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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2004.

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 Number 0-29889

Rigel Pharmaceuticals, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**94-3248524**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1180 Veterans Blvd. South San Francisco, CA	**94080**
(Address of principal executive offices)	(Zip Code)

(650) 624-1100
(Registrant's telephone number, including area code)

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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

As of July 30, 2004, there were 18,264,610 shares of the registrant's common stock outstanding.

RIGEL PHARMACEUTICALS, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2004

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PART I FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

RIGEL PHARMACEUTICALS, INC.
CONDENSED BALANCE SHEETS
(in thousands, except shares and per share amounts)

	June 30, 2004 (unaudited)	December 31, 2003 (Note 1)
Assets		
Current assets:		
Cash and cash equivalents	$ 7,812	$ 9,621
Available-for-sale securities	74,533	36,879
Accounts receivable	—	500
Other receivables	1,165	787
Prepaid expenses and other current assets	2,385	2,326
Total current assets	85,895	50,113
Property and equipment, net	2,728	3,544
Other assets	1,772	1,867
	$ 90,395	$ 55,524
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 2,544	$ 1,378
Accrued compensation	911	711
Other accrued liabilities	1,401	1,464
Deferred revenue	1,076	2,242
Capital lease obligations	1,780	2,259
Total current liabilities	7,712	8,054
Long-term portion of capital lease obligations	618	1,236
Long-term portion of deferred revenue	77	546
Deferred rent	8,113	5,297
Other long-term liabilities	510	418
Commitments		
Stockholders' equity:		
Common stock, $0.001 par value; 100,000,000 shares authorized; 18,262,329 and 14,828,546 shares issued and outstanding on June 30, 2004 and December 31, 2003, respectively	18	15
Additional paid-in capital	255,207	196,215
Deferred stock compensation	(109)	(200)
Accumulated other comprehensive loss	(346)	(13)
Accumulated deficit	(181,404)	(156,011)
	73,365	40,006
Less treasury stock, at cost: none at June 30, 2004 and 4,525 shares at December 31, 2003	—	(33)
Total stockholders' equity	73,365	39,973
	$ 90,395	$ 55,524

Note (1) The balance sheet at December 31, 2003 has been derived from the audited financial statements at that date included in Rigel's Annual Report on Form 10-K for the year ended December 31, 2003.

See accompanying notes.

RIGEL PHARMACEUTICALS, INC.
CONDENSED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
	(unaudited)		(unaudited)	
Revenues:				
Contract revenues from collaborations	$ 1,487	$ 2,349	$ 2,974	$ 6,846
Costs and expenses:				
Research and development	11,268	10,359	22,962	20,019
General and administrative	2,746	2,351	5,659	4,735
	14,014	12,710	28,621	24,754
Loss from operations	(12,527)	(10,361)	(25,647)	(17,908)
Loss on sale of property and equipment	—	—	—	(169)
Interest income	266	46	429	118
Interest expense	(81)	(151)	(175)	(307)
Net loss	$ (12,342)	$ (10,466)	$ (25,393)	$ (18,266)
Net loss per share, basic and diluted	$ (0.68)	$ (1.90)	$ (1.48)	$ (3.45)
Weighted average shares used in computing net loss per common share, basic and diluted	18,215	5,496	17,131	5,296

See accompanying notes.

RIGEL PHARMACEUTICALS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(in thousands)

	Six Months Ended June 30,	
	2004	2003
	(unaudited)	
Operating activities:		
Net loss	$ (25,393)	$ (18,266)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,076	1,449
Amortization of deferred stock compensation, net	88	377
Non-cash stock compensation (recovery)	40	(599)
Issuances of equity instruments for non-cash benefits	64	24
Loss on sale of property and equipment	—	169
Changes in assets and liabilities:		
Accounts receivable	500	786
Other receivables	(378)	6,175
Prepaid expenses and other current assets	(59)	98
Other assets	31	123
Accounts payable	1,166	(2,429)
Accrued compensation	200	61
Other accrued liabilities	(63)	(1,558)
Deferred revenue	(1,635)	(1,670)
Deferred rent and other long-term liabilities	2,908	2,337
Net cash used in operating activities	(21,455)	(12,923)
Investing activities:		
Purchases of available-for-sale securities	(62,404)	—
Maturities of available-for-sale securities	24,400	757
Proceeds from the sale of property and equipment	—	71
Capital expenditures	(260)	(984)
Net cash used in investing activities	(38,274)	(156)
Financing activities:		
Proceeds from capital lease financing	77	867
Payments on capital lease obligations	(1,174)	(1,906)
Advance from landlord	—	400
Net proceeds from issuances of common stock and warrants	59,017	45,275
Net cash provided by (used in) financing activities	57,920	44,636
Net increase (decrease) in cash and cash equivalents	(1,809)	31,557
Cash and cash equivalents at beginning of period	9,621	26,535
Cash and cash equivalents at end of period	$ 7,812	$ 58,092

See accompanying notes.

Rigel Pharmaceuticals, Inc.
Notes to Condensed Financial Statements
(unaudited)

In this Quarterly Report, "Rigel," "we," "us" and "our" refer to Rigel Pharmaceuticals, Inc.

1. Nature of Operations

We were incorporated in the state of Delaware on June 14, 1996. We are engaged in the discovery and development of a broad range of new small molecule product candidates.

2. Basis of Presentation

Our accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the instructions to Form 10-Q and Article 10 of Regulation S-X. In our opinion, these unaudited condensed financial statements include all adjustments, consisting only of normal recurring adjustments, which we consider necessary to fairly state our financial position and the results of our operations and cash flows. Interim-period results are not necessarily indicative of results of operations or cash flows for a full-year period. The balance sheet at December 31, 2003 has been derived from audited financial statements at that date, but does not include all disclosures required by generally accepted accounting principles for complete financial statements.

These unaudited condensed financial statements and the notes accompanying them should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2003.

Comprehensive loss did not differ materially from the net loss as reported.

We have elected to continue to follow Accounting Principles Board Opinion No. 25, or APB 25, "Accounting for Stock Issued to Employees," to account for employee stock options because the alternative fair value method of accounting prescribed by Statement of Financial Accounting Standards, or FAS, No. 123, as amended by

FAS No. 148 “Accounting for Stock-Based Compensation,” requires the use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, the intrinsic value method of accounting, no compensation expense is recognized because the exercise price of our employee stock options equals the market price of the underlying stock on the date of grant.

Pro forma information regarding net loss and net loss per share has been determined as if we had accounted for our employee stock options and employee stock purchase plan under the fair value method prescribed by FAS 123, as amended by FAS 148. The fair value for these options was estimated at the date of grant using the Black-Scholes model.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the vesting period of the options. Our pro forma information follows (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net loss–as reported:	$ (12,342)	$ (10,466)	$ (25,393)	$ (18,266)
Less: Total stock-based employee compensation expense (recovery) determined under APB 25	(810)	(6)	(6)	(221)
Add: Total stock-based employee compensation expense determined under the fair value based method for all awards	2,307	660	3,853	1,265
Pro forma net loss	$ (15,459)	$ (11,132)	$ (29,252)	$ (19,752)
Basic and diluted net loss per common share:				
As reported	$ (0.68)	$ (1.90)	$ (1.48)	$ (3.45)
Pro forma	$ (0.85)	$ (2.03)	$ (1.71)	$ (3.73)

For all of the periods presented above, we recorded stock-based compensation expense recovery amounts (credits) which have, therefore, been added back to the net loss as reported in the above calculation.

3. Net Loss Per Share

Basic net loss per share is computed based on the number of weighted average shares outstanding. The calculation of diluted net loss per share excludes shares of potential common stock, consisting of stock options and warrants, because their effect is anti-dilutive.

3. Available-For-Sale Securities

Available-for-sale securities consist of the following (in thousands):

	Amortized Cost and Fair Value at	
	June 30, 2004	December 31, 2003
Money market funds	$ 7,812	$ 9,621
Corporate commercial paper	74,533	36,879
	$ 82,345	$ 46,500
Reported as:		
Cash and cash equivalents	$ 7,812	$ 9,621
Available-for-sale securities	74,533	36,879
	$ 82,345	$ 46,500

5. Revenue Recognition

Non-refundable, up-front payments received in connection with research and development collaboration agreements, including technology access fees, are deferred and recognized on a straight-line basis over the relevant periods of continuing involvement, generally the research term.

Revenues related to collaborative research with our corporate collaborators are recognized as research services are performed over the related development funding periods for each contract. Under these agreements, we are required to perform research and development activities as specified in each respective agreement. The payments received are not refundable and are generally based on a contractual cost per full-time equivalent employee working on the project. Research and development expenses under the collaborative research agreements approximate or exceed the revenue recognized under such agreements over the term of the respective agreements. Deferred revenue may result if we were not to incur the required level of effort during a specific period in comparison to funds received under the respective contracts.

Milestones are recognized pursuant to collaborative agreements upon the achievement of these specified at risk milestones.

