



NEWS RELEASE

Novation receives contribution from the National Research Council of Canada Industrial Research Assistance Program (NRC IRAP)

FOR IMMEDIATE RELEASE

July 20th, 2010

Burnaby, Canada: Novation Pharmaceuticals Inc. has received a NRC IRAP Contribution Award to support the company's oncology program. Its collaboration with Cancer Therapeutics CRC Pty Ltd Melbourne, Australia (CTx) has identified compounds active in two Novation oncology *Quest* assays using the CTx small compound library. The contribution from NRC IRAP, valued at \$62,400, will be used against claims for reimbursement of actual salaries and contractors' fees incurred, and will be applied to the validation of compounds received from its CTx collaboration.

About Novation and the *Quest* Technology

Novation is a product-focused Company using *Quest*, a breakthrough drug-discovery technology that harnesses a natural cellular control function, messenger RNA (mRNA) modulation, to identify new therapeutics for a broad range of diseases. Novation's founding scientists were the first to report that it is possible to impact the stability (half-life) of mRNA with small molecules, an observation leading to *Quest*'s development.

mRNA, the link between gene activity and subsequent protein expression, is an ideal target for therapeutic intervention. In normal cells, regulation of the abundance and stability of mRNA is a key mechanism that determines which proteins get made, how much is produced, and for how long. The cell is able to exercise this effect through impacting specific Stability Control Elements (SCEs) present within each individual mRNA. Novation scientists are able to identify the SCEs responsible for regulating the stability (half-life) of any target mRNA and extract and clone these into a high-throughput reporter gene assay system (the *Quest* technology).

Quest can identify both inhibitory and stimulatory small molecule compounds. Compounds that are able to inhibit the stability of a target mRNA, thus causing a downregulation of a protein, are targeted for those diseases where there are inappropriately high levels of certain proteins (for example, cancer, and chronic inflammation). Similarly, *Quest* can identify compounds that will bring about an increase in stability of a target mRNA, resulting in production of a protein in those conditions where lack of an essential protein is causing disease.

Of significant importance, *Quest* can be applied to targets currently considered intractable or "non-drugable" by the pharmaceutical industry. The ability to access these targets is a major breakthrough since almost 90% of known therapeutic targets can be classified as non-drugable. The *Quest* technology has successfully been used to identify potent and selective compounds for previously intractable targets in the areas of cancer and diabetes.

Novation has available a wide-range of *Quest* drug-discovery assays for a number of disease targets in cancer, inflammation, metabolism, and neurodegeneration, with other important areas in development. Novation is able to undertake drug discovery programs on behalf of partners, based on disease targets of interest (including non-drugable targets) and deliver potent and selective small molecule compounds that may become major new therapeutics.

The *Quest* technology provides a completely new approach to drug discovery and opens up the possibility of finding new therapeutics for many diseases currently considered to be intractable. Novation has strong intellectual property related to this approach and believes that it is a leader in the field.

About Cancer Therapeutics (CTx)

CTx is a cancer focused company headquartered in Melbourne, Australia at the Walter & Eliza Hall Institute's Biotechnology Centre. It was formed by a number of Australia's leading cancer research institutes, together with Cancer Research Technology of the UK, and funded largely through a seven-year grant from the Australian Government's Cooperative Research Centres (CRC) initiative.

CTx brings together Australia's foremost expertise in cancer biology, translational oncology and drug discovery in one of the largest translational research organisations in the world dedicated solely to cancer. CTx seeks to bridge the gap between cutting edge research in cancer biology and the discovery and early development of new drugs for the treatment of cancer.

This news release contains certain forward looking statements. Actual results may differ materially from the statements made as a result of various factors, including, but not limited to, the inherent risks associated with drug research and development, difficulties or delays in development testing, changes in regulatory affairs, lack of therapeutic efficacy, unacceptable side-effects, the dependence on partners, the inability to raise sufficient finance, the appearance of competitors and other risks generally associated with the biopharmaceutical industry.

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