Calando PHARMACEUTICALS

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CALANDO PHARMACEUTICALS ESTABLISHES RESEARCH COLLABORATION WITH NATIONAL CANCER INSTITUTE TO DEVELOP RNAi THERAPEUTICS

Cooperative Research and Development Agreement (CRADA) to focus on RNAi therapeutics – to target neuroblastoma

DUARTE, CA – February 3, 2006 – **Calando Pharmaceuticals Inc.** announced today that it has established a collaborative development program relating to RNAi-based therapeutics with the National Cancer Institute (NCI) of the National Institutes of Health (NIH). The terms of the development will be governed by a Letter of Intent to a Cooperative Research and Development Agreement (CRADA) that is currently being finalized by Calando and the NCI. Calando, a privately-held biopharmaceutical company that is majority owned by Arrowhead Research Corporation (Nasdaq: ARWR), was formed to develop and commercialize proprietary technologies for the therapeutic use of RNA interference, or "RNAi."

The program with the NCI's Pediatric Oncology Branch will focus on developing RNAi therapeutics to attack neuroblastoma, the most common extracranial solid tumor in children younger than five years of age. Despite advances in modern therapy, metastatic neuroblastoma remains incurable. One barrier to a cure is finding an effective way to deliver RNAi therapeutics, particularly to metastatic cancer, which could be located anywhere in the body. A collaborative study by Caltech and Children's Hospital Los Angeles recently demonstrated that Calando's proprietary delivery technology can deliver short interfering RNA ("siRNA") to targeted cancer cells and inhibit tumor growth in mice by silencing the target gene.

The Calando/NCI research program is anticipated to last at least three years, and involve preclinical research and its translation into human clinical trials. Responsibilities for development of the various therapeutics will be shared between Calando and the NCI.

The studies will include research on several receptor/ligand pairs for enhanced tumor targeting and multiple siRNA targets. Additionally, molecular imaging techniques will be used in combination with the therapeutic agents for the combined detection and treatment of cancer. All of the aspects of the project will involve the use of Calando's proprietary RNAi delivery technology that is based on a linear cyclodextrin-containing polymer designed to deliver nucleic acids such as siRNA.

"We are very excited to be able to collaborate with such a diverse and talented group of physicians and scientists at the NCI," said John Petrovich, Calando's CEO. "Through this collaboration, Calando and the NCI hope to develop therapeutics to treat more effectively one of the deadliest cancers."

"Securing this collaborative relationship with the NCI demonstrates both the scientific and competitive strength of Calando's technologies," commented R. Bruce Stewart, Chairman of Arrowhead Research Corporation, which provided Calando's initial round of funding early last year.

About RNA Interference (RNAi)

RNA interference, or RNAi, is a naturally occurring mechanism within cells for selectively silencing and regulating specific genes. Since many diseases are caused by the inappropriate activity of specific genes, the ability to silence and regulate such genes selectively through RNAi could provide a means to treat a wide range of human diseases. The discovery of RNAi has been heralded by many as a major

breakthrough, and the journal *Science* named RNAi the top scientific achievement of 2002, as well as one of the top 10 scientific advances of 2003.

About Calando Technology

Calando's cyclodextrin-containing polymers form the foundation for its two-part siRNA delivery system. The first component is a linear, cyclodextrin-containing polycation that, when mixed with small interfering RNA (siRNA) binds to the anionic "backbone" of the siRNA. The polymer and siRNA self-assemble into nanoparticles of approximately 50 nm diameter that fully protect the siRNA from nuclease degradation in serum. The siRNA delivery system has been designed for intravenous injection. Upon delivery to the target cell, the targeting ligand binds to membrane receptors on the cell surface and the RNA-containing nanoparticle is taken into the cell by endocytosis. There, chemistry built into the polymer functions to unpackage the siRNA from the delivery vehicle.

About Calando Pharmaceuticals Inc.

Calando Pharmaceuticals, Inc. is a privately held biopharmaceutical company majority owned by Arrowhead Research Corporation and located in a City of Hope research building immediately adjacent to the main campus. Calando is using its proprietary technologies to design and create new, targeted siRNA therapeutics. Calando combines proprietary technologies in targeted polymeric delivery systems and siRNA design to create effective therapeutics. The company is pursuing this goal through its internal research and development and also through collaborations and partnerships with pharmaceutical and biotechnology companies. For more information, visit www.calandopharma.com.

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