting expenses of \$451,000, \$102,000, and \$82,000, respectively, for due diligence services, fairness opinion and legal advice related to a potential business transaction. During the six months ended June 30, 2006 we also recorded \$217,000 reflecting non-cash consulting charge related to issuance of warrants to consultants.

Research and development expenses were \$4.9 million and \$4.1 million for the six months ended June 30, 2007 and 2006. R&D expenses increased approximately \$800,000 or 20% from the same period in the prior year. Expenditures related to clinical and pre-clinical testing of our lead drug candidates increased \$480,000 from the same period in the prior year. Our payroll expense has increased by \$300,000 from the six months ended June 30, 2006, reflecting the expansion and change in composition of our research and development workforce. In addition, depreciation expense for the six months ended June 30, 2007 increased \$239,000 from the same period in 2006. These increases were partially offset by a decline of \$470,000 in amortization expense.

During the six months ended June 30, 2007 and 2006, we spent \$1.7 million and \$1.1 million, respectively, on the development of ST-246. For the six months ended June 30, 2007, we spent \$488,000 on internal human resources and \$1.2 million mainly on clinical testing. For the six months ended June 30, 2006, we spent \$313,000 on internal human resources and \$818,000 on pre-clinical testing of ST-246. From inception of the ST-246 development program to-date, we expended a total of \$8.1 million related to the program, of which \$2.0 million and \$6.1 million were spent on internal human resources, and clinical and pre-clinical work, respectively. These resources reflect SIGA's research and development expenses directly related to the program. They exclude additional expenditures such as the cost to acquire the program, patent costs, allocation of indirect expenses, and the value of other services received from the NIH and the DoD.

R&D expenses of \$591,000 and \$564,000 during the six months ended June 30, 2007 and 2006, respectively, were used to support the development of ST-294, a drug candidate which has demonstrated significant antiviral activity in cell culture assays against arenavirus pathogens, as well as other drug candidates for hemorrhagic fevers. For the six months ended June 30, 2007, we spent \$120,000 on internal human resources and \$471,000 mainly on pre-clinical testing. For the six months ended June 30, 2006, we spent \$346,000 on internal human resources and \$218,000 on pre-clinical testing of ST-294. From inception of our program to develop ST-294 and other drug candidates for hemorrhagic fevers, to-date, we spent a total of \$3.7 million related to the program, of which \$1.7 million and \$2.0 million were expended on internal human resources and pre-clinical work, respectively. These resources reflect SIGA's research and development expenses directly related to the program. They exclude additional expenditures such as the cost to acquire the program, patent costs, allocation of indirect expenses, and the value of other services received from the NIH and the DoD.

For the six months ended June 30, 2007, R&D expenses related to our USAF Agreements were \$517,000 and \$327,000 for internal human resources and external R&D services, respectively. During the same period in 2006, we spent \$413,000 and \$293,000 on internal human resources and external R&D services, respectively. Costs related to our work on the USAF Agreements from September 2005 to date were \$2.8 million, of which we spent \$1.3 million and \$1.5 million on internal human resources and external R&D services, respectively. These resources reflect SIGA's research and development expenses directly related to this agreement. They exclude additional expenditures such as patent costs and allocation of indirect expenses.

Our product programs are in the early stage of development. At this stage of development, we cannot make reasonable estimates of the potential cost for most of our programs to be completed or the time it will take to complete the project. Our lead product, ST-246, is an orally administered anti-viral drug that targets the smallpox virus. In December 2005 the FDA accepted our IND application for ST-246 and granted it Fast-Track status. In December 2006, the FDA granted Orphan Drug designation to ST-246, for the prevention and treatment of smallpox. We expect that costs to complete the program will approximate \$15 million to \$20 million, and that the project could be completed in 24 months to 36 months. There is a high risk of non-completion of any program, including ST-246, because of the lead time to program completion and uncertainty of the costs. Net cash inflows from any products developed from our



programs is at least one to three years away. However, we could receive additional grants, contracts or technology licenses in the short-term. The potential cash and timing is not known and we cannot be certain if they will ever occur.

The risk of failure to complete any program is high, as each, other than our smallpox program which began phase I clinical trials in 2006, is in the relatively early stage of development. Products for the biological warfare defense market, such as the ST-246 Smallpox anti-viral, could generate revenues in one to three years. We believe the products directed toward this market are on schedule. We expect the future research and development cost of our biological warfare defense programs to increase as the potential products enter animal studies and safety testing, including human safety trials. Funds for future development will be partially paid for by NIH contracts and SBIR grants, additional government funding and from future financing. If we are unable to obtain additional federal grants and contracts or funding in the required amounts, the development timeline for these products would slow or possibly be suspended. Delay or suspension of any of our programs could have an adverse impact on our ability to raise funds in the future, enter into collaborations with corporate partners or obtain additional federal funding from contracts or grants.