Royalties will be recognized as earned in accordance with the contract terms when the third party results are reliably measurable and collectibility is reasonably assured.

6. Follow-on Public Offering

On February 25, 2004, we completed a follow-on offering in which we sold 2,850,000 shares and selling stockholders sold 315,000 shares of our common stock at a price to the public of $20.00 per share. On March 19, 2004, the underwriters of the follow-on offering exercised their option to purchase an additional 316,750 shares of our common stock, to cover over-allotments. A total of 3,481,750 shares of our common stock were sold in the offering, of which 3,135,075 were sold by us and 346,675 were sold by selling stockholders. We received net proceeds of approximately $58.3 million from the sale of shares offered by us, net of underwriting discounts and commissions and related expenses. We did not receive any proceeds from the sale of shares by the selling stockholders.

7. Equipment Lease Line

In April 2004, our equipment lease line under a master lease agreement was extended with an additional borrowing total of $2.0 million. We have the ability to draw down on this line through March 2005. The lease period will be for three years with the interest rate on the lease fixed at drawdown. This line has a bargain purchase buyout provision of $1. As of June 30, 2004, no amounts available under this line have been utilized.

Report of Independent Registered Public Accounting Firm

The Board of Directors
Rigel Pharmaceuticals, Inc.

We have reviewed the accompanying condensed balance sheet of Rigel Pharmaceuticals, Inc. as of June 30, 2004, and the related condensed statements of operations and cash flows for the three and six month periods ended June 30, 2004 and 2003. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance the standards of the Public Company Accounting Oversight Board (United States), which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed financial statements referred to above for them to be in conformity with U.S generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the balance sheet of Rigel Pharmaceuticals, Inc. as of December 31, 2003, and the related statements of operations, and stockholders' equity, and cash flows for the year then ended and in our report dated January 27, 2004 (except for note 9, as to which the date is February 25, 2004), we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed balance sheet as of December 31, 2003, is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

/s/ ERNST & YOUNG LLP

Palo Alto, California
July 20, 2004

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

This discussion and analysis should be read in conjunction with our financial statements and accompanying notes included in this report and the 2003 audited financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2003. Operating results for the three and six months ended June 30, 2004 are not necessarily indicative of results that may occur in future periods.

Except for the historical information contained herein, the following discussion contains forward-looking statements that are based upon current expectations. Forward-looking statements involve risks and uncertainties and include statements related to:

- *our strategy;*
- *the progress of our research programs, including clinical testing;*
- *sufficiency of our cash resources;*
- *revenues from existing and new collaborations;*
- *product development; and*
- *our research and development and other expenses.*

When used herein, the words "believe," "anticipate," "expect," "estimate," "plan" and similar expressions are intended to identify such forward- looking statements. There can be no assurance that these statements will prove to be correct. Our actual results and the timing of events could differ significantly from those discussed here. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in "Risk Factors," as well as those discussed elsewhere in this Quarterly Report on Form 10-Q. Rigel undertakes no obligation to update any of the forward- looking statements contained herein to reflect any future events or developments.

Overview

Rigel's mission is to become a source of novel, small-molecule drugs to meet large, unmet medical needs. We have initiated four development programs: asthma/allergy, hepatitis C, rheumatoid arthritis, and oncology. Rigel has begun clinical testing of its first two product candidates, R112 for allergic rhinitis and R803 for hepatitis C. We own the economic and commercial rights to these product candidates. We expect to begin clinical trials of R406 for the treatment of rheumatoid arthritis by the end of 2004, to be followed by initiation of clinical trials for the indications of oncology and asthma. Our business model is to develop a portfolio of product candidates and to take these through Phase II clinical trials, after which we intend to seek partners for completion of clinical trials, regulatory approval and marketing. Our internal programs in asthma/allergy, hepatitis C, rheumatoid arthritis and oncology are not encompassed by the corporate collaborations discussed below. We believe that with our current approach to drug discovery and with our current resources, we will be able to commence clinical trials with at least one lead compound each year.

Over the last year, we have matured into a drug development company with two product candidates in clinical trials and two additional product candidates expected to enter the clinic by the end of 2005. The following indicates the status of these product candidates.

- *R112—Product Candidate for Allergic Rhinitis.* We completed a Phase I clinical trial of R112 in 18 patients in December 2002, a single-dose Phase I/II clinical trial of 20 patients in June 2003 and a multi-dose safety trial of 24 patients in December 2003. In April 2004, we initiated a Phase II "park study" clinical trial in which we measured allergic symptom improvement. On August 2, 2004, we announced the results of this trial, which demonstrate R112 can reduce certain symptoms of allergic rhinitis in a statistically significant manner compared to placebo, has a favorable safety profile, and an onset of action of

approximately thirty minutes. Based on these results we plan to move R112 forward in clinical development. However, the exact nature and timing of such clinical trials have yet to be determined and may depend on a possible corporate collaboration involving our asthma/allergy program.

- *R803—Anti-Hepatitis C Virus Product Candidate.* We completed our initial Phase I clinical trial of R803 in January 2004. We commenced a Phase I/II clinical trial of R803 in the United States during the second quarter of 2004. This trial is a multi-dose safety study that is also designed to measure any reduction in viral titer. We expect to announce the viral titer results of this trial in the second half of 2004.

- *R406—Product Candidate for Rheumatoid Arthritis.* In January 2004, we selected R406 as our lead product candidate for initial clinical trials in rheumatoid arthritis. We expect to initiate clinical trials for the indication of rheumatoid arthritis using R406 by the end of 2004.

- *R763—Product Candidate for Oncology.* In July 2004, we selected R763 as our lead product candidate for initial clinical trials in oncology. We expect to commence clinical trials for R763 in 2005.

In addition to the above mentioned product candidates, we have ongoing research programs involving back-up candidates for the four product candidates above as well as drug discovery efforts in our immunology, virology, and oncology programs.

Corporate Collaborations

In addition to the preceding programs in which we retain all commercial and economic rights, we also carry on research and development programs in connection with our corporate collaborations. We currently have collaborations with four major pharmaceutical companies, including one with Janssen Pharmaceutica N.V., a division of Johnson & Johnson, relating to oncology therapeutics and diagnostics, one with Pfizer Inc. relating to asthma and allergy therapeutics, one with Novartis Pharma AG with four different programs relating to immunology, oncology and chronic bronchitis and one with Daiichi Pharmaceuticals Co., Ltd. in the area of oncology. These collaborations all have or had a research phase during which we receive or received funding based on the level of headcount allocated to a program. In all of our collaborations, after the research phase concludes, we are entitled to possible milestones and royalties in the future. The research phase of the Novartis oncology collaboration ended in July 2004. Therefore, only the Daiichi program is in the research phase of the agreement.

We are exploring new opportunities with potential collaborators. Our earliest partnerships focused on the early stages of drug discovery, specifically on target discovery and validation, while our collaboration with Johnson & Johnson has been expanded to also include both chemistry and compound high throughput screening, or HTS. Our collaboration with Daiichi focuses on drug discovery and development. We currently anticipate that in order to support our current research programs we will need to self-fund, at an increased rate of spending, our own research programs to later stages of development prior to partnering with collaborative partners. Therefore, it is expected that future collaborative partnerships may have an expanded focus and could include HTS, combinatorial and medicinal chemistry, preclinical evaluations and/or clinical development. For some programs, we may also seek to enter into collaborations for the development of compounds that we have discovered. For example, in August of 2004, we received human efficacy data for R112 for the treatment of allergic rhinitis from our Phase II "park study" which demonstrate R112 can reduce certain symptoms of allergic rhinitis in a statistically significant manner compared to placebo, has a favorable safety profile, and an onset of action of approximately thirty minutes. We expect that this program could be the focus of our next corporate collaboration, which we anticipate arranging in the second half of 2004.

Recent Developments

On February 25, 2004, we completed a follow-on offering in which we sold 2,850,000 shares and selling stockholders sold 315,000 shares of our common stock at a price to the public of $20.00 per share. On March 19, 2004, the underwriters of the follow-on offering exercised their option to purchase an additional 316,750 shares of our common stock to cover over-allotments. A total of 3,481,750 shares of our common stock were sold in the offering, of which 3,135,075 were sold by us and 346,675 were sold by selling stockholders. We received net proceeds of approximately $58.3 million from the sale of shares offered by us, net of underwriting discounts and commissions and related expenses. We did not receive any proceeds from the sale of shares by the selling stockholders.

Critical Accounting Policies and the Use of Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The

preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to terms of the research collaborations, investments, stock compensation, impairment issues, the estimated useful life of assets and contingencies. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements.

We believe that there have been no significant changes in our critical accounting policies during the six months ended June 30, 2004 as compared to those previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2003.

Revenue Recognition

Non-refundable, up-front payments received in connection with research and development collaboration agreements, including technology access fees, are deferred and recognized on a straight-line basis over the relevant periods of continuing involvement, generally the research term.

