Cellmid Limited (ASX:CDY) [previously Medical Therapies Ltd (MTY)]

wise-owl.com

18-04-2010 Target: $0.135

SPEC BUY

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A pivotal year for Cellmid...

Cancer affects nearly 11 million people annually. Cancer markers are used by medical centers to detect and monitor cancer. Even though most current cancer markers have low accuracy and they are unable to detect early stage cancers, they are widely used as the first port of call to screen for high risk patients. Midkine is a human protein which appears in elevated levels in inflammation and in cancers. It appears as early as in Stage 0 in some cancers, making it a strong candidate for early cancer screening.

Midkine is superior to other markers. Independent research has shown midkine to be superior in detecting early stage cancer compared to conventional markers. Through extensive validation trials it has been shown that midkine detects certain cancers earlier and with more accuracy than other generic markers (sees Figure 3, page 4 of this report). Cellmid has a number of additional validation trials in progress to meet the necessary regulatory approvals to penetrate the diagnostic market. The path into the diagnostic market is usually faster than reaching therapeutic approvals.

Agreement signed with Pharmahungary to treat heart attack. Cellmid has signed a co-development agreement with Pharmahungary for the development of midkine therapy for heart attack. The collaboration will allow Cellmid's program to accelerate towards regulatory approval of using midkine in human trials. Early studies have shown that midkine reduced mortality and improved heart function in large animals through preventing heart tissue death following heart attack.

Agreement signed with Celera. Cellmid has signed a licensing agreement with US based Celera, listed on the NASDAQ. Celera will incorporate midkine into their lung cancer tests, which include diagnostic, monitoring and prognostic assays for early detection and better management of the disease. Cellmid has received an upfront payment and will have further milestone payments and royalties from any product or service sold.

Valuation suggests upside. We have placed a valuation of 13.5 cents on Cellmid based on possible earnings scenarios in coming years. Applying a WACC of 15% we have used very conservative numbers regarding market size, possible market penetration, probability of success and royalties. We see Cellmid as a good opportunity to enter an early stage medical company within the cancer diagnostic and therapeutic sector.

Raised $2.83 million. In November last year a capital raising of $2.83 million was completed. 113.2 million shares were issued at 2.5 cents. Another 26.6 million shares at 3.0 cents were proposed to be issued but this has not eventuated, assuming to keep dilution down when the cash balance of $3.1 million is expected to see the company through the current trials.

Board of Directors

Chairman	Dr David King
Managing Director	Maria Halasz
Director	Koichiro Koike
Director	Robin Beaumont

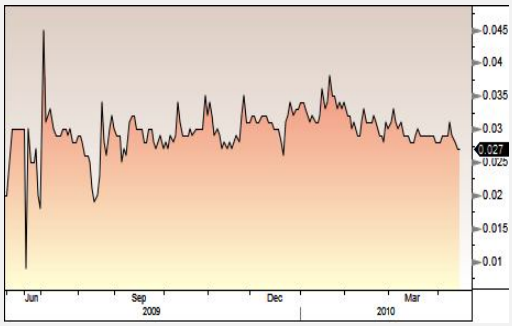
Major Shareholders

Cell Signals	18.9%
Top 20 holders	65%

Share Data

Sector	Biotech
Market Cap	$8.775m
Share price	$0.027
Shares on issue	325m
Options on issue	35.2m
Avg. Daily Value Traded (30 days)	$94,492

