

MicroIslet Awarded a National Institute of Health Grant

Funding To Develop Agents To Improve Porcine Islet Function

Collaboration With DiaKine Intended To Expand MicroIslet's Product Pipeline

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SAN DIEGO -- (BUSINESS WIRE)--MicroIslet Inc. (OTCBB: MIIS, <http://www.microislet.com>), a biotechnology company engaged in the development and commercialization of cell transplantation therapies for diabetes, and DiaKine Therapeutics, Inc., a biopharmaceutical company developing new, proprietary drugs for unmet medical needs in diabetes and complications related to diabetes, today announced the award of an NIH grant for "Improving porcine islet function and in vivo survival." Under the NIH grant, MicroIslet will lead studies utilizing DiaKine's proprietary compounds designed to develop agents capable of enhancing the immunocompatibility and survival of encapsulated porcine islets in vivo.

"We are delighted to receive another grant from the National Institute of Health, and to be working with DiaKine on this exciting project," said Michael J. Andrews, MicroIslet's Chief Executive Officer. "This funding serves as important validation for us and will help further our work in xenotransplantation therapies for diabetes."

"We are pleased to be working together on this important new NIH grant with the fine researchers at MicroIslet," said Keith D. Ignotz, DiaKine's Chief Executive Officer. "The combination of MicroIslet's encapsulated islet cells with the DiaKine technologies offers a potentially great opportunity to expand diabetes transplant therapy to all those in need."

About MicroIslet, Inc.

MicroIslet is a biotechnology company engaged in the research, development, and commercialization of patented technologies in the field of transplantation therapy for patients with insulin-dependent diabetes. MicroIslet has licensed several technologies from Duke University for isolation, culturing, storage, and microencapsulation of insulin-producing islet cells from porcine sources. The Company believes that these technologies, and other proprietary methods developed in-house, are significant advances in the field of transplantation. MicroIslet is planning human clinical trials in the U.S., and exploring possible trials abroad. MicroIslet's ultimate goal is to offer cell transplantation therapies for diabetic patients worldwide.

The Company's lead product, MicroIslet-PTM, consists of microencapsulated porcine islets for implantation into the abdominal cavity using a minimally invasive procedure. Microencapsulation involves surrounding islet cells with formulations of a highly biocompatible, ultra-pure biopolymer, called alginate, or other similar biocompatible polymers. The alginate coating allows insulin, glucose, oxygen and other nutrients to

diffuse freely, while blocking antibodies and reducing the patient's immune response to the implanted islet cells. It is hoped that MicroIslet-P™ will provide physiologic and self-regulating blood glucose control, thus reducing the need for insulin injections or infusions and constant blood glucose monitoring. The long term complications associated with type 1 diabetes, such as peripheral neuropathies, heart and kidney disease, and skin disorders, may be mitigated by the tighter blood glucose control that would result from such a product.

Additional information about MicroIslet can be found at <http://www.microislet.com>.

About DiaKine Therapeutics

DiaKine Therapeutics, Inc. is a start-up biopharmaceutical company developing new, proprietary drugs for unmet medical needs in diabetes and complications related to diabetes. These drugs have the potential to restate the diabetes market by stopping the progression of diabetes and reversing damage already caused by the disease. Because of their unique immune modulating and anti-inflammatory properties, these therapies may potentially benefit people with type 1 and type 2 diabetes and represent a total available market opportunity of approximately \$13 billion.

The Company's lead compound, Lisofylline (LSF), has had an excellent safety profile in clinical trials to date. LSF works at the cellular level by improving the function of insulin producing islet cells and protecting them from damage and premature death caused when the body's immune system turns on itself. A primary focus of DiaKine's research and development is on our next generation of orally bioavailable immune modulators which have an improved spectrum of action to LSF. Two such compounds, DT22669 and DT23552, have been identified for further development and are examples of the extensive library of analogs and new structures in our patent portfolio that await discovery for future indications.

Additional information about DiaKine can be found at <http://www.diakine.com/>.

Forward-Looking Statements

Except for the historical information contained herein, the matters set forth in this press release are forward-looking statements within the meaning of the "Safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially, including MicroIslet's working capital deficit, which includes a substantial amount of indebtedness which is matured and due on demand; MicroIslet's need to raise substantial additional funds in order to fund its new strategy and continue as a going concern; the risks and uncertainties inherent in medical treatment discovery; development and commercialization; the risks and uncertainties associated with MicroIslet's early stage xenotransplantation technologies; the risks and uncertainties of governmental approvals and regulation, including foreign government approvals for clinical trials outside the United States; dependence on a sole source supplier of animal

parts and a sole source manufacturer of encapsulated islets for pre-clinical and clinical studies; the risks that MicroIslet's competitors will develop or market technologies or products that are more effective or commercially attractive than MicroIslet's products; and other risks detailed from time to time in MicroIslet's most recent filings with the Securities and Exchange Commission. These forward-looking statements speak only as of the date hereof. MicroIslet disclaims any intent or obligation to update these forward-looking statements.

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