Revenues related to collaborative research with our corporate collaborators are recognized as research services are performed over the related funding periods for each contract. Under these agreements, we are required to perform research and development activities as specified in each respective agreement. The payments received are not refundable and are generally based on a contractual cost per full-time equivalent employee working on the project. Research and development expenses under the collaborative research agreements approximate or exceed the revenue recognized under such agreements over the term of the respective agreements. Deferred revenue may result if we were not to incur the required level of effort during a specific period in comparison to funds received under the respective contracts.

Milestones are recognized pursuant to collaborative agreements upon the achievement of these specified at risk milestones.

Royalties will be recognized as earned in accordance with the contract terms when the third party results are reliably measurable and collectibility is reasonably assured.

Stock-based Compensation

We record charges associated with the stock options eligible for repricing under the tender offer initiated in June 2003. All replacement options, as well as the eligible options that were not surrendered under the original offer to exchange, are being treated for financial reporting purposes as variable awards. Therefore, we are recording a non-cash charge (recovery), generally for the intrinsic value of the options reflecting increases and decreases (down to, but not below, the exercise price) in the price of our common stock as compensation expense (recovery) in connection with the replacement options and the eligible options that were not exchanged. We will continue to reflect increases and decreases in the price of our common stock in our statement of operations with respect to these options until they are exercised, forfeited or terminated. The higher the market value of our common stock, the greater the compensation expense. For the three months ended June 30, 2004, we recorded a non-cash compensation recovery of $928,000 related to all options eligible for the replacement. The recovery resulted from the decrease in the market price of our common stock during the three months ended June 30, 2004. For the three months ended March 31, 2004 we recorded a non-cash compensation charge of $762,000 related to the same options. Therefore, the net effect for the six months ended June 30, 2004 is a non-cash compensation recovery of $166,000.

As a result of our reduction in force in January 2003, we recognized approximately $599,000 of stock-based compensation recovery associated with the unvested and cancelled options of the terminated employees that had previously been recognized under the graded vesting method of deferred compensation amortization. We amortized deferred stock compensation of $88,000 and $377,000 for the six months ended June 30, 2004 and 2003, respectively. At June 30, 2004, we had a total of $109,000 remaining to be amortized over the remaining vesting periods of the stock options.

We also record charges associated with options granted to consultants reflecting the periodic revaluation of outstanding unvested consultant options based upon the current market value of our common stock and other assumptions, including the expected future volatility of our stock price. We recognized stock-based compensation for revaluation of consultant options of $114,000 and $18,000 for the six months ended June 30, 2004 and 2003, respectively. We expect to see

continued fluctuations in the future as a portion of these options are revalued based on the changes in current market price of our common stock through the application of the graded vesting method.

Three and Six Months Ended June 30, 2004 and 2003

Revenues

	Three months ended June 30,		Aggregate Change	Six Months ended June 30,		Aggregate Change
	2004	2003	2004 from 2003	2004	2003	2004 from 2003
			(in thousands)			
Contract revenue from collaborations	$ 1,487	$ 2,349	$ (862)	$ 2,974	$ 6,846	$ (3,872)

Revenues by collaborator were:

	Three months ended June 30,		Aggregate Change	Six Months ended June 30,		Aggregate Change
	2004	2003	2004 from 2003	2004	2003	2004 from 2003
			(in thousands)			
Novartis	$ 833	$ 1,083	$ (250)	$ 1,666	$ 2,452	$ (786)
Daiichi	654	647	7	1,308	3,156	(1,848)
Johnson & Johnson	—	619	(619)	—	1,238	(1,238)
Total	$ 1,487	$ 2,349	$ (862)	$ 2,974	$ 6,846	$ (3,872)

Contract revenues from collaborations for the three and six months ended June 30, 2004 and 2003 consisted primarily of research support and amortization of upfront fees from the continuation of our collaborations. In the six months ended June 30, 2003, revenues included a $1.9 million milestone payment from Daiichi for the completion of a certain screening phase of the collaboration. The decrease in the three months ended June 30, 2004 was primarily due to the termination of the research phase of the Johnson & Johnson program. The decrease in the six months ended June 30, 2004 was primarily due to the milestone from Daiichi received in 2003, the termination of the of the research phase of the Johnson & Johnson program, the reduction in funded full time equivalents in the Novartis oncology program, and the termination of the Novartis B-cell program. The research phase of the Novartis oncology collaboration ended in July 2004. Therefore, we will not record additional revenue from Novartis other than possible future milestones payments and royalties. We expect contract revenues from collaborations to be a significant component of our total revenues for the foreseeable future.

Research and Development Expenses

	Three months ended June 30,		Aggregate Change	Six Months ended June 30,		Aggregate Change
	2004	2003	2004 from 2003	2004	2003	2004 from 2003
			(in thousands)			
Research and development expenses	$ 11,268	$ 10,359	$ 909	$ 22,962	$ 20,019	$ 2,943
Stock based compensation expense (recovery) included in research and development expenses	$ (556)	$ 9	$ (565)	$ 229	$ (159)	$ 388

The increase research and development expenses in the three months ended June 30, 2004 was primarily attributable to an increase in our preclinical and clinical costs offset by stock-based compensation expense recovery related to the re-priced stock options subject to variable accounting, as discussed previously under “stock-based compensation” in the “Critical Accounting Policies and the Use of Estimates” section. The increase in our pre-clinical and clinical costs was attributable to the costs associated with our Phase II clinical trial for R112, our preclinical work associated with R406, and

our Phase I/II clinical trial for 803. The increase in research and development expenses in the six months ended June 30, 2004, was primarily attributable to an increase in our preclinical and clinical costs, a certain milestone associated with a license agreement, and an increase in facility costs associated with our new facilities. We expect our clinical costs to trend down for the remainder of 2004 as the majority of the costs related to the R112 Phase II study were recorded in the three months ended June 30, 2004. We expect our preclinical costs will increase further in association with R406, R763 and our asthma program. The compensation expense (recovery) associated with the options subject to variable accounting is calculated based on our stock price at the end of each reporting period and therefore we are unable to predict the amount of any such

future expense (recovery) amounts.

The scope and magnitude of future research and development expenses are difficult to predict at this time given the number of studies that will need to be conducted for any of our potential products as well as our limited capital resources. In general, biopharmaceutical-development involves a series of steps—beginning with identification of a potential target and including, among others, proof of concept in animals and Phase I, II and III clinical studies in humans—each of which is typically more expensive than the previous step. Success in development therefore results in increasing expenditures. Our research and development expenditures currently include costs for scientific personnel, supplies, equipment, consultants, sponsored research, allocated facility costs and costs related to clinical trials.

Because of the number of research projects we have ongoing at any one time, and the ability to utilize resources across several projects, the majority of our research and development costs are not directly tied to any individual project and are allocated among multiple projects. Our project management is based primarily on scientific data and supplemented by these cost allocations, which are based primarily on human resource time incurred on each project. As a result the costs allocated to a project do not necessarily reflect the actual costs of the project. Accordingly, we do not maintain actual cost incurred information for our projects on a project-by-project basis.

General and Administrative Expenses

	Three months ended June 30,		Aggregate Change	Six Months ended June 30,		Aggregate Change
	2004	2003	2004 from 2003	2004	2003	2004 from 2003
	(in thousands)					
General and administrative expenses	$ 2,746	$ 2,351	$ 395	$ 5,659	$ 4,735	$ 924
Stock based compensation expense (recovery) included in general and administrative expenses	$ (281)	$ (1)	$ (280)	$ (120)	$ (44)	$ (76)

The increase in general and administrative expenses in the three months ended June 30, 2004 was primarily attributable to an increase in our intellectual property legal costs as we continue to expand our patent estate. The increase in the six months ended June 30, 2004 was primarily due to an increase in facility costs associated with our new facilities and an increase in our intellectual property legal costs. We expect that general and administrative expenses will increase modestly in 2004 to support growing clinical development activities, specifically the costs associated with the expansion of our patent estate. The compensation expense (recovery) associated with the options subject to variable accounting is calculated based on our stock price at the end of each reporting period and therefore we are unable to predict the amount of any such future expense (recovery) amounts.

Loss on Sale of Property and Equipment

	Three months ended June 30,		Aggregate Change	Six Months ended June 30,		Aggregate Change
	2004	2003	2004 from 2003	2004	2003	2004 from 2003
	(in thousands)					
Loss on sale of property and equipment	$ —	$ —	$ —	$ —	$ 169	$ (169)

In conjunction with our move to our new facilities in February 2003, we sold to the new tenant of our previous facility certain furniture and equipment that would no longer be needed at our new location. This sale resulted in cash proceeds of approximately $71,000 and a loss on sale of $169,000. The loss represented the remaining net book value of those assets less the cash received on the sale.