Cellmid Ltd 12 month chart

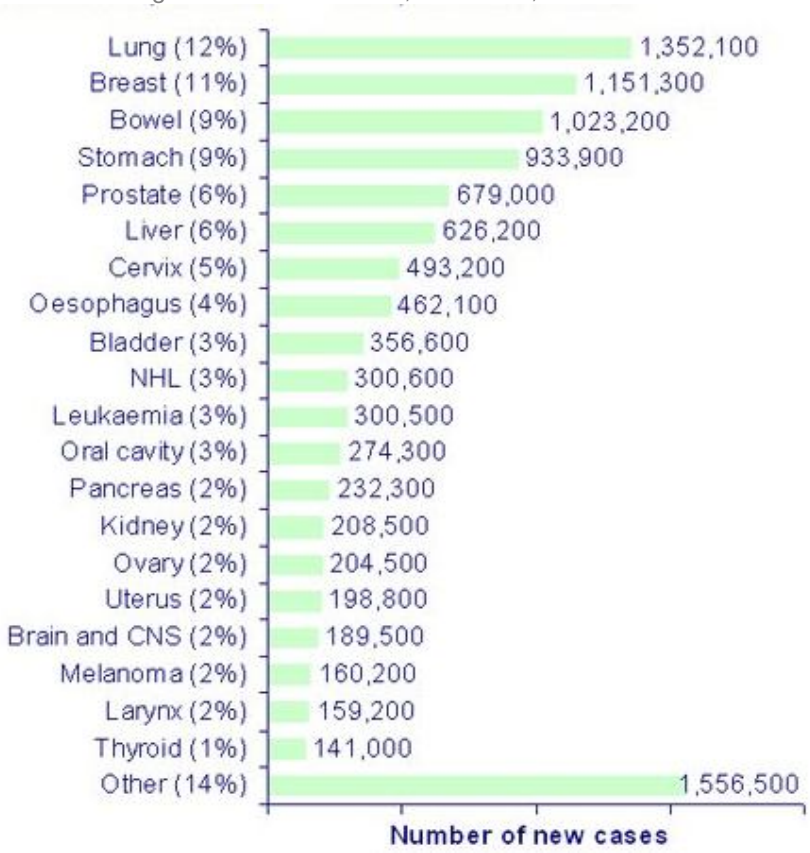


Source: Bloomberg

Cancer

Cancer is the second largest cause of death in developed countries with approximately 11 million people diagnosed every year. Breast, colon, prostate and lung cancers account for nearly half of new cases, although this can differ depending on the region. In Australia and New Zealand colon and rectal cancers and breast cancer are more prevalent while in North America prostate and breast cancers lead the number of new cases.

Figure 1: Leading new cases of cancer, worldwide, 2002



Source: Cancer Research UK

"11 million new cancer cases worldwide per year"

The number of new lung cancer cases has doubled since the 1970's and it is also the cancer with the highest number of fatalities attached to it. Stomach and liver cancers are second and third, respectively.

Midkine

Midkine is a naturally occurring protein which is seen in the embryonic stage of the human lifecycle but cannot be detected in any significant levels in healthy adults. It is found in elevated levels when inflammation and/or cancer are present. Midkine expression is elevated in approximately 80% of all cancers at very early stages of cancer formation. Midkine enhances growth, migration and survival or various cells, and has also been shown to boost cancerous cell resistance to chemotherapy. By measuring midkine levels in humans it may be possible to detect cancer as early as stage 0, which currently is not possible with other cancer markers.

"Midkine may be used to detect cancer in stage 0, currently not possible with other markers"

As midkine is closely related to inflammation and cancer it may also be possible to use it as a therapeutic. This is the path Cellmid is following with its patent portfolio surrounding midkine. Research showed that when midkine synthesis is stopped tumour growth was suppressed, which effectively opens

the way for midkine to be targeted in cancer therapy. Studies have also shown survival rate increases amongst patients with low levels, 300pg/ml or less, midkine in the blood. Midkine is highly concentrated around solid tumors which may yield important information on the size and growth stage of the tumor before surgery.

To summarize, midkine is a growth protein which

- Promotes cancer formation and growth
- Promotes inflammatory and autoimmune conditions such as arthritis and MS
- Facilitates cancer growth and metastasis
- Facilitates plaque formation after heart/vascular surgery

Cellmid acquired its midkine portfolio 2008 from Cell Signals Inc., a Japanese biotechnology company. This steered the company into a new direction. Cellmid acquired the portfolio for $1.5m in cash and 20 million CDY shares. The acquisition also included a large portfolio of more than 130 anti-midkine antibodies.

Timeline

Cellmid has a large portfolio of patents surrounding midkine and owns 21 patent families worldwide. Cellmid plans to monetize this portfolio through two streams – a diagnostic program and a therapeutic program. The diagnostic programs are in a more advanced stage and are poised to face regulatory approvals first. The therapeutic programs are mainly in the pre-clinical stages, however they involve high value antibody candidates with early licensing potential. Cellmid will be looking for licensing deals from both streams and expects to earn long term revenues from royalties. Suitable partners would help fund the cost of clinical trials in exchange for collecting a large part of the revenue should the drug make it all the way to the market. From Cellmid's point of view a large part of the revenue is sacrificed but it should also limit any future dilution of its shareholder base.

