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NEWS

ONCOLYS BIOPHARMA SIGN STRATEGIC ALLIANCE AND LICENSE AGREEMENT WITH ASTELLAS PHARMA TO DEVELOP AND COMMERCIALIZE YM753 HDAC INHIBITOR DRUG

Tokyo, Japan -- October 13, 2009 — Oncolys BioPharma Inc. (headquarters: Tokyo; President and CEO: Yasuo Urata) announced today that it has entered into a strategic alliance and license agreement with Astellas Pharma Inc., (headquarters: Tokyo; President and CEO: Masafumi Nogimori) to develop and commercialize YM753 (Oncolys code name: OBP-801) which has the potential to become the best in class histone deacetylase (HDAC) inhibitor. Astellas conducted many of preclinical studies, and Oncolys then is planning to file an IND in 2010 after conducting some additional studies. Due to the fact that in vitro HDAC inhibiting activity of OBP-801 is significantly higher than that of Zolinza® (vorinostat), Oncolys believe that OBP-801 should have high potential as a new therapeutic drug for the treatment of various solid and hematological cancers.

As part of the strategic alliance and license agreement, Astellas Pharma will make an equity investment in Oncolys BioPharma to fund the development of OBP-801. Oncolys BioPharma will be responsible for all R&D activities related to OBP-801. This agreement grants Oncolys exclusive worldwide rights for development, manufacturing and commercialization of OBP-801. Under this agreement, Oncolys BioPharma will make an upfront payment to Astellas Pharma in addition to development milestones. Oncolys BioPharma also will pay royalties on future sales of the product.

Yasuo Urata, President and CEO at Oncolys BioPharma, stated "This agreement with Astellas Pharma is timely and highly valuable for Oncolys progress and business. OBP-801 is a compound which has a novel mechanism of action and potent anti-cancer agent. We will do our best to develop OBP-801 to bring it to market to help cancer patients around the world."

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About YM753 (OBP-801)

OBP-801 is a molecular targeting anti-cancer drug, a histone deacetylase inhibitor, which is over-expressed in cancer cells. OBP-801 is in late-preclinical stage and based on in-vitro data, OBP-801 shows evidence to be one of the most potent HDAC inhibitors in development and it is expected to be effective against various types of tumors. Currently approved product in the same class includes Zolinza® launched and marketed by Merck & Co. in the US and Europe. Zolinza® is in late stage clinical development in Japan by Merck & Co./Banyu Pharmaceuticals.

About Oncolys BioPharma Inc.

Oncolys BioPharma is a privately held biopharmaceutical company focused on the development of novel biologics for the treatment of cancer and infectious disease. Oncolys clinical stage compounds include Telomelysin® (OBP-301), which is a replication-competent oncolytic virus. Oncolys completed Phase-I clinical trial for Telomelysin in the U.S. and plan to initiate Phase-I/II clinical study in Taiwan in collaboration with Medigen Biotechnology Corp. Oncolys leading clinical stage program for infectious disease, Festinavir (OBP-601), completed phase Ib/IIa clinical trial for HIV/AIDS therapy. In late pre-clinical stage, Oncolys has OBP-701, a novel HCV therapeutic product containing three separate RNAi elements entrapped in an AAV protein coat, licensed from Tacere Therapeutics with exclusivity for 45 Asian countries. As a diagnostic/tumor marker agent, Oncolys' is currently developing TelomeScan® (OBP-401), which is at validation stage (feasibility assessment) and is expected to be a first and best-in-class diagnostic agent in detecting various types of circulating tumor cells (CTC) in the blood. For additional information, please visit www.oncolys.com.

CONTACTS:

ONCOLYS BIOPHARMA INC.

Business Development

Flavio Ohno

Director, Licensing & Strategic Alliances

+81-3-5575-3378

ohno@oncolys.com

Investor / Public Relations

Yasushi Rokutanda

VP, Administration

+81-3-5575-3378

rokutanda@oncolys.com