Net Interest (Income)/Expense

	Three months ended June 30,		Aggregate Change	Six Months ended June 30,		Aggregate Change
	2004	2003	2004 from 2003	2004	2003	2004 from 2003
	(in thousands)					
Net interest (income)/expense	$ (185)	$ 105	$ (290)	$ (254)	$ 189	$ (443)

Interest income results from our interest-bearing cash and investment balances, whereas interest expense is the result of our capital lease obligations associated with fixed asset purchases. For both the three and six month periods ended June 30, 2004, interest income exceeded interest expense due primarily to an increase of cash and investment balances resulting from our recently completed follow-on offering.

Liquidity and Capital Resources

Cash Requirements

We have financed our operations from inception primarily through sales of equity securities, contract payments payable to us under our collaboration agreements and equipment financing arrangements. We believe that our existing capital resources and anticipated proceeds from current and future collaborations, will be sufficient to support our current operating plan through 2005. Our operations will require significant additional funding in large part due to our research and development expenses, future preclinical and clinical-testing costs, increases in our facilities costs and the absence of any meaningful revenues for the foreseeable future. The amount of future funds needed will depend largely on the success of our collaborations and our research activities, and we do not know whether additional financing will be available when needed, or that, if available, we will obtain financing on terms favorable to our stockholders or us. We have consumed substantial amounts of capital to date, and operating expenditures are expected to increase over the next several years as we expand our research and development activities.

To the extent we raise additional capital by issuing equity securities, our stockholders would at that time experience substantial dilution. To the extent that we raise additional funds through collaboration and licensing arrangements, we may be required to relinquish some rights to our technologies or product candidates, or grant licenses on terms that are not favorable to us. Our future funding requirements will depend upon many factors, including, but not limited to:

- the progress and success of preclinical studies and clinical trials of our product candidates conducted by us or our collaborative partners or licensees;
- our ability to establish new collaborations and to maintain our existing collaboration partnerships;
- the progress of research programs carried out at Rigel;

- any changes in the breadth of our research and development programs;
- our ability to meet the milestones identified in our collaborative agreements that trigger payments;
- the progress of the research and development efforts of our collaborators;
- our ability to acquire or license other technologies or compounds that we seek to pursue;
- our ability to manage our growth;

- competing technological and market developments;
- the costs and timing of obtaining, enforcing and defending our patent and intellectual rights;
- the costs and timing of regulatory approvals; and
- expenses associated with unforeseen litigation.

Insufficient funds may require us to delay, scale back or eliminate some or all of our research or development programs, to lose rights under existing licenses or to relinquish greater or all rights to product candidates at an earlier stage of development or on less favorable terms than we would otherwise choose or may adversely affect our ability to operate as a going concern.

As of June 30, 2004, we had $82.3 million in cash, cash equivalents and available-for-sale securities, as compared to $46.5 million as of December 31, 2003, an increase of $35.8 million. The increase was primarily attributable to net proceeds of $58.3 million, after deducting offering costs, from the follow-on offering completed in February and March 2004 in which we sold 3,135,075 shares of our common stock at a price to the public of $20.00 per share. These financing proceeds were offset by approximately $21.5 million in net cash used in operating activities. We also made debt service payments of $1.2 million in conjunction with our equipment financing arrangements. For the six months ended June 30, 2004 and 2003, we maintained an investment portfolio primarily in depository accounts and corporate commercial paper. Cash in excess of immediate requirements is invested with regard to liquidity and capital preservation. Wherever possible, we seek to minimize the potential effects of concentration and degrees of risk.

As of June 30, 2004, we had $2.4 million in capital lease obligations associated with our financed purchase of equipment. All existing equipment financing agreements as of March 31, 2004 are secured by the equipment financed, bear interest at rates in a range of 7% to 15% and are due in monthly installments through 2007.

During June 2004, we initiated a sublease of approximately 15,000 square feet of our premises to a tenant for a period of two years. The facilities lease obligations below are reflective of the new sublease income stream.

The following are our contractual commitments (by fiscal year) as of June 30, 2004 associated with debt obligations and lease obligations:

	Total	2004 (remaining portion)	2005 - 2007	2008 - 2009	2010 - 2018
			(in thousands)		
Capital leases	$ 2,391	$ 1,023	$ 1,368	$ —	$ —
Facilities leases, net of sublease	186,118	3,519	39,624	28,344	114,631
Total	$ 188,509	$ 4,542	$ 40,992	$ 28,344	$ 114,631

Risk Factors

An investment in our securities is risky. Prior to making a decision about investing in our securities you should carefully consider the following risks, as well as the other information contained in this Quarterly Report on Form 10-Q. If any of the following risks actually occurs, our business could be harmed. In that case, the trading price of our securities could decline, and you might lose all or part of your investment. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not presently known to us, or that we currently see as immaterial, may also harm our business. If any of these additional risks or uncertainties occur, the trading price of our securities could decline, and you might lose all or part of your investment.

We will need additional capital in the future to sufficiently fund our operations and research.

We have consumed substantial amounts of capital to date, and operating expenditures are expected to increase over the next several years. We believe that our existing capital resources, including the net proceeds to us from the recently completed public offering of our common stock and anticipated proceeds from current and future collaborations, will be sufficient to support our current operating plan through the end of 2005. Our operations will require significant additional funding in large part due to our research and development expenses, future preclinical and clinical-testing costs, the expansion of our facilities and the absence of any meaningful revenues for the foreseeable future. The amount of future funds needed will depend largely on the success of our collaborations and our research activities, and we do not know whether additional financing will be available when needed, or that, if available, we will obtain financing on terms favorable to our stockholders or us. We have consumed substantial amounts of capital to date, and operating expenditures are expected to increase over the next several years as we expand our infrastructure and research and development activities.

To the extent we raise additional capital by issuing equity securities, our stockholders would at that time experience substantial dilution. To the extent that we raise additional funds through collaboration and licensing arrangements, we may be required to relinquish some rights to our technologies or product candidates, or grant licenses on terms that are not favorable to us.

Our future funding requirements will depend on many uncertain factors.

Our future funding requirements will depend upon many factors, including, but not limited to:

- the progress and success of preclinical studies and clinical trials of our product candidates conducted by us or our collaborative partners or licensees;

- our ability to establish new collaborations and to maintain our existing collaboration partnerships;
- the progress of research programs carried out at Rigel;
- any changes in the breadth of our research and development programs;
- our ability to meet the milestones identified in our collaborative agreements that trigger payments;
- the progress of the research and development efforts of our collaborators;
- our ability to acquire or license other technologies or compounds that we seek to pursue;
- our ability to manage our growth;
- competing technological and market developments;
- the costs and timing of obtaining, enforcing and defending our patent and intellectual rights;
- the costs and timing of regulatory approvals; and

- expenses associated with unforeseen litigation.

Insufficient funds may require us to delay, scale back or eliminate some or all of our research or development programs, to lose rights under existing licenses or to relinquish greater or all rights to product candidates at an earlier stage of development or on less favorable terms than we would otherwise choose or may adversely affect our ability to operate as a going concern.

Our success as a company is uncertain due to our limited operating history, our history of operating losses and the uncertainty of future profitability.

Due in large part to the significant research and development expenditures required to identify and validate new product candidates and pursue our development efforts, we have not been profitable and have incurred operating losses since we were incorporated in June 1996. The extent of our future losses and the timing of potential profitability are highly uncertain, and we may never achieve profitable operations. We have incurred net losses of $25.4 million during the six months ended June 30, 2004, $41.2 million in 2003, $37.0 million in 2002 and $23.8 million in 2001. Currently, our revenues are generated solely from research payments from our collaboration agreements and licenses and are insufficient to generate profitable operations. We expect that our future revenue from current collaborations will decline compared to previous periods. As of June 30, 2004, we had an accumulated deficit of approximately $181.4 million. We expect to incur losses for at least the next several years and expect that these losses will increase as we expand our research and development activities and incur significant clinical and testing costs.

There is a high risk that early-stage drug discovery and development might not successfully generate good product candidates.

At the present time, the majority of our operations are in the early stages of drug identification and development. To date, only two of our product compounds have made it into the clinical testing stage. In our industry, it is statistically unlikely that the limited number of compounds that we have identified as potential product candidates will actually lead to successful product development efforts, and we do not expect any drugs resulting from our research to be commercially available for several years, if at all. Our two product compounds in the clinic and our future leads for potential drug compounds will be subject to the risks and failures inherent in the development of pharmaceutical products based on new technologies. These risks include, but are not limited to, the inherent difficulty in selecting the right drug target and avoiding unwanted side effects as well as the unanticipated problems relating to product development, testing, regulatory compliance, manufacturing, marketing, competition and costs and expenses that may exceed current estimates. The results of preliminary studies do not necessarily predict clinical or commercial success, and larger later-stage clinical trials may fail to confirm the results observed in the preliminary studies. With respect to our own compounds in development, we have established anticipated timelines for clinical development based on existing knowledge of the compound. However, we cannot provide assurance that any specified timelines with respect to the initiation or completion of clinical studies may be achieved.