"Vital programs starting this year"

Figure 2: Stages of current programs.

Diagnostic Programs	Proof of concept	Clinical Validation	Regulatory approval	Launch
MK ELISA	→	→		
CAN104 (canine cancer diagnosis)	→	→		
CS5000 and CK3000 (cancer screening)	→			
CPEB105 (Gastric cancer diagnosis)	→			
Therapeutic Programs	**Research**	**Preclinical**	**Clinical**	**Registration**
CAMI103 (heart attack)	→	→		
CMS101 (Multiple sclerosis)	→	→		
CRA102 (Rheumatoid arthritis)	→	→		

Source: CDY

The above table only includes Cellmid's immediate product development focus and does not take into account the substantial product pipeline both in the therapeutic and diagnostic business streams.

MK Elisa

The ELISA test is a sensitive and robust test for the accurate detection of midkine levels in blood. Midkine is not detectable in healthy adults and can only be measured if a disease is present. If a person is found to have an elevated level of midkine this would suggest the presence of chronic

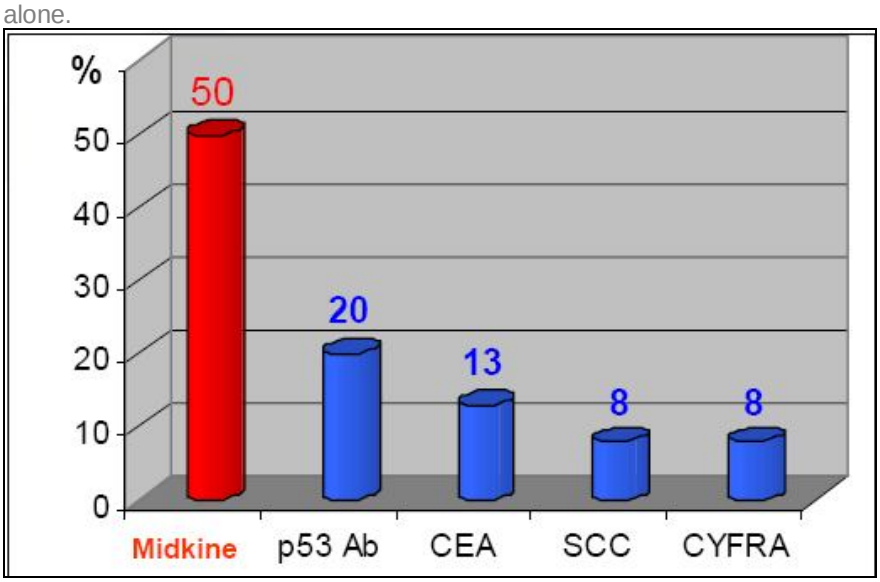
inflammation or cancer. Midkine levels drop when the inflammatory process is subdued, however in cancer midkine levels stay elevated. In some cancers elevated midkine levels can be detected as early as in stage 0 hence an ELISA test could possibly become an effective early stage cancer screening tool. Other generic cancer markers appear later in the disease process and are less accurate.

Cellmid is currently optimizing its midkine ELISA which, following completion of the assay development, will be distributed to the research market and it will also become available to the company's clinical collaborators. A validated ELISA should accelerate Cellmid's other cancer diagnostic pipelines.

"Independent research has shown midkine to be superior to other cancer markers"

According to Cellmid the validation process is progressing well and it showed better than expected detection levels in dilution standards (20pg/ml which is lower than the 50pg/ml initially thought). The next stage of the validation program involves the use of the midkine ELISA in patient blood samples. This will allow validation in cancer samples.

Figure 3: Comparing midkine to other markers in stage 1 eosophageal squamous cell carcinoma patients shows that midkine appears in 50% of all early stage cancers, compared with only 20% of the next best cancer marker, which is p53 antibody. Midkine compares even better against CEA (13%), the commonly used generic marker with a US$50M annual market in Japan alone.



Source: CDY

"Veterinary diagnostic product could be first on the market"

Veterinary diagnostic - CAN104

There are around 50 million households with dogs in the USA and 40% of all pet dogs die of cancer. Cancer diagnosis and treatment is a rapidly growing market. Initial studies have shown that midkine can detect cancer in dogs early on, increasing treatment options and survival.

