



Epistem to Provide Preclinical Efficacy Testing Services for Exponential Biotherapies

Epistem (LSE:EHP) announced today that Exponential Biotherapies, Inc (EBI). of Virginia, USA, have contracted Epistem to provide their specialised preclinical efficacy testing services for agents likely to protect the gastrointestinal tract against radiation damage. The first compound that Epistem will assess is EBI's lead candidate drug, EA-230, which is a small peptide immunoregulator, which has shown the potential to treat (minimise) radiation insult and could therefore be administered following a terrorist nuclear attack to reduce the level of intestinal related radiation sickness.

Epistem is a world leader in supplying assays that measure qualitatively and quantitatively the effects of radiation damage on the stem cells in the gut. Epistem's assays show the effects of agents developed to protect the very sensitive cells of the gut. These assays were chosen by the National Institutes of Health (NIH) Medical Countermeasures against Radiological and Nuclear Threats (MCART) programme and Epistem also works with a number of pharmaceutical companies developing new drugs candidates with the potential to treat mucositis, the erosion of the lining of the mouth and gut, which is a very common side effect of radiation therapy used during cancer treatment. The assays provide quantitative and mechanism of action data to assess the efficacy of novel drug candidates, and help define optimum dose scheduling for progression to the clinical phases in this very important area of oncology supportive care.

Dr Zsolt Harsanyi, the Chairman and Chief Executive of Exponential Biotherapies, Inc. said "Epistem's well established assays and unrivalled expertise in the field of gastrointestinal epithelial radiation toxicity are extremely valuable to us in confirming the potential of EA-230 as a therapeutic treatment for radionuclear attack".

Dr Catherine Booth, head of Epistem's contract research division commented: "We are looking forward to working with EBI to assess the therapeutic potential of EA-230. If it is

able to improve gastrointestinal wound healing following radiation exposure it may have widespread applications in biodefence, oncology supportive care (the area for which we first developed and validated these assays), and possibly in other related intestinal wound healing situations, such as inflammatory bowel disease.”

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Notes to Editors:

About Epistem

Epistem is a biotechnology company commercialising its expertise in epithelial stem cells in the areas of oncology, gastrointestinal diseases and dermatological applications. Epistem develops innovative therapeutics and biomarkers and provides contract research services to drug development companies. The Group’s expertise is focused on the regulation of adult stem cells located in epithelial tissue, which includes the gastrointestinal tract, skin, hair follicles, breast and prostate. Epistem does not conduct research in the areas of embryonic stem cells or stem cell transplantation.

Epistem operates three distinct business divisions, Contract Research Services, Novel Therapies and Biomarkers.

Contract Research Services

Contract Research Services provides specialised preclinical efficacy testing primarily for drug development companies on a ‘fee for service’ basis. This division on a standalone basis

is cash generative and profitable with a seven-year track record of providing testing services to over 72 international company clients primarily in Europe and the United States.

Novel Therapies

Novel Therapies is focused on developing its own innovative therapeutics. Through its discovery platform, Novel Therapies has identified 250 potential drug candidates, of which a subset are undergoing further evaluation and characterisation as stem cell regulators for the Group's emerging drug development pipeline.

Biomarkers

The emerging biomarker technology leverages the Company's knowledge of the behaviour of epithelial stem cells and drug-induced gene expression change to measure drug effects during treatment. Changes in gene expression can be detected within hours and at low levels of chemotherapy or radiation. The highly sensitive Biomarker technology is based on using mRNA extracted from the bulb of cells at the base of a single hair follicle as a minimally invasive process to measure gene expression changes in epithelial tissue.

Combined Business Model

Epistem is exploiting its combined business model to advance its own therapeutic candidates to late preclinical stage development. The business model integrates the discovery efforts of Novel Therapies with the efficacy testing assays of its Contract Research Services Division, to identify and characterise new drug candidates. Revenues generated by Contract Research Services and Biomarkers will assist in offsetting Novel Therapies' investment requirements for the discovery and development of its lead therapeutics. The Directors believe that licensing partnerships will be forthcoming for therapeutics, biomarkers and dermatologicals in 2008.

About Exponential Biotherapies, Inc.

Exponential Biotherapies, Inc. ("EBI") is a Virginia based drug discovery and development company with a growing pipeline of novel small molecule drugs to treat a wide range of severe inflammatory disorders such as septic shock, renal failure, radiation sickness and avian influenza. These compounds represent a new class of immune regulating therapeutic agents. The Company's first candidate drug, EA-230, is about to enter Phase II clinical trials

following a successful Phase I in which the drug was safely tolerated in both single and multi-dose studies as well as the LPS proof of concept, Phase I Expansion.

The Company has licensed a family of chemically synthesized biomolecules (the “Compounds”) that regulate the immune response. These biomolecules can either increase or decrease the activity of the immune system by affecting the activity of one or more of the components of the immune cascade.