For example, we began a Phase I clinical trial of R112 in September 2002 in the United Kingdom. The data from this trial was incorporated into an IND application that was filed with the FDA in November 2002. Subsequently, we recently completed a Phase I/II clinical trial in which we evaluated the safety and effectiveness of R112 in patients with documented allergies. In addition, we recently completed a multi-dose safety trial of R112 with the goal of establishing the longer-term, multi-dose safety of R112 in various dosing regimens. Based on this study we initiated a Phase II “park study” clinical trial in which we measured allergic symptom improvement. On August 2, 2004,we announced the results of this trial, which demonstrate R112 can reduce certain symptoms of allergic rhinitis in a statistically significant manner compared to placebo, has a favorable safety profile, and an onset of action of approximately thirty minutes. We also recently completed a human safety trial in the United Kingdom of our compound, R803, for the treatment of hepatitis C and launched a Phase I/II clinical trial in the United States during the second quarter of 2004 in HCV-infected patients. This trial is a multi-dose safety study that is also designed to measure any reduction in viral titer. Because of the uncertainty of whether the accumulated preclinical evidence (pharmacokinetic, pharmacodynamic, safety and/or other factors) or early clinical results will be observed in later clinical trials, we can make no assurance regarding the results likely from our future clinical trials or the impact of those results on our business.

We might not be able to commercialize our product candidates successfully if problems arise in the clinical testing and approval process.

Commercialization of our product candidates depends upon successful completion of preclinical studies and clinical trials. Preclinical testing and clinical development are long, expensive and uncertain processes. We do not know whether we, or any of our collaborative partners, will be permitted to undertake clinical trials of potential products beyond the trials already concluded and the trials currently in process. It may take us or our collaborative partners several years to complete

any such testing, and failure can occur at any stage of testing. Interim results of trials do not necessarily predict final results, and acceptable results in early trials may not be repeated in later trials. A number of companies in the pharmaceutical industry, including biotechnology companies, have suffered significant setbacks in advanced clinical trials, even after achieving promising results in earlier trials. Moreover, as our projects reach clinical trials, we or our collaborative partners or regulators may decide to discontinue development of any or all of these projects at any time for commercial, scientific or other reasons. For example, if patients experience undesirable side effects, we may be required to halt or suspend a clinical trial.

Delays in clinical testing could result in increased costs to us.

Significant delays in clinical testing could materially impact our product development costs. We do not know whether planned clinical trials will begin on time, will need to be revamped or will be completed on schedule, or at all. Clinical trials can be delayed for a variety of reasons, including delays in obtaining regulatory approval to commence a study, delays in reaching agreement on acceptable clinical study agreement terms with prospective clinical sites, delays in obtaining institutional review board approval to conduct a study at a prospective clinical site or delays in recruiting subjects to participate in a study. Environmental conditions may impact the execution of some clinical trials, particularly in the allergy area.

In addition, we typically rely on third-party clinical investigators to conduct our clinical trials and other third-party organizations to oversee the operations of such trials and to perform data collection and analysis. As a result, we may face additional delaying factors outside our control if these parties do not perform their obligations in a timely fashion. While we have not yet experienced delays that have materially impacted our clinical trials or product development costs, delays of this sort could occur for the reasons identified above or other reasons. If we have delays in testing or approvals, our product development costs will increase. For example, we may need to make additional payments to third-party investigators and organizations to retain their services or we may need to pay recruitment incentives. If the delays are significant, our financial results and the commercial prospects for our product candidates will be harmed, and our ability to become profitable will be delayed.

We lack the capability to manufacture compounds for development and rely on third parties to manufacture our product candidates, and we may be unable to obtain required material in a timely manner, at an acceptable cost or at a quality level required to receive regulatory approval.

We currently do not have manufacturing capabilities or experience necessary to produce materials, including R112, R803 and R406, for preclinical testing and clinical trials. We rely on a single third-party contractor to produce R112, R803 and R406 bulk drug substance. We also rely on different single manufacturers for finished R112, R803 and R406 product for preclinical and clinical testing. We will rely on manufacturers to deliver materials on a timely basis and to comply with applicable regulatory requirements, including the FDA's current Good Manufacturing Practices, or GMP. These outsourcing efforts with respect to manufacturing preclinical and clinical supplies will result in a dependence on our suppliers to timely manufacture and deliver sufficient quantities of materials produced under GMP conditions to enable us to conduct planned preclinical studies, clinical trials and, if possible, to bring products to market in a timely manner.

Our current and anticipated future dependence upon these third-party manufacturers may adversely affect our ability to develop and commercialize product candidates on a timely and competitive basis. These manufacturers may not be able to produce material on a timely basis or manufacture material at the quality level or in the quantity required to meet our development timelines and applicable regulatory requirements. We may not be able to maintain or renew our existing third-party manufacturing arrangements, or enter into new arrangements, on acceptable terms, or at all. Our third-party manufacturers could terminate or decline to renew our manufacturing arrangements based on their own business priorities, at a time that is costly or inconvenient for us. If we are unable to contract for the production of materials in sufficient quantity and of sufficient quality on acceptable terms, our planned clinical trials may be delayed. Delays in preclinical or clinical testing could delay the filing of our IND applications and the initiation of clinical trials that we have currently planned.

Our third-party manufacturers may not be able to comply with the GMP regulations, other applicable FDA regulatory requirements or similar regulations applicable outside of the United States. Additionally, if we are required to enter into new supply arrangements, we may not be able to obtain approval from the FDA of any alternate supplier in a timely manner, or at all, which could delay or prevent the clinical development and commercialization of any related product candidates. Failure of our third-party manufacturers or us to obtain approval from the FDA or to comply with applicable regulations could result in sanctions being imposed on us, including fines, civil penalties, delays in or failure to grant marketing approval of our product candidates, injunctions, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of products and compounds, operating restrictions and criminal prosecutions, any of which could

significantly and adversely affect our business.

Because most of our expected future revenues are contingent upon collaborative and license agreements, we might not meet our strategic objectives.

Our ability to generate revenues in the near term depends on our ability to enter into additional collaborative agreements with third parties and to maintain the agreements we currently have in place. Our ability to enter into new collaborations and the revenue, if any, that may be recognized under these collaborations is highly uncertain. If we are unable to enter into new collaborations, our business prospects could be harmed, which could have an immediate adverse effect on the trading price of our stock.

To date, most of our revenues have been related to the research phase of each of our collaborative agreements. Such revenues are for specified periods, and the impact of such revenues on our results of operations is partially offset by corresponding research costs. Following the completion of the research phase of each collaborative agreement, additional revenue may come only from milestone payments and royalties, which may not be paid, if at all, until some time well into the future. The risk is heightened due to the fact that unsuccessful research efforts may preclude us from receiving any milestone payments under these agreements. Our receipt of revenue from collaborative arrangements is also significantly affected by the timing of efforts expended by us and our collaborators and the timing of lead compound identification. In late 2001, we recorded the first revenue from achievement of milestones in both the Pfizer and Johnson & Johnson collaborations. During 2002, we recorded our first milestone for both Novartis and Daiichi. Under many agreements, however, milestone payments may not be earned until the collaborator has advanced products into clinical testing, which may never occur or may not occur until some time well into the future. If we are not able to recognize revenue under our collaborations when and in accordance with our expectations or the expectations of industry analysts, this failure could harm our business and have an immediate adverse effect on the trading price of our stock.

Our business requires us to generate meaningful revenue from royalties and licensing agreements. To date, we have not received any revenue from royalties for the commercial sale of drugs, and we do not know when we will receive any such revenue, if at all. Likewise, we have not licensed any lead compounds or drug development candidates to third parties, and we do not know whether any such license will be entered into on acceptable terms in the future, if at all.

If our current corporate collaborations or license agreements are unsuccessful, our research and development efforts could be delayed.

Our strategy depends upon the formation and sustainability of multiple collaborative arrangements and license agreements with third parties in the future. We rely on these arrangements for not only financial resources, but also for expertise that we expect to need in the future relating to clinical trials, manufacturing, sales and marketing, and for licenses to technology rights. To date, we have entered into several such arrangements with corporate collaborators; however, we do not know if such third parties will dedicate sufficient resources or if any development or commercialization efforts by third parties will be successful. Should a collaborative partner fail to develop or commercialize a compound or product to which it has rights from us, such failure might delay ongoing research and development efforts at Rigel because we might not receive any future milestone payments and we would not receive any royalties associated with such compound or product. In addition, the continuation of some of our partnered drug discovery and development programs may be dependent on the periodic renewal of our corporate collaborations. For example, the funded research phase of our collaboration with Pfizer has been completed and the development portion of our collaboration is ongoing at Pfizer.

Also, the research phase of our collaboration with Johnson & Johnson ended in December 2003 and the research phases conducted here at Rigel under our broad collaboration with Novartis ended in July 2004. Our corporate collaboration agreement with Daiichi may only terminate upon a breach or a change of control. We may not be able to renew this collaboration on acceptable terms, if at all, or negotiate additional corporate collaborations on acceptable terms, if at all.