Cellmid is currently conducting further validation trials to use its midkine tests as a tool for effective diagnosis of cancer in dogs and other companion animals. The services of CPC Veterinary Consulting in Melbourne have been engaged to assist in sample collection, testing and evaluation of this program. It is envisaged that subject to positive validation trials a test kit can initially be launched in Australia and licensed to a global distributor at a later stage.

Japanese screening studies - CS5000 and CK3000

"Japanese tests poised to start this year which could result in a large slice of the diagnostic market"

Cellmid's cancer screening programs are currently being set up in Japan where government subsidized testing is available. The population is routinely screened for cancer and other chronic diseases, where the Japanese Cancer Society annually invites about 11 million people for screening with 13,000 new cases identified each year. On average one in 100 people test positive for some kind of cancer and they go to the 2nd stage of testing. There are approximately 650,000 2nd stage tests per year. Due to its close ties with Japanese research institutes Cellmid expects to have two diagnostic programs running over the next 12-18 months.

CK3000 – In this study Cellmid expects to test the midkine levels in 3,000 healthy adult serum samples to reliably establish the healthy levels and population segment related variations. These tests should give a good indication on the possible exclusion criteria for cancer screening. The testing is expected to be performed at Kumamoto University.

CS5000 – In this study 2,000 patients who have tested positive in the secondary screening stage will be tested with the aim to obtain data on the relevance of midkine as a pan cancer marker for secondary population screening.

The most widely used cancer marker, Carcinoembryonic Antigen (CEA), currently has annual sales of US$50M in Japan. Similarly to midkine, CEA is a protein produced during the development of the fetus and is usually not present in the blood of healthy adults. Cellmid is generating additional data to prove that midkine is superior to CEA, both in terms of its accuracy and its early appearance.

Stomach Cancer diagnosis - CPEB105

"Signed an agreement with Pharmahungary for the co-development of midkine to treat heart attack"

In 2002 there were 900,000 new cases of stomach cancer around the world. Eastern Asia has the largest stomach cancer population with poor survival rates.

Current cancer markers are unable to detect stomach cancer in the early stages. Cellmid aims to validate midkine as a reliable early marker for this indication. Cellmid will likely look for a licensing agreement with a Japanese or South Korean diagnostic company were the disease represents a very significant market.

Heart attack treatment - CAMI103

An estimated 17.1 million people died from cardiovascular diseases in 2004, representing 29% of all global deaths. Of these deaths, an estimated 7.2 million were due to coronary heart disease and 5.7 million were due to stroke. Cellmid has signed a collaboration agreement with Pharmahungary for the co-development of midkine to treat heart attack. Pharmahungary is a Hungarian company specialising in R&D projects for the treatment of cardiovascular and metabolic diseases. Pharmahungary will provide its facilities and will undertake pre-clinical studies including safety and tolerability studies, for a minority interest in the project. Cellmid will pay milestone payments to Pharmahungary and successful pre-clinical studies would see further collaboration towards clinical studies through an IND application in the USA.

The aim is to produce a therapeutic program for the treatment of heart attack. Midkine can potentially slow cell death within the heart and promote blood vessel growth. Animal studies have shown reduction in mortality and

improvements in various cardiac outputs. The tests have also shown that midkine has helped maintain heart function in the weeks after heart attack by preventing ventricular remodeling. Recently researchers from Nagoya University published a paper showing that midkine treatment can prevent cell death, reduce remodeling of the cardiac tissue and increase revascularization following heart attack.

Multiple Sclerosis treatment - CMS101

MS is a disease of the central nervous system that inflames the myelin and causes plaques or lesions to appear. The brain, spinal cord and optic nerves can be affected. Current drug therapy aims to shorten attacks caused by MS and manage specific symptoms. In Australia there are about 15,000 people with MS. Worldwide MS affects around 2.5 million people. There is no known cure for MS.

Early studies using midkine have shown that strategies which can block or remove midkine can greatly limit progression and development of multiple sclerosis. Cellmid is currently moving to pre-clinical studies involving midkine and MS. The first of two therapeutic antibodies to be used in the pre-clinical studies have successfully been produced. The second antibody is currently being produced and the pre-clinical studies are scheduled to commence in April this year. Results of the confirmation studies are expected in June.

