

SEATTLE – August 11, 2010

HemaQuest Pharmaceuticals Initiates Phase 2 Clinical Trial in EBV-Related Malignancies

SEATTLE – August 11, 2010 - HemaQuest Pharmaceuticals announced today that it has initiated the Company's Phase 2 clinical trial evaluating its proprietary HQK-1004 therapy for the treatment of lymphomas and related cancers associated with Epstein-Barr virus (EBV) infection. These EBV-related cancers have poor prognoses and short patient survival. Currently available cancer therapies are typically much less effective in patients with EBV-related lymphoid malignancies than in patients who have similar cancers not infected with the virus.

In a Phase 1 clinical trial previously conducted by HemaQuest's scientific founders, 15 patients with relapsed or refractory EBV-related lymphomas were treated with a 3-week infusion of our proprietary therapy, HQK-1004 and the anti-viral drug, Ganciclovir (GCV). Ten patients (67% response rate) demonstrated objective tumor responses, including several patients with complete tumor responses. This study provided support for previous laboratory studies demonstrating that HQK 1004 makes EBV infected cancers susceptible to antiviral therapy.

HQK-1004 acts by inducing the expression of a gene for a viral protein that is the target of several common anti-viral drugs, including GCV, which eradicate virally infected cells. The gene that makes this target protein is present in EBV infected tumor cells, but it is not expressed, thus rendering these cells resistant to anti-viral therapeutics. To overcome this problem, HemaQuest has developed a proprietary therapeutic approach using HQK-1004, which enables the expression of the viral protein that is the target of anti-viral drugs. Combining HQK-1004 with anti-viral therapeutics now enables the killing of viral-infected tumor cells, while uninfected cells should not be affected.

In the current Company-sponsored Phase 2 clinical trial, up to 40 patients with advanced EBV-related lymphoid malignancies will be treated with HQK-1004 and GCV at several clinical sites in the US and abroad. The trial will test whether a shorter, 5-day infusion of HQK-1004 can reproduce the promising results documented in the first clinical trial. With positive clinical results, the Company plans additional studies to obtain FDA approval for this clinical indication. In addition, HemaQuest intends to test this therapeutic approach to treat other viral-related cancers.

"This trial represents an important step forward in the development of our HQK-1004 therapy and builds on the existing clinical safety and efficacy data," commented Susan Perrine, MD, Chief Scientific Officer and VP of Clinical Affairs at HemaQuest. "Our targeted therapy represents a novel approach to treating viral-related cancers, which include up to 20% of malignancies. By targeting the virus associated with the tumor cells, the toxic side effects that commonly occur with traditional chemotherapy are potentially avoided."

Added Ronald Berenson, MD, President and Chief Executive Officer of HemaQuest, "We are very pleased to announce the start of this global Phase 2 trial. HQK-1004 has the potential to improve the outcome of patients with EBV lymphoid malignancies, most of whom have poor responses and limited survival with current therapies. If this trial is successful, it could lead to a new approach to treating viral-related cancers, including other hematologic malignancies as well as solid tumors."

ABOUT EPSTEIN-BARR VIRUS MALIGNANCIES

EBV is present in over 90% of the population but generally remains in a latent state, in which the virus proteins and whole virus are not produced. Under certain conditions, such as a consequence of immunosuppressive therapy, the virus is reactivated and is associated with the development of specific kinds of cancer. One of the most common is cancers of lymphocytes, white blood cells of the immune system. These EBV-associated lymphoid cancers, which include post-transplant lymphoproliferative disorders and several types of lymphoma, are difficult to treat with standard chemotherapy and most patients have limited survival. There are several thousand patients in the US, who suffer from EBV related lymphoid malignancies. EBV is also associated with other cancers, including stomach cancer and nasopharyngeal carcinoma, which represent additional major market opportunities.

ABOUT HEMAQUEST PHARMACEUTICALS

HemaQuest Pharmaceuticals (www.HemaQuest.com) is a Seattle-based biopharmaceutical company focused on developing small molecule therapeutics based on its proprietary short chain fatty acid technologies to treat orphan hematologic diseases. HQK-1001 is an orally administered small molecule therapeutic being developed to treat the two most common hemoglobin disorders, sickle cell disease and beta thalassemia. The drug candidate has advanced through Phase 1 clinical trials and is completing testing in proof of concept clinical studies in patients with sickle cell disease and beta thalassemia intermedia. HQK-1004 is a unique therapy designed to treat viral malignancies. The therapy targets viruses associated with tumor cells to eradicate cancer. The Company has recently initiated a Phase 2 clinical study of HQK-1004 in patients with advanced Epstein-Barr virus associated lymphoid malignancies.

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