Conflicts also might arise with collaborative partners concerning proprietary rights to particular compounds. While our existing collaborative agreements typically provide that we retain milestone payments and royalty rights with respect to drugs developed from certain derivative compounds, any such payments or royalty rights may be at reduced rates, and disputes may arise over the application of derivative payment provisions to such drugs, and we may not be successful in such disputes.

We are also a party to various license agreements that give us rights to use specified technologies in our research and development processes. The agreements pursuant to which we have in-licensed technology permit our licensors to terminate the agreements under certain circumstances. If we are not able to continue to license these and future technologies

on commercially reasonable terms, our product development and research may be delayed.

If conflicts arise between our collaborators or advisors and us, any of them may act in their self-interest, which may be adverse to your interests.

If conflicts arise between us and our corporate collaborators or scientific advisors, the other party may act in its self-interest and not in the interest of our stockholders. Some of our corporate collaborators are conducting multiple product development efforts within each disease area that is the subject of the collaboration with us. In some of our collaborations, we have agreed not to conduct, independently or with any third party, any research that is competitive with the research conducted under our collaborations. Our collaborators, however, may develop, either alone or with others, products in related fields that are competitive with the products or potential products that are the subject of these collaborations. Competing products, either developed by our collaborators or to which our collaborators have rights, may result in their withdrawal of support for our product candidates.

If any of our corporate collaborators were to breach or terminate its agreement with us or otherwise fail to conduct the collaborative activities successfully and in a timely manner, the preclinical or clinical development or commercialization of the affected product candidates or research programs could be delayed or terminated. We generally do not control the amount and timing of resources that our corporate collaborators devote to our programs or potential products. We do not know whether current or future collaborative partners, if any, might pursue alternative technologies or develop alternative products either on their own or in collaboration with others, including our competitors, as a means for developing treatments for the diseases targeted by collaborative arrangements with us.

Our success is dependent on intellectual property rights held by us and third parties, and our interest in such rights is complex and uncertain.

Our success will depend to a large part on our own, our licensees' and our licensors' ability to obtain and defend patents for each party's respective technologies and the compounds and other products, if any, resulting from the application of such technologies. We have approximately 140 pending patent applications and 48 issued patents in the United States that are owned or exclusively licensed in our field as well as pending corresponding foreign patent applications. In the future, our patent position might be highly uncertain and involve complex legal and factual questions. Additional uncertainty may result from because no consistent policy regarding the breadth of legal claims allowed in biotechnology patents has emerged to date. Accordingly, we cannot predict the breadth of claims allowed in our or other companies' patents.

Because the degree of future protection for our proprietary rights is uncertain, we cannot ensure that:

- we were the first to make the inventions covered by each of our pending patent applications;
- we were the first to file patent applications for these inventions;
- others will not independently develop similar or alternative technologies or duplicate any of our technologies;
- any of our pending patent applications will result in issued patents;
- any patents issued to us or our collaborators will provide a basis for commercially viable products or will provide us with any competitive advantages or will not be challenged by third parties;
- we will develop additional proprietary technologies that are patentable; or
- the patents of others will not have a negative effect on our ability to do business.

We rely on trade secrets to protect technology where we believe patent protection is not appropriate or obtainable. However, trade secrets are difficult to protect. While we require employees, collaborators and consultants to enter into confidentiality agreements, we may not be able to adequately protect our trade secrets or other proprietary information in the event of any unauthorized use or disclosure or the lawful development by others of such information.

We are a party to certain in-license agreements that are important to our business, and we generally do not control the prosecution of in-licensed technology. Accordingly, we are unable to exercise the same degree of control over this

intellectual property as we exercise over our internally-developed technology. Moreover, some of our academic institution licensors, research collaborators and scientific advisors have rights to publish data and information in which we have rights. If we cannot maintain the confidentiality of our technology and other confidential information in connection with our collaborations, then our ability to receive patent protection or protect our proprietary information will be impaired. In addition, some of the technology we have licensed relies on patented inventions developed using U.S. government resources. The U.S. government retains certain rights, as defined by law, in such patents, and may choose to exercise such rights. Certain of our in-licenses may be terminated if we fail to meet specified obligations. If we fail to meet such obligations and any of our licensors exercise their termination rights, we could lose our rights under those agreements. If we lose any of our rights, it may affect the way we do business. In addition, because certain of our licenses are sublicenses, the actions of our licensors may affect our rights under those licenses.

If a dispute arises regarding the infringement or misappropriation of the proprietary rights of others, such dispute could be costly and result in delays in our research, development activities and partnering.

Our success will also depend, in part, on our ability to operate without infringing or misappropriating the proprietary rights of others. There are many issued patents and patent applications filed by third parties relating to products or processes that are similar or identical to ours or our licensors, and others may be filed in the future. There can be no assurance that our activities, or those of our licensors, will not infringe patents owned by others. For example, in June 2002, we resolved a dispute with Inoxell A/S (formed as a spinout from Pharmexa—formally M&E Biotech) by entering into a global patent settlement concerning certain drug target identification technologies, which includes both cross-licensing and joint ownership to certain patents and allows for worldwide freedom of operation for both companies. We believe that there may be significant litigation in the industry regarding patent and other intellectual property rights, and we do not know if we or our collaborators would be successful in any such litigation. Any legal action against our collaborators or us claiming damages or seeking to enjoin commercial activities relating to the affected products, our methods or processes could:

- require our collaborators or us to obtain a license to continue to use, manufacture or market the affected products, methods or processes, which may not be available on commercially reasonable terms, if at all;

- prevent us from using the subject matter claimed in the patents held by others;
- subject us to potential liability for damages;
- consume a substantial portion of our managerial and financial resources; and
- result in litigation or administrative proceedings that may be costly, whether we win or lose.

If we are unable to obtain regulatory approval to market products in the United States and foreign jurisdictions, we might not be permitted to commercialize products from our research and development.

Due, in part, to the early stage of our product candidate research and development process, we cannot predict whether regulatory clearance will be obtained for any product that we, or our collaborative partners, hope to develop. Satisfaction of regulatory requirements typically takes many years, is dependent upon the type, complexity and novelty of the product and requires the expenditure of substantial resources. Of particular significance to us are the requirements relating to research and development and testing.

Before commencing clinical trials in humans in the United States, we, or our collaborative partners, will need to submit and receive approval from the FDA of an IND. Clinical trials are subject to oversight by institutional review boards and the FDA and:

- must be conducted in conformance with the FDA's good clinical practices and other applicable regulations;
- must meet requirements for institutional review board oversight;
- must meet requirements for informed consent;
- are subject to continuing FDA oversight;

- may require large numbers of test subjects; and
- may be suspended by us or the FDA at any time if it is believed that the subjects participating in these trials are being exposed to unacceptable health risks or if the FDA finds deficiencies in the IND or the conduct of these trials.

While we have stated that we intend to file additional INDs, this is only a statement of intent, and we may not be able to do so because we may not be able to identify potential product candidates. In addition, the FDA may not approve any IND in a timely manner, or at all.

Before receiving FDA clearance to market a product, we must demonstrate that the product is safe and effective on the patient population that will be treated. Data obtained from preclinical and clinical activities are susceptible to varying interpretations that could delay, limit or prevent regulatory clearances. In addition, delays or rejections may be encountered based upon additional government regulation from future legislation or administrative action or changes in FDA policy during the period of product development, clinical trials and FDA regulatory review. Failure to comply with applicable FDA or other applicable regulatory requirements may result in criminal prosecution, civil penalties, recall or seizure of products, total or partial suspension of production or injunction, as well as other regulatory action against our potential products or us. Additionally, we have limited experience in conducting and managing the clinical trials necessary to obtain regulatory approval.

If regulatory clearance of a product is granted, this clearance will be limited to those disease states and conditions for which the product is demonstrated through clinical trials to be safe and efficacious. We cannot ensure that any compound developed by us, alone or with others, will prove to be safe and efficacious in clinical trials and will meet all of the applicable regulatory requirements needed to receive marketing clearance.

Outside the United States, our ability, or that of our collaborative partners, to market a product is contingent upon receiving a marketing authorization from the appropriate regulatory authorities. This foreign regulatory approval process typically includes all of the risks associated with FDA clearance described above and may also include additional risks.

If our competitors develop technologies that are more effective than ours, our commercial opportunity will be reduced or eliminated.

The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. Many of the drugs that we are attempting to discover will be competing with existing therapies. In addition, a number of companies are pursuing the development of pharmaceuticals that target the same diseases and conditions that we are targeting. We face competition from pharmaceutical and biotechnology companies both in the United States and abroad.