Rheumatoid arthritis treatment - CRA102

Rheumatoid arthritis is an autoimmune disease that causes pain and swelling of the joints. In an autoimmune disease it is our own immune system which starts attacking healthy tissues. In the USA rheumatoid arthritis affects about 0.7% of the population and currently there is no known cure.

Studies involving midkine have shown it may play a significant role in rheumatoid arthritis development and progression. Cellmid will first conduct studies in pre-clinical animal models of rheumatoid arthritis to test its two lead monoclonal antibodies. These studies will begin in April with the results expected to be due in June. The study will be conducted in collaboration with Switzerland based Preclin Biosystems.

"Tests showed breast cancer detection rate increased to 44.9% when midkine was used compared to conventional markers"

Kumamoto University agreements

Cellmid and Kumamoto University signed and agreement late last year in which the research department of the University will further test the benefits of midkine as a diagnostic and therapeutic agent. Cellmid will have first rights to commercialise any new invention which comes out from this agreement.

In a separate independent test Kumamoto University found that midkine combined with conventional markers is superior to current blood tests for breast cancer. The cancer markers that were used are CA15-3, CEA and NCCST-439. A combination of these conventional markers managed to detect cancer in 29.9% of test cases. When midkine was used in combination with these markers the detection rate increased to 44.9%.

"Licensing agreement signed with Celera which has a market cap of US$570m"

Although mammography is most frequently used for cancer detection, it is mainly recommended for women over 50 and is also costly. A simple blood test involving midkine could be beneficial for women under 50 or those in early stages of the disease.

Licensing agreement with Celera

Cellmid has signed a license agreement with American company Celera Corporation, which has a market capitalization of US$609m and is listed on the NASDAQ. The agreement covers the use of the midkine diagnostic patent

portfolio for development of novel lung cancer diagnostics and commercialisation of diagnostic products to address a range of lung cancer-related applications.

Celera will include midkine in its on-going research and validation activities towards the development of a method to detect lung cancer using a simple blood test. Cellmid received an up-front payment of around $400,000 upon the signing of the agreement.

Yamasa Corporation distribution agreement

Cellmid has signed a non-exclusive distribution agreement with Yamasa Corporation for distribution of Cellmid's anti-midkine antibodies for research purposes. Yamasa Corporation distributes reagents and diagnostic assays to the research market primarily in Japan. Yamasa will produce and sell certain proprietary anti-midkine antibodies for research purposes. These are highly sought after by researchers involved in embryonic cytokine research.

Valuation

Attempting to value an early stage biotechnology company can be fraught with danger. Diagnostic/therapeutic market sizes constantly change and it is hard to gauge the potential market penetration and probability of success. In the following model we have taken a very conservative view of the potential for Cellmid. We have scaled down the market sizes for the potential drugs considerably and let the market grow according by CPI. For the therapeutic market we have assumed an initial market penetration of 10% scaling up to 30%. Although roughly 1 out of 5 drugs make it to the market we have assumed a 1 out of 10 chance of this happening. We have also assumed a royalty of 7% which is below management's target of low double digit royalties.

The potential revenue stream from CS5000 and CK3000 are from Japan only although the market penetration should be relatively quicker and thus we have also assigned slightly higher probability to these cases. Using a WACC of 15% we have calculated an NPV to Cellmid for these markets of $43.2m giving an NPV/share of 13.5 cents.

Table 1: Earnings estimates in AUD millions

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
CS5000											
(Japan only)											
Market size	$19.5	$20.1	$20.7	$21.3	$21.9	$22.6	$23.3	$24.0	$24.7	$25.4	$26.2
Market growth		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Market penetration				20.0%	50.0%	70.0%	90.0%	100.0%	100.0%	100.0%	100.0%
Revenue				$4.26	$10.97	$15.82	$20.96	$23.98	$24.70	$25.44	$26.21
Probability				15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Risked revenue				$0.64	$1.65	$2.37	$3.14	$3.60	$3.71	$3.82	$3.93
CK3000											
(Japan only)											
Market size	$50.0	$51.5	$53.0	$54.6	$56.3	$58.0	$59.7	$61.5	$63.3	$65.2	$67.2
Market growth		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Market penetration				20.0%	50.0%	70.0%	90.0%	100.0%	100.0%	100.0%	100.0%
Revenue				$10.93	$28.14	$40.57	$53.73	$61.49	$63.34	$65.24	$67.20

