

milestones

Newsletter of Start-up Australia

Start-up accepts offer

Start-up Australia has sold most of its shareholding in Arana Therapeutics (ASX:AAH) to Cephalon (NASDAQ:CEPH) for \$1.40 per share. In combination with shares from Rockwell Securities, this will give Cephalon approximately 19.9% of Arana.

Arana has since received a formal takeover offer from Cephalon for \$1.40 per share, which is a 70% premium to Arana's 90 day volume weighted average price. This values Arana at \$318 million and is an impressive demonstration of the value of quality biotechnology companies, even in such tough economic times.

BNO - a second clinical program

Bionomics (ASX:BNO) is confident it is in a position to implement its clinical plans. This confidence comes from the recent support of investors such as IB Australian Bioscience Fund, other institutional investors and current shareholders in the recent underwritten exercise of options. The company also recently reported increased revenues, including revenues starting to flow from its collaboration with Merck Serono.

BNC105 - Cancer

Bionomics is currently completing its Phase I clinical trial on their lead program, BNC105. BNC105 is a drug which attacks the blood vessels of solid tumours. Preliminary data has shown biological effect in humans and the company has initiated plans to move to a Phase II trial. The company has also extended the pre-clinical data package to show that BNC105 is effective even in multi-drug resistant tumours and is not affected by one of the mechanisms (the Pgp pump) used by tumours to become resistant to drugs. This could prove to be another important differentiating feature of BNC105.

BNC210 - Anxiety

Bionomics expects to make a regulatory submission in the current quarter to commence human clinical trials on BNC210, a drug designed to treat severe anxiety. Bionomics has presented data showing BNC210 overcomes some of the limitations of current anxiety treatments such as drowsiness, memory loss, addiction and delayed effectiveness. BNC210 was shown by Bionomics to be effective in models of anxiety in 3 species of animal and to be well tolerated at doses

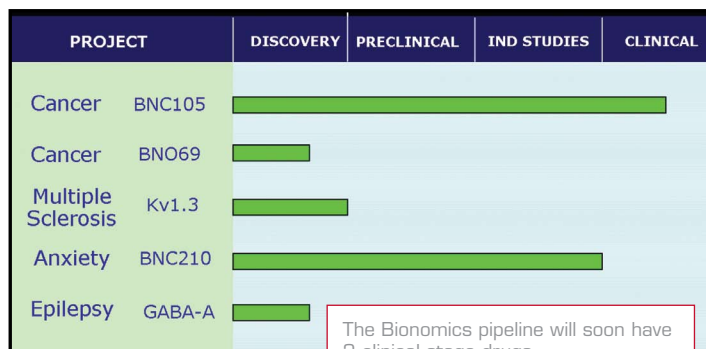
10,000 times the minimum effective dose. The drug also has excellent oral bioavailability.

Discovery Platform

Bionomics has released data on the multiple sclerosis drug program partnered with Merck Serono. It shows one of the drug candidates (BNC245) to be very effective in an animal model. This program uses the Bionomics MultiCore™ technology platform.

Start-up Australia became a shareholder in Bionomics as a result of the acquisition of our start-up company, Iliad Chemicals, which developed a powerful synthetic technology - MultiCore™. This technology can create chemically diverse analogues of active drug leads, resulting in an improvement in activity and drug-like characteristics. The technology can also create a new patent position which avoids patent infringement.

The MultiCore™ technology combined well with the genomics discovery platform and biology technologies owned by Bionomics. Brought together by the experienced management team of Bionomics the synergies are compelling, resulting in a rapidly growing and developing pipeline (see diagram below).



The EvoGenix story

It's been an exciting few years since the original \$1 million investment by Start-up Australia in EvoGenix in 2002. We have moved from an investment in a private company with no employees and valued at \$1 million, to a listed clinical stage company with approximately 70 employees, which the Cephalon offer values at \$318 million.