Our competitors may utilize discovery technologies and techniques or partner with collaborators in order to develop products more rapidly or successfully than we, or our collaborators, are able to do. Many of our competitors, particularly large pharmaceutical companies, have substantially greater financial, technical and human resources than we do. In addition, academic institutions, government agencies and other public and private organizations conducting research may seek patent protection with respect to potentially competitive products or technologies and may establish exclusive collaborative or licensing relationships with our competitors.

We believe that our ability to compete is dependent, in part, upon our ability to create, maintain and license scientifically-advanced technology and upon our and our strategic partners' ability to develop and commercialize pharmaceutical products based on this technology, as well as our ability to attract and retain qualified personnel, obtain patent protection or otherwise develop proprietary technology or processes and secure sufficient capital resources for the expected substantial time period between technological conception and commercial sales of products based upon our technology. The failure by us or any of our collaborators in any of those areas may prevent the successful commercialization of our potential drug targets.

Our competitors might develop technologies and drugs that are more effective or less costly than any that are being developed by us or that would render our technology and potential drugs obsolete and noncompetitive. In addition, our competitors may succeed in obtaining the approval of the FDA or other regulatory agencies for product candidates more rapidly. Companies that complete clinical trials, obtain required regulatory agency approvals and commence commercial sale of their drugs before their competitors may achieve a significant competitive advantage, including certain patent and FDA marketing exclusivity rights that would delay or prevent our ability to market certain products. Any drugs resulting from our

research and development efforts, or from our joint efforts with our existing or future collaborative partners, might not be able to compete successfully with competitors' existing or future products or products under development or obtain regulatory approval in the United States or elsewhere.

Our ability to generate revenues will be diminished if our collaborative partners fail to obtain acceptable prices or an adequate level of reimbursement for products from third-party payors or government agencies.

The drugs we hope to develop may be rejected by the marketplace due to many factors, including cost. Our ability to commercially exploit a drug may be limited due to the continuing efforts of government and third-party payors to contain or reduce the costs of health care through various means. For example, in some foreign markets, pricing and profitability of prescription pharmaceuticals are subject to government control. In the United States, we expect that there will continue to be a number of federal and state proposals to implement similar government control. In addition, increasing emphasis on managed care in the United States will likely continue to put pressure on the pricing of pharmaceutical products. Cost control initiatives could decrease the price that any of our collaborators would receive for any products in the future. Further, cost control initiatives could adversely affect our collaborators' ability to commercialize our products and our ability to realize royalties from this commercialization.

Our ability to commercialize pharmaceutical products with collaborators may depend, in part, on the extent to which reimbursement for the products will be available from:

- government and health administration authorities;
- private health insurers; and
- other third-party payors.

Significant uncertainty exists as to the reimbursement status of newly-approved healthcare products. Third-party payors, including Medicare, are challenging the prices charged for medical products and services. Government and other third-party payors increasingly are attempting to contain healthcare costs by limiting both coverage and the level of reimbursement for new drugs and by refusing, in some cases, to provide coverage for uses of approved products for disease indications for which the FDA has not granted labeling approval. Third-party insurance coverage may not be available to patients for any products we discover and develop, alone or with collaborators. If government and other third-party payors do not provide adequate coverage and reimbursement levels for our products, the market acceptance of these products may be reduced.

If product liability lawsuits are successfully brought against us, we may incur substantial liabilities and may be required to limit commercialization of our products.

The testing and marketing of medical products entail an inherent risk of product liability. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialization of our products although we are not currently aware of any specific causes for concern with respect to clinical liability claims. We currently do not have product liability insurance, and our inability to obtain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of pharmaceutical products we develop, alone or with corporate collaborators. We, or our corporate collaborators, might not be able to obtain insurance at a reasonable cost, if at all. While under various circumstances we are entitled to be indemnified against losses by our corporate collaborators, indemnification may not be available or adequate should any claim arise.

Our research and development efforts will be seriously jeopardized, if we are unable to attract and retain key employees and relationships.

As a small company with only 135 employees as of June 30, 2004, our success depends on the continued contributions of our principal management and scientific personnel and on our ability to develop and maintain important relationships with leading academic institutions, scientists and companies in the face of intense competition for such personnel. In particular, our research programs depend on our ability to attract and retain highly skilled chemists, other scientists, and regulatory and clinical personnel. If we lose the services of any of our personnel, our research and development efforts could be seriously and adversely affected. Our employees can terminate their employment with us at any time.

We depend on various scientific consultants and advisors for the success and continuation of our research and development efforts.

We work extensively with various scientific consultants and advisors. The potential success of our drug discovery and development programs depends, in part, on continued collaborations with certain of these consultants and advisors. We, and various members of our management and research staff, rely on certain of these consultants and advisors for expertise in our research, regulatory and clinical efforts. Our scientific advisors are not employees of ours and may have commitments to, or consulting or advisory contracts with, other entities that may limit their availability to us. We do not know if we will be able to maintain such consulting agreements or that such scientific advisors will not enter into consulting arrangements, exclusive or otherwise, with competing pharmaceutical or biotechnology companies, any of which would have a detrimental impact on our research objectives and could have a material adverse effect on our business, financial condition and results of operations.

If we use biological and hazardous materials in a manner that causes injury or violates laws, we may be liable for damages.

Our research and development activities involve the controlled use of potentially harmful biological materials as well as hazardous materials, chemicals and various radioactive compounds. We cannot completely eliminate the risk of accidental contamination or injury from the use, storage, handling or disposal of these materials. In the event of contamination or injury, we could be held liable for damages that result, and such liability could exceed our resources. We are also subject to federal, state and local laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products. The cost of compliance with, or any potential violation of, these laws and regulations could be significant.

Our facilities are located near known earthquake fault zones, and the occurrence of an earthquake or other catastrophic disaster could cause damage to our facilities and equipment, which could require us to cease or curtail operations.

Our facilities are located in the San Francisco Bay Area near known earthquake fault zones and are vulnerable to significant damage from earthquakes. We are also vulnerable to damage from other types of disasters, including fires, floods, power loss, communications failures and similar events. If any disaster were to occur, our ability to operate our business at our facilities would be seriously, or potentially completely, impaired, and our research could be lost or destroyed. In addition, the unique nature of our research activities and of much of our equipment could make it difficult for us to recover from a disaster. The insurance we maintain may not be adequate to cover or losses resulting from disasters or other business interruptions.

If our officers and directors choose to act together, they may be able to significantly affect our management and operations, acting in their best interests and not necessarily those of other stockholders.

Our directors and executive officers and their affiliates beneficially owned approximately 26.8% of our common stock as of June 30, 2004. Accordingly, they collectively have the ability to affect the election of all of our directors and the outcome of most corporate actions requiring stockholder approval. They may exercise this ability in a manner that advances their best interests and not necessarily those of other stockholders. In addition, as of June 30, 2004, the holders of approximately 6.6 million shares of common stock and warrants exercisable for approximately 1.4 million shares of our common stock are entitled to rights with respect to registration of those shares of common stock under the Securities Act.

On June 26, 2003, we completed a private placement with net proceeds of $45.0 million led by MPM Capital that included Frazier Healthcare, Alta Partners and HBM BioVentures. In the private placement, we issued 7,986,110 shares of our common stock at a price of $5.76 per share and warrants to purchase an additional 1,597,221 shares of our common stock at an exercise price of $5.76 per share. This group of investors owned approximately 30.9% of our common stock as of June 30, 2004 (without giving effect to the exercise of the warrants and based on 18,262,329 shares outstanding as of June 30, 2004). For so long as MPM Capital holds at least 10% of the outstanding shares of our common stock, we are required to use our commercially reasonable best efforts to (i) cause two designees of MPM Capital to be nominated and elected to our board of directors; (ii) appoint one designee to serve on the nominating committee of our board of directors; and (iii) appoint one designee to serve on the compensation committee of our board of directors. These board appointments were completed in conjunction with the closing of the financing on June 26, 2003.

Our stock price may be volatile, and your investment in our stock could decline in value.

The market prices for our securities and those of other biotechnology companies have been highly volatile and may continue to be highly volatile in the future. The following factors, in addition to other risk factors described in this section, may have a significant impact on the market price of our common stock:

- the receipt or failure to receive the significant amount of additional funding necessary to conduct our business;
- the progress and success of preclinical studies and clinical trials of our product candidates conducted by us or our collaborative partners or licensees;
- selling by the group of investors who purchased shares of our common stock at a price of $5.76 per share and warrants to purchase an additional 1,597,221 shares of our common stock at an exercise price of $5.76 per share in June 2003 (as of June 30, 2004, this group owned 30.9% of our common stock without giving effect to the exercise of the warrants);
- announcements of technological innovations or new commercial products by our competitors or us;
- developments concerning proprietary rights, including patents;
- developments concerning our collaborations;
- publicity regarding actual or potential medical results relating to products under development by our competitors or us;
- regulatory developments in the United States and foreign countries;
- litigation;
- economic and other external factors or other disaster or crisis; and
- period-to-period fluctuations in financial results.

Anti-takeover provisions in our charter documents and under Delaware law may make an acquisition of us, which may be beneficial to our stockholders, more difficult.

