

Hydra Biosciences and Pfizer Global Research & Development Sign Collaboration Agreement

-- Leverages Hydra's Proprietary Ion Channel Technology in the Area of Pain -

Cambridge, MA, July 26, 2007 -- Hydra Biosciences announced today that it has signed a collaboration agreement with Pfizer Global Research & Development. The collaboration will be focused on TRPV3 antagonist product candidates for pain.

The Transient Receptor Potential (TRP) channel family comprises a novel group of non-selective cation channels that are distinct from classical voltage gated ion channels. Recent work indicates that TRPs respond to a variety of stimuli and second messenger signaling. As such, it is believed that TRPs act as multimodal signal integrators. This gene family represents ~10% of all ion channels. Since TRP channels are only distantly related to voltage gated channels and homology among TRP family members is quite low, it is anticipated that specific and selective modulators may be more readily identified in this family than in other ion channel families, limiting the potential for off-target effects, which have plagued other ion channel families.

Under the terms of the agreement, Hydra will receive upfront and success-based development milestone payments totaling \$195 million for the first developed product launched, with upside potential for additional approved indications. Furthermore, there are opportunities afforded under this agreement for the development of additional products. Pfizer will fund all research and development under the agreement and will receive exclusive access to Hydra's current TRPV3 patents as well as an exclusive license to commercialize any compound from the collaboration. Once the products are on the market, Pfizer will pay worldwide royalties to Hydra.

"Hydra's growing franchise opportunities in ion channel agonists and antagonists are competitively differentiated. We have distinct capabilities in rapid ion channel assay development and high throughput screening, we employ the 'gold standard' in characterizing all viable compounds, and we are building a particular expertise in chemistry. Driving this franchise is a deep pipeline of programs advancing through development in a variety of pain indications, renal disease, pulmonary dysfunction, and hypertension. Today's collaboration with Pfizer, a leader in the pain field, represents an important validating step for this novel approach for the treatment of pain and for our core ion channel technology. In addition, we are looking forward to pursuing a number of opportunities for our non-TRPV3 ion channel agonists and antagonists," stated Russell Herndon, President and CEO, Hydra Biosciences.

About Ion Channels

Ion channels have been implicated in many diseases, including hypertension, cardiac arrhythmias, gastrointestinal disorders, cystic fibrosis and pathological pain. Many drugs on the market today act on ion channels, either directly or indirectly, including calcium channel blockers for hypertension and angina, and sodium channel blockers for pain. Hydra's TRP channel discovery program has identified numerous modulators predicted to impact diseases such as pain and inflammation, hypertension, and pulmonary diseases. Many of these modulators have been shown to be efficacious in animal models of disease. In addition, ion channels have been successful drug targets, with modulators of ion flux representing up to 17% of world pharmaceutical sales.

About the Pain Therapeutics Market

Over 50 million people suffer from inflammatory pain, including osteoarthritis and rheumatoid arthritis. Millions more suffer from post-operative, back and diabetic neuropathic pain. The total worldwide market for all pain indications is estimated to be \$20 billion.

About Hydra Biosciences

Hydra Biosciences, a biopharmaceutical company based in Cambridge, Massachusetts, develops novel drugs to treat pain, inflammation, cardiovascular and other diseases using its expertise in novel ion channels. Hydra's proprietary high throughput screening platforms enable the company to identify and develop drug candidates that address significant unmet medical needs. More information about Hydra Biosciences is available at: www.hydrabiosciences.com.

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