Probability				15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Risked revenue				$1.64	$4.22	$6.09	$8.06	$9.22	$9.50	$9.79	$10.08
AMI											
Market size	$500.0	$515.0	$530.5	$546.4	$562.8	$579.6	$597.0	$614.9	$633.4	$652.4	$672.0
Market growth		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Market penetration							10.0%	20.0%	23.0%	25.0%	30.0%
Revenue							$59.7	$123.0	$145.7	$163.1	$201.6
Probability							10.0%	10.0%	10.0%	10.0%	10.0%
Risked revenue							$5.97	$12.30	$14.57	$16.31	$20.16
Royalty							7.0%	7.0%	7.0%	7.0%	7.0%
Revenue to CDY							$0.42	$0.86	$1.02	$1.14	$1.41
CMS101											
Market size	$500.0	$515.0	$530.5	$546.4	$562.8	$579.6	$597.0	$614.9	$633.4	$652.4	$672.0
Market growth		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Market penetration							10.0%	20.0%	23.0%	25.0%	30.0%
Revenue							$59.70	$122.99	$145.68	$163.10	$201.59
Probability							10.0%	10.0%	10.0%	10.0%	10.0%
Risked Revenue							$5.97	$12.30	$14.57	$16.31	$20.16
Royalty							7.0%	7.0%	7.0%	7.0%	7.0%
Revenue to CDY							$0.42	$0.86	$1.02	$1.14	$1.41
CRA102											
Market size	$3,000.0	$3,090.0	$3,182.7	$3,278.2	$3,376.5	$3,477.8	$3,582.2	$3,689.6	$3,800.3	$3,914.3	$4,031.7
Market growth		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Market penetration							10.0%	20.0%	23.0%	25.0%	30.0%
Revenue							$358.22	$737.92	$874.07	$978.58	$1,209.52
Probability							10.0%	10.0%	10.0%	10.0%	10.0%
Risked Revenue							$35.82	$73.79	$87.41	$97.86	$120.95
Royalty							7.0%	7.0%	7.0%	7.0%	7.0%
Revenue to CDY							$2.51	$5.17	$6.12	$6.85	$8.47
CAN104											
(USA market)											
# of dogs tested			1000	1857	2475	3301	4401	4632	4876	5133	5403
Market size			85	157.8	210.41	280.55	374.06	393.75	414.48	436.29	459.25
Market growth				185.0%	25.0%	25.0%	25.0%	5.0%	5.0%	5.0%	5.0%
Market penetration			10.0%	20.0%	25.0%	35.0%	40.0%	50.0%	55.0%	60.0%	70.0%
Revenue			8.5	31.56	52.6025	98.1925	149.624	196.875	227.964	261.774	321.475
Probability			80.0%	80.0%	70.0%	70.0%	70.0%	70.0%	60.0%	60.0%	60.0%
Risked Revenue			6.8	25.248	36.82175	68.73475	104.7368	137.8125	136.7784	157.0644	192.885
Royalty			8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Revenue to CDY			$0.544	$2.020	$2.946	$5.499	$8.379	$11.025	$10.942	$12.565	$15.431

Expenses											
Marketing expenses			$0.139	$0.146	$0.153	$0.161	$0.169	$0.177	$0.186	$0.195	$0.205
Management & Admin			$0.266	$0.279	$0.293	$0.308	$0.323	$0.339	$0.356	$0.374	$0.393
R&D Expenses			$0.702	$0.702	$0.702	$0.702	$0.702	$0.702	$0.702	$0.702	$0.702
Travel expenses	$0.199	$0.205	$0.211	$0.217	$0.224	$0.231	$0.238	$0.245	$0.252	$0.260	$0.267
Occupancy	$0.101	$0.104	$0.107	$0.110	$0.114	$0.117	$0.121	$0.124	$0.128	$0.132	$0.136
Total			$1.425	$1.455	$1.486	$1.519	$1.552	$1.587	$1.624	$1.662	$1.703
Total Revenue			$0.54	$4.30	$8.81	$13.96	$22.93	$30.73	$32.31	$35.30	$40.73
NPBT			-$0.88	$2.84	$7.33	$12.44	$21.37	$29.15	$30.68	$33.64	$39.03
Tax at 30%				$1.99	$5.13	$8.71	$14.96	$20.40	$21.48	$23.55	$27.32
WACC	15%										
Discount factor			0.7561437	0.657516	0.571753	0.497177	0.432328	0.375937	0.326902	0.284262	0.247185
Discounted cash flow			0	1.308688	2.932386	4.329346	6.468178	7.670144	7.021073	6.693491	6.752788
Total NPV			$43.176095								
Shares			325.781								
NPV/share			$0.135								