Provisions of our amended and restated certificate of incorporation and bylaws, as well as provisions of Delaware law, could make it more difficult for a third party to acquire us, even if doing so would benefit our stockholders. These provisions:

- establish that members of the board of directors may be removed only for cause upon the affirmative vote of stockholders owning a majority of our capital stock;
- authorize the issuance of “blank check” preferred stock that could be issued by our board of directors to increase the number of outstanding shares and thwart a takeover attempt;
- limit who may call a special meeting of stockholders;
- prohibit stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of our stockholders;
- establish advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at stockholder meetings;
- provide for a board of directors with staggered terms; and

- provide that the authorized number of directors may be changed only by a resolution of our board of directors.

In addition, Section 203 of the Delaware General Corporation Law, which imposes certain restrictions relating to transactions with major stockholders, may discourage, delay or prevent a third party from acquiring us.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive from our investments without significantly increasing risk. Some of the securities in which we invest may have market risk. This means that a change in prevailing interest rates may cause the fair value amount of the investment to fluctuate. For example, if we hold a security that was issued with a fixed interest rate at the then-prevailing rate and the prevailing interest rate later rises, the market value amount of our investment will decline. To minimize this risk in the future, we intend to maintain our portfolio of cash equivalents, short-term investments and other long-term investments in a variety of securities, including commercial paper, money market funds and government and non-government debt securities. For both the three and six month periods ended June 30, 2004 and 2003, we maintained an investment portfolio primarily in depository accounts and corporate

commercial paper. Due to the short-term nature of the majority of these investments, we believe we do not have a material exposure to interest rate risk arising from our investments. Therefore, no quantitative tabular disclosure is provided.

We have operated primarily in the United States, and all funding activities with our collaborators to date have been made in U.S. dollars. Accordingly, we have not had any exposure to foreign currency rate fluctuations.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. Based on our management's evaluation (with the participation of our chief executive officer and chief financial officer), our chief executive officer and chief financial officer have concluded that, subject to limitations described below, our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), were effective as of June 30, 2004 to ensure that information required to be disclosed by us in this Quarterly Report on Form 10-Q was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Changes in Internal Controls. There were no changes in our internal controls over financial reporting during the quarter ended June 30, 2004 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the controls are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met and, as set forth above, our chief executive officer and chief financial officer have concluded, based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, that our disclosure controls and procedures were sufficiently effective to provide reasonable assurance that the objectives of our disclosure control system were met.

PART II OTHER INFORMATION

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

We held our 2004 annual meeting of stockholders on June 10, 2004. At such meeting, the following actions were voted upon.

(a) To elect two Class I directors, Jean Deleage, Ph.D. and Alan D. Frazier, to hold office until our 2007 Annual Meeting of Stockholders.

Votes in Favor	Votes Against	Abstentions
13,472,091	681	80,943

(b) To ratify the selection by the audit committee of our board of directors of Ernst & Young LLP as independent auditors of Rigel for our fiscal year ending December 31, 2004.

Votes in Favor	Votes Against	Abstentions
13,528,058	2,449	23,208

Item 6. Exhibits and Reports on Form 8-K.

a) Exhibits:

The exhibits listed on the accompanying index to exhibits accompany or are filed or incorporated by reference (as stated therein) as part of this Quarterly Report on Form 10-Q.

b) Reports on Form 8-K:

On May 10, 2004, we filed a current report on Form 8-K announcing the press release of our financial results for the quarter ended March 31, 2004.

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.

RIGEL PHARMACEUTICALS, INC.

By: /s/ JAMES M. GOWER
James M. Gower
Chief Executive Officer

Date: August 9, 2004

By: /s/ JAMES H. WELCH
James H. Welch
Vice President, Chief Financial Officer and Corporate Secretary
(Principal Financial and Accounting Officer)

INDEX TO EXHIBITS

Exhibit Number	Description of Document
3.1	Amended and Restated Certificate of Incorporation. (1)
3.2	Amended and Restated Bylaws. (2)
4.1	Specimen Common Stock Certificate. (1)
4.2	Amended and Restated Investor Rights Agreement, between Rigel and holders of Rigel's Series B, Series C, Series D and Series E preferred stock, dated February 3, 2000. (2)
4.3	Form of warrant to purchase shares of common stock. (2)
4.7	Amended and Restated Warrant issued to Kwacker Limited for the purchase of shares of common stock. (3)
4.8	Warrant issued to TBCC Funding Trust II for the purchase of shares of common stock. (4)
4.9	Warrant issued to Comerica Bank-California for the purchase of shares of common stock. (5)
4.10	Warrant issued to Kwacker Limited for the purchase of shares of common stock. (3)
4.11	Warrant issued to Lighthouse Capital Partners IV, L.P. to purchase shares of common stock. (3)
4.12	Warrant issued to Alta BioPharma Partners II, L.P. to purchase shares of common stock. (6)
4.13	Warrant issued to Alta California Partners, L.P. to purchase shares of common stock. (6)
4.14	Warrant issued to Alta Embarcadero BioPharma Partners II, LLC to purchase shares of common stock. (6)
4.15	Warrant issued to Alta Embarcadero Partners, LLC to purchase shares of common stock. (6)
4.16	Warrant issued to HBM BioVentures (Cayman) Ltd. to purchase shares of common stock. (6)
4.17	Warrant issued to MPM BioVentures III, L.P. to purchase shares of common stock. (6)
4.18	Warrant issued to MPM BioVentures III-QP, L.P. to purchase shares of common stock. (6)
4.19	Warrant issued to MPM BioVentures III GmbH & Co. Beteiligungs KG to purchase shares of common stock. (6)
4.20	Warrant issued to MPM BioVentures III Parallel Fund, L.P. to purchase shares of common stock. (6)
4.21	Warrant issued to MPM Asset Management Investors 2003 BVIII LLC to purchase shares of common stock. (6)
4.22	Warrant issued to MPM BioEquities Master Fund, L.P. to purchase shares of common stock. (6)
4.23	Second Investor Rights Agreement between Rigel and certain investors, dated June 26, 2003. (6)
15.1	Letter re unaudited interim financial information.
31.1	Certification required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
31.2	Certification required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
32.1	Certification required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).

(1) Filed as an exhibit to Rigel's Current Report on Form 8-K on June 24, 2003 and incorporated herein by reference.
(2) Filed as an exhibit to Rigel's Registration Statement on Form S-1, as amended (No. 333-45864), and incorporated herein by reference.
(3) Filed as an exhibit to Rigel's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and incorporated herein by reference.
(4) Filed as an exhibit to Rigel's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 and incorporated herein by reference.
(5) Filed as an exhibit to Rigel's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 and incorporated herein by reference.
(6) Filed as an exhibit to Rigel's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference.

EXHIBIT 15.1

August 5, 2004

The Board of Directors and Stockholders of Rigel Pharmaceuticals, Inc.

We are aware of the incorporation by reference in the Registration Statements (Forms S-3 No. 333-112746, No. 333-111777, No. 333-106942, No. 333-74906 and No. 333-87276) of Rigel Pharmaceuticals, Inc. and in the related Prospectuses, and in the Registration Statements (Forms S-8 No. 333-111782, No. 333-107062, No. 333-106532, No. 333-51184 and No. 333-72492) pertaining to the 2000 Equity Incentive Plan, 2000 Employee Stock Purchase Plan, 2000 Non-Employee Directors' Stock Option Plan and 2001 Non-Officer Equity Incentive Plan of Rigel Pharmaceuticals, Inc., related to the sale of common shares, and in the related prospectuses, as applicable, contained in such Registration Statements of our report dated July 20, 2004, relating to the unaudited condensed interim financial statements of Rigel Pharmaceuticals, Inc. that are included in its Form 10-Q for the quarter ended June 30, 2004.

Very truly yours,

/s/ERNST & YOUNG LLP

Exhibit 31.1

CERTIFICATIONS

I, James M. Gower, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rigel Pharmaceuticals, 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 (the registrant's fourth quarter in the case of an annual report) 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 the 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 9, 2004

/s/ JAMES M. GOWER
James M. Gower
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, James H. Welch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rigel Pharmaceuticals, 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 (the registrant's fourth quarter in the case of an annual report) 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 the 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 9, 2004

/s/ JAMES H. WELCH
James H. Welch
Vice President, Chief Financial Officer and Secretary

Exhibit 32.1

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), James M. Gower, Chief Executive Officer of Rigel Pharmaceuticals, Inc. (the "Company"), and James H. Welch, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended June 30, 2004, to which this Certification is attached as Exhibit 32.1 (the "Quarterly Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

In Witness Whereof, the undersigned have set their hands hereto as of August 9, 2004.

/s/ JAMES M. GOWER	/s/ JAMES H. WELCH
James M. Gower	James H. Welch
Chief Executive Officer	Chief Financial Officer

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Rigel Pharmaceuticals, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.