Patent preparation expenses for the six months ended June 30, 2007 were \$265,000 compared to \$222,000 for the three months ended June 30, 2006. The increase of \$43,000 or 19% reflects additional work performed in connection with our two lead programs.

Changes in the fair value of common stock rights and common stock warrants sold together with common stock in October 2006 and November 2005 are recorded as gains or losses. For the six months ended June 30, 2007 we recorded a gain of \$966,000 reflecting a decline in the fair market value of rights and warrants to purchase common stock during the period of January 1, 2007 through June 30, 2007. For the same period in 2006 we recorded a loss of \$1.1 million reflecting an increase in the fair market value of rights and warrants to purchase common stock during the respective period. The warrants and rights to purchase common stock of SIGA were recorded at fair market value and classified as liabilities at the time of the transaction.

For the six months ended June 30, 2007 and 2006 we recorded other income of \$226,000 and other loss of \$26,000, respectively. Other income reflects interest income on our net cash balance for the six months. Other loss for the six months ended June 30, 2006 mainly reflects interest expense on notes payable.

#### Liquidity and Capital Resources

On June 30, 2007, we had \$9.3 million in cash and cash equivalents. During the six months ended June 30, 2007, we received net proceeds of \$2.2 million from exercises of warrants and options to purchase shares of the Company's Common stock.

We believe that our existing cash combined with anticipated cash flows, including receipt of future funding from government contracts and grants will be sufficient to support our operations beyond the next twelve months, and that sufficient cash flows will be available to meet our business objectives during that period.

#### Operating activities

Net cash used in operations during the six months ended June 30, 2007 was \$3.4 million compared to \$1.5 million in 2006. During the six months ended June 30, 2006, we received two advance payments from the USAF for a total of \$1.5 million. Our current agreements with the USAF do not include advance payments. In addition, during the first six months of 2007, our accounts receivable balance increased \$250,000, compared with a collection of \$672,000 of accounts receivable during the same period in 2006.

#### Investing activities

Capital expenditures during the six months ended June 30, 2007 and 2006 were \$98,000 and \$657,000, respectively, and mainly supported acquisition of laboratory equipment in 2007 and the renovation of our research facility in Oregon during the same period in 2006.

#### Financing activities

Cash provided by financing activities during the six months ended June 30, 2007 was \$2.2 million, generated from exercises of options and warrants to purchase common stock. During the six months ended June 30, 2006, we received \$3.0 million under three notes payable that were paid in full in October 2006.





We have incurred cumulative net losses and expect to incur additional losses to perform further research and development activities. We do not have commercial products and have limited capital resources. Our plans with regard to these matters include continued development of our products as well as seeking additional working capital through a combination of collaborative agreements, strategic alliances, research grants, equity and debt financing. Although we continue to pursue these plans, there is no assurance that we will be successful in obtaining future financing on commercially reasonable terms.

Our working capital and capital requirements will depend upon numerous factors, including pharmaceutical research and development programs; pre-clinical and clinical testing; timing and cost of obtaining regulatory approvals; levels of resources that we devote to the development of manufacturing and marketing capabilities; technological advances; status of competitors; and our ability to establish collaborative arrangements with other organizations.

#### Off-Balance Sheet Arrangements

SIGA does not have any off-balance sheet arrangements.

#### Safe Harbor Statement

This report contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, including statements regarding the efficacy of potential products, the timelines for bringing such products to market and the availability of funding sources for continued development of such products. Forward-looking statements are based on management's estimates, assumptions and projections, and are subject to uncertainties, many of which are beyond the control of SIGA. Actual results may differ materially from those anticipated in any forward-looking statement. Factors that may cause such differences include the risks that (a) potential products that appear promising to SIGA or its collaborators cannot be shown to be efficacious or safe in subsequent pre-clinical or clinical trials, (b) SIGA or its collaborators will not obtain appropriate or necessary governmental approvals to market these or other potential products, (c) SIGA may not be able to obtain anticipated funding for its development projects or other needed funding, (d) SIGA may not be able to secure funding from anticipated government contracts and grants, (e) SIGA may not be able to secure or enforce adequate legal protection, including patent protection, for its products and (f) unanticipated internal control deficiencies or weaknesses or ineffective disclosure controls and procedures. More detailed information about SIGA and risk factors that may affect the realization of forward-looking statements, including the forward-looking statements in this presentation, is set forth in SIGA's filings with the Securities and Exchange Commission, including SIGA's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, and in other documents that SIGA has filed with the Commission. SIGA urges investors and security holders to read those documents free of charge at the Commission's Web site at <http://www.sec.gov>. Interested parties may also obtain those documents free of charge from SIGA. Forward-looking statements speak only as of the date they are made, and except for our ongoing obligations under the U.S. federal securities laws, we undertake no obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

