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Variation Biotechnologies Secures US\$35.7 Million in Series A Financing to Fund Innovative Vaccine Platform

OTTAWA, Jan. 4, 2007 – Variation Biotechnologies Inc. (VBI), a privately held biopharmaceutical company focused on the development of vaccines for infectious diseases using a novel platform technology, announced today it has secured US\$35.7 million in Series A financing. VBI will use the proceeds to advance the company's innovative Variosite™ vaccine platform into clinical development, beginning with lead vaccine candidates for influenza.

Led by Clarus Ventures, the financing included the participation of ARCH Venture Partners and 5AM Ventures as well as existing seed investors. The financing represents the first venture round for VBI. The company was previously funded by private investors and leveraged with grants as well as other non-dilutive funding from the National Research Council of Canada's Industrial Research Assistance Program, Economic Development Canada and Investissement Quebec for a total of US\$2.1 million.

"We are very pleased to have partnered with such a first-class syndicate of investors," said Francisco Diaz-Mitoma, M.D., Ph.D., VBI's CEO and founder. "Clarus, ARCH and 5AM bring not only the capital required to maintain our first-mover advantage, but domain-specific expertise that will help us as we build value around our vaccine platform. It is a great opportunity for our founders, our employees and all of our investors and partners."

Concurrent with the closing of the financing, VBI has added three board members: Jeffrey Leiden, M.D., Ph.D., a partner with Clarus Ventures; Steven Gillis, Ph.D., a partner with ARCH Venture Partners; and Scott Rocklage, Ph.D., a managing partner with 5AM Ventures. Dr. Leiden, who will serve as VBI's chairman, brings a great wealth of scientific and commercial experience as past president and COO of the Abbott Pharmaceuticals Products Group. Dr. Gillis was a founder and past CEO of Corixa, an adjuvant and vaccine development company that was acquired by GlaxoSmithKline in 2005. Dr. Rocklage has extensive experience in the development of products in the infectious disease space.

"The company has built an innovative peptide-based technology platform for the development of vaccines against a wide array of clinically important pathogens, including seasonal and pandemic influenza," said Dr. Leiden. "This platform should enable VBI to enter clinical development with several novel peptide-based vaccines over the next two to three years. We are excited about working with the company and our investment partners to build a leading infectious disease vaccine business."

Founded by a team of accomplished investment professionals with extensive and complementary industry backgrounds, Clarus Ventures is a life sciences venture capital firm with a team that has a long history of success in creating value. Deep relationships with world thought leaders and decision makers allow this team to identify unique investment opportunities and shepherd them to maturity. Clarus augments its core expertise of investing in biopharmaceuticals and medical technology with the deep and diverse expertise of the team in research and development, commercialization, business development and operations management at the global level. Clarus is headquartered in Cambridge, Mass., and has an office in South San Francisco, Calif.

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Variation Biotechnologies Inc. was founded in 2001 to commercialize pioneering research in the bioinformatic design of vaccines. Variosite™ technology addresses the issue of “antigenic variation,” which allows viral pathogens to escape detection by the human immune system, and the technology can be applied to viruses such as HIV, Hepatitis C, Influenza, SARS and Dengue. The company’s founders include scientists from the Children’s Hospital of Eastern Ontario in Ottawa, the University of California at Davis and Harvard University. For more information about VBI, please visit www.variationbiotech.com. or call Adam Buckley, director of corporate development, at 613-738-4802, ext.4151.

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