



Allostera

FOR IMMEDIATE RELEASE

ALLOSTERA PHARMA INC. CLOSES \$17M (CAD) SERIES A FINANCING

MONTRÉAL, QUÉBEC, CANADA. JULY 7, 2009 -- Allostera Pharma Inc. today announced it has secured a Series A financing of \$17 million (Canadian dollars). Four venture funds participated: iNovia Capital, Genesys Capital, BDC Venture Capital with GO Capital, and Fonds Bio-Innovation s.e.c. The proceeds of the financing will be used for the development of Allosteramers™, a new class of drugs developed by Allostera scientists that are both highly specific for their targets and designed to be orally bioavailable. Additionally with these proceeds, Allostera plans to complete preclinical studies and begin human clinical testing of its lead Allosteramer™, APG2305, a novel drug candidate for treating autoimmune diseases like psoriasis that has demonstrated oral activity in animals. The specific terms of the Series A preferred share financing were not disclosed.

"We rarely see new technologies that have the potential to alter the way drugs are developed like the Allosteramer™ technology," commented Cedric Bisson, MD, Managing Partner, Life Sciences at iNovia Capital, one of the lead investors of Allostera. "Not only is the creation of Allosteramers™ extremely rapid, but the technology appears to be robust and broadly applicable to many significant disease targets. We believe Allostera's financing will allow the company to achieve some critical objectives that could allow Allosteramers™ to become widely accepted as a new class of specific, oral drugs."

Allosteramers™

Allosteramers™ are a new class of potent, therapeutic drugs, with the potential to be orally bioavailable that are developed using Allostera's Module X platform technology. They are short pieces of the body's own proteins, called peptides, modified to have exceptional drug properties such as favourable pharmacokinetics (length of time in the blood) and a predictable metabolic profile. Allosteramers™ have an "allosteric mechanism," that is, they are not competitive with the natural compounds (ligands) that bind to receptors in the body, and have the potential for better efficacy and better selectivity for their targets than small molecules.

"What makes Allosteramers™ special is their potential to be specific while retaining their oral activity," commented Mark Kaufmann, President and CEO of Allostera. "While drugs like monoclonal antibodies are specific, they need to be injected. Other drugs that are oral tend to be less specific and often cause side effects. Allosteramers™, on the other hand, have the potential to be both specific and orally available which may allow these drugs to be more widely accepted than injectable drugs. They also have the advantage of being potent and potentially easily manufactured using well-known techniques."

Module X Technology

Allostera's patent-pending technology, Module X, allows the company to discover Allosteramers™ against new targets within months of starting a project. The process involves identifying structural regions of receptors and designing peptide inhibitors based on this information. Often, the short peptides, composed of 8 to 10 D-amino acids, exhibit nanomolar or sub-nanomolar potency (i.e., very potent) and inherent oral bioavailability.

The resulting drug candidates are "allosteric modulators," that is, they block the targeted receptor's signal by binding in an area remote from natural receptor binding site, or "ligand site". Thus an



Allostera

FOR IMMEDIATE RELEASE

Allosteramer™ can block a signal without competing with the body's natural ligands. The resulting drug candidates are designed to have the potency and specificity similar to that of a monoclonal antibody with the oral delivery capability of a small molecule.

“Module X is an amazingly rapid way to develop allosteric modulators against receptor targets,” commented Sylvain Chemtob, MD, PhD, Chief Scientific Officer of Allostera and a co-founder of the Company along with Christiane Quiniou. “While allosteric modulation is an important tool in pharmacology, there has never been a simple way to accomplish this until now. With allosteric modulation, we can achieve what few drugs can achieve: the modulation of specific signals which has the potential to result in both better efficacy and better safety. Additionally, all this may be realized within months of starting a project when it often takes years with other methodologies to develop a lead therapeutic drug ready for preclinical evaluation.”

Allostera's Products

Allostera currently has seven Allosteramers™ in its pipeline with a focus on inflammatory diseases. Allostera has one orally active lead Allosteramer™, APG2305, an IL23R inhibitor for autoimmune diseases like psoriasis. Allostera also has products in development against other inflammation targets including an oral IL1R inhibitor for gout and type II diabetes and an oral TNFR inhibitor for rheumatoid arthritis and Crohn's disease.

The Company's lead Allosteramer™, an oral IL23-receptor inhibitor APG2305, targets an immune pathway which has recently been implicated as the principal regulator of autoimmune diseases. By shutting off the signal from IL23, APG2305 aims to eliminate the body's primary method of maintaining autoimmune diseases such as psoriatic arthritis, psoriasis, Crohn's disease, rheumatoid arthritis and over 60 other diseases. Allostera has proof-of-concept of the mechanism, activity and safety of APG2305 in several *in vitro* and *in vivo* (animal) models. The Company has begun a formal IND-enabling program of APG2305 (ADME, toxicology, PK, etc.) with the purpose of commencing a proof-of-concept clinical trial evaluating APG2305 in patients with psoriatic arthritis. Psoriatic arthritis (PsA), a painful form of psoriasis which involves inflammation of the joints (without rheumatoid factor) affects over 500,000 patients in the US alone. Like in other autoimmune diseases, agents used to treat PsA include steroids, TNF inhibitors and other inflammation blockers which have significant side effects, are often injectable and only work modestly to affect the disease. There is a significant need for new agents which offer three benefits to the patient: better safety, efficacy, and administration.

History of Allostera

The technology of Allostera was initially developed in 2002 to 2005 in the laboratories of Dr. Sylvain Chemtob at CHU Ste. Justine, an affiliated hospital of the University of Montreal. Dr. Chemtob, a prominent clinical and academic researcher, and Christiane Quiniou, a graduate student in his lab, conducted much of the early work to support the Module X technology. The Company's incorporation in December 2005 was managed by Gestion Univalor, L.P., an entity whose mission is the transfer to industry of intellectual properties from the Université de Montréal, its affiliated schools and most of its affiliated hospitals. Research was funded from 2002 to 2009 under grants given by Univalor and the Canadian Institutes of Health Research Proof-of-Principal Program directly to Dr. Chemtob's laboratory, debt from the "Centre québécois de valorisation des biotechnologies" (CQVB), convertible debt from



Allostera

FOR IMMEDIATE RELEASE

Univalor, MSBi Valorisation (a company dedicated to pre-seed technology-based investments), Fonds Bio-Innovation s.e.c., and angel investors, and a grant from the Québec Minister of Economic Development, Innovation and Export Trade (Ministère du Développement Économique de l'Innovation et de l'Exportation -- MDEIE).

About Allostera

Allostera Pharma Inc. is a biopharmaceutical company that has developed an entirely new class of drugs, called Allosteramers™. Allosteramers™ have three main properties: 1) they are “allosteric”, meaning they do not bind to the same site as traditional drugs, potentially providing better safety, efficacy and an entirely new set of patentable intellectual properties, 2) they can have predictable and consistent drug properties, and 3) they are designed to be orally available. Using its Module X technology platform, Allostera has developed a pipeline of seven novel Allosteramers™ against different targets primarily focused on inflammation and autoimmunity including APG2305, a drug inhibiting the IL23 receptor, one of the most important targets in the autoimmune disease field. APG2305 has demonstrated oral activity in animal models of autoimmune diseases. Allostera is located in Montreal. For more information, please see www.allostera.com.

####

Media and Investors Contacts:

Mark Kaufmann

President & CEO

mkaufmann@allostera.com

Tel: 514-800-0480 x1

Fax: 514-371-4440