Initial steps

EvoGenix was created by Start-up Australia to commercialise technology out of the CRC for Diagnostics and the CSIRO. The technology (later named EvoGene™) was a powerful method of improving the properties of proteins. The investment proposition was that the genomics and proteomics revolution would produce an explosion of therapeutic targets appropriate for protein based therapeutics, particularly antibodies. Our initial \$1 million investment funded "proof of concept" studies and intellectual property protection to enable the company to negotiate partnerships with pharmaceutical companies.

Strategy

Merilyn Sleigh took on the role of CEO at an early stage. Following a strategic review under her leadership, EvoGenix made a decision to focus on the antibody market, rather than proteins in general. As a result, EvoGenix acquired Absalus, a private Californian company with an antibody humanisation technology. This enabled EvoGenix to create an integrated suite of technologies to humanise and optimise antibodies. A critical part of Start-up Australia's investment model is to back technology platforms which can produce a pipeline of products. In this case, the original technology was complemented by a technology acquired in the Absalus transaction. As a result, EvoGenix became a significant player in the antibody sector.

Funding

A further critical component has been the backing of long term investors who could see the plan through. Over a number of tranches, Start-up Australia invested \$5.6 million and Gordon Black of Biofusion Capital invested \$1.2 million. At IPO in August 2005 a further \$9 million was raised followed by \$6 million in a secondary capital raising. This long term support from investors was crucial to the success of the EvoGenix story.

Partnerships

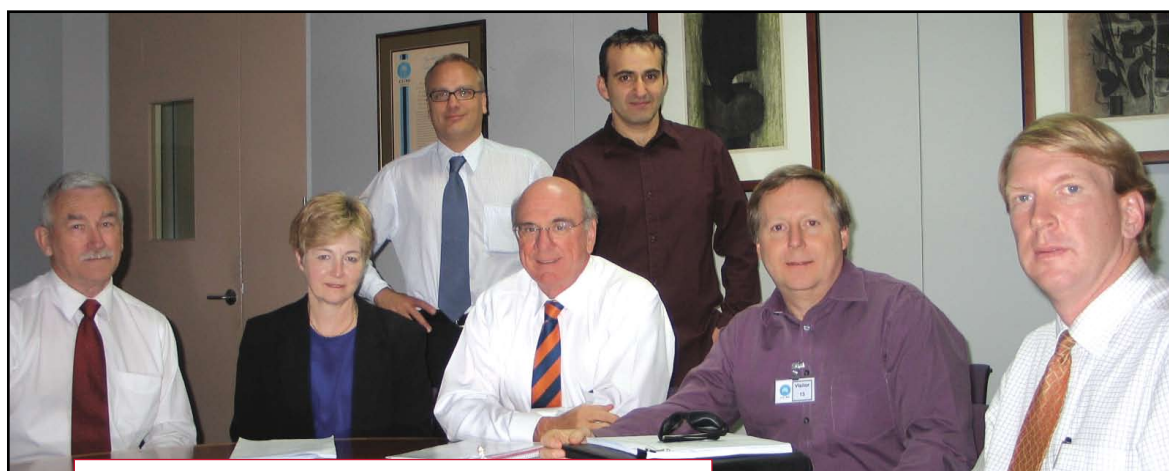
EvoGenix signed a number of collaborative deals including multiproduct deals with GSK and CSL. This provided external validation that the technology is robust and has good intellectual property protection. In August 2007, EvoGenix was merged with Peptech to form Arana Therapeutics.

The future

Arana now has a pipeline of products, a technology platform and a strong cash position. Arana is completing a Phase II clinical trial in psoriasis and has commenced trials in rheumatoid arthritis.

Cephalon itself is an interesting story. Cephalon was started by Frank Baldino, a neuroscientist from DuPont. Frank remains the CEO. Cephalon went public in 1991. Following early problems in its product pipeline, Cephalon's growth has come largely from acquired products and its sales have grown under his leadership from zero to just under US\$2 billion last year.

We will watch the progress of Arana and the takeover offer with interest.



The early days – EvoGenix board and management.

Front Row (from left): Robin Beaumont, Merilyn Sleigh, Chris Harris, George Jessup, Gordon Black. Back Row: Rob Crombie, Greg Coia.