None

Item 4. Controls and Procedures

(a) Disclosure Controls and Procedures. The Company's management, with the participation of the Company's Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the fiscal period covered by this Quarterly Report on Form 10-Q. Based upon such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

(b) Internal Control Over Financial Reporting. There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II  
Other information

Item 1. On December 20, 2006, PharmAthene, Inc. ("PharmAthene") filed an action against the Company in the Court of Chancery in the State of Delaware, captioned PharmAthene, Inc. v. SIGA Technologies, Inc., C.A. No. 2627-N. In its Complaint, PharmAthene asks the Court to order the Company to enter into a license agreement with PharmAthene with respect to SIGA-246, as well as issue a declaration that the Company is obliged to execute such a license agreement, and award damages resulting from the Company's supposed breach of that obligation. PharmAthene also alleges that the Company breached an obligation to negotiate such a license agreement in good faith, as well as seeks damages for promissory estoppel and unjust enrichment based on supposed information, capital and assistance that PharmAthene allegedly provided to the Company during the negotiation process. On January 9, 2007, the Company filed a motion to dismiss the Complaint in its entirety for failure to state a claim upon which relief can be granted. Oral argument on the motion to dismiss was held on June 1, 2007 and the parties are awaiting a decision from the Court. On January 19, 2007, PharmAthene served on the Company its first request for production of documents. The Company moved to stay discovery on January 26, 2007 and this motion was granted on March 8, 2007. SIGA believes that the claims are without merit and plans to defend itself vigorously.

Item 1A. Risk Factors - There were no material changes to Risk Factors disclosed in SIGA's 2006 Form 10-K.

Item 2. Unregistered Sale of Equity Securities and Use of Proceeds - None.

Item 3. Defaults upon Senior Securities - None.

Item 4. Submission of Matters to a Vote of Security Holders

- (a) The Company held its annual meeting of Stockholders on May 30, 2007.
- (b) Proxies for the meeting were solicited pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended. There was no solicitation in opposition to management's nominees for the directors as listed in the definitive proxy statement of the Company dated April 27, 2007, and all such nominees were elected.
- (c) Briefly described below is each matter voted upon at the annual meeting of Stockholders.
  - (1) Election of the following individuals to hold office as Directors of the Company for terms of one year. Total common stock voted was 30,145,205

Name -----	Number of Shares Voted -----	
	For ---	Withheld -----
Eric A. Rose, M.D.	30,060,170	85,035
James J. Antal	29,990,649	154,556
Thomas E. Constance	29,962,927	182,278
Steven L. Fasman	29,991,752	153,453
Scott M. Hammer, M.D.	29,997,252	147,953
Adnan M. Mjalli, Ph.D.	29,996,852	148,353
Mehmet C. Oz, M.D.	29,815,815	329,390
Paul G. Savas	29,967,592	177,613
Judy S. Slotkin	29,991,652	153,553
Michael A. Weiner, M.D.	29,995,530	149,675

- (2) Ratification and confirmation of the appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm of the Company for the fiscal year ending December 31, 2007. Total common stock voted was 29,961,990 in favor, 74,202 against, 109,012 abstained.

Item 5. Other Information - None.

Item 6. Exhibits

- \* 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- \* 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- \* 32.1 Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- \* 32.2 Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- \* Filed herein

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SIGA Technologies, Inc.  
(Registrant)

Date: August 14, 2007

By:/s/ Thomas N. Konatich  
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Thomas N. Konatich  
Chief Financial Officer

CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Eric A. Rose, M.D., certify that:

1. I have reviewed this quarterly report on Form 10-Q of SIGA Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions);
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2007

By: /s/ Eric A. Rose

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Eric A. Rose, M.D.  
Chief Executive Officer

CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas N. Konatich, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SIGA Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions);
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2007

By: /s/ Thomas N. Konatich

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Thomas N. Konatich  
Chief Financial Officer



CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of SIGA Technologies, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric A. Rose, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 14, 2007

/s/ Eric A. Rose

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Eric A. Rose, M.D.  
Chief Executive Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of SIGA Technologies, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas N. Konatich., Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (3) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (4) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 14, 2007

/s/ Thomas N. Konatich  
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Thomas N. Konatich  
Chief Financial Officer