Source: Wise-owl

The Bulls & The Bears

The Bulls Say

- The raising of $2.83 million at 2.5 cents, means the company is well funded for its current programs.
- Lower risk through early revenue from its diagnostic portfolio and blue sky potential through high value therapeutic antibody assets
- A licensing agreement has been signed with US listed company Celera for including midkine to diagnose and treat lung cancer.
- A deal with Pharmahungary gives Cellmid greater worldwide exposure and a fast track to progress its heart attack treatment program.
- Extensive validation studies have confirmed that midkine is an effective early marker for cancer with short term market opportunities.
- Valuation of 13.5 cents, based on potential future earnings, suggests upside

The Bears Say

- Results of pre-clinical trials on the company's antibody programs may not meet expectations
- Companies with whom Cellmid signs out-licensing agreements may not have the same priority as if the research was kept in-house
- Midkine and its role in cancer is not known well outside of Japan and Cellmid must continue a strong commercial push in other markets similar to the Celera deal.
- Trials may run longer than expected which may end up costing the company more and delay revenues

Board of Directors

Dr David King – Chairman

Dr David King brings a depth of corporate governance, capital markets and listed company board experience to Cellmid. He has previously held positions as Executive Director, Chief Executive Officer and Managing Director in a number of private and listed companies. An expert in high growth companies Dr King has a track record in starting business ventures and developing them into attractive investment and/or take-over targets. His experience in successful start-up businesses has been instrumental in CDY's recent acquisition of the midkine intellectual property portfolio.

Dr King is a Fellow of the Australian Institute of Company Directors, a Fellow of the Australian Institute of Geoscientists and the Australian Institute of Mining & Metallurgy (Chartered Professional, Management) and holds degrees in physics and geophysics and a PhD in Seismology from the Australian National University.

Maria Halasz – Managing Director & Chief Executive Officer

Maria Halasz has been involved with biotechnology companies for 17 years; initially working in executive positions in biotechnology firms, then managing investment funds and later holding senior positions in corporate finance specialising in life sciences. Prior to joining Cellmid Ms Halasz had been an adviser to an independent sector based research firm in life sciences and managed Direct Capital Group Pty Ltd, a specialist biotechnology fund. She has also been a venture partner at the Emerging Technology Fund of venture capital firm Allen and Buckeridge.

Since taking over as Chief Executive and Managing Director of Cellmid Ms Halasz has led the restructure of the business, the acquisition of the midkine intellectual property portfolio and the recapitalisation of the company. Ms Halasz is a Member of the Australian Institute of Company Directors and holds a science degree in microbiology and an MBA.

Koichiro Koike – Director

Mr Koichiro Koike is based in Tokyo and is co-principal of V2V, a corporate advisory firm specialising in cross border life sciences transactions between Australian and Japanese companies. Following his early career as a corporate finance and M&A specialist in Tokyo for a European investment bank Mr. Koike lived in Melbourne for 15 years.

While in Australia, Mr Koike has served on a number of public and private life science company boards and has developed a strong track record in facilitating business and corporate development events between firms of all sizes in the sector.

As an adviser he has been involved in out-licensing technology, capital

raisings and initial public offerings. Whilst having a thorough understanding of the day to day requirements of high growth companies Mr Koike also has extensive contacts in some of the most prominent diagnostic and pharmaceutical companies in Japan. These companies are key candidates for CDY's out-licensing activities, particularly for its diagnostic portfolio. Mr Koike has been closely involved with the Midkine technology for over a year and was an adviser to Cell Signals Inc., the vendors of the technology, during the acquisition process.

Robin Beaumont – Non-executive Director

Mr Robin Beaumont is a senior strategic adviser and experienced public company director. He was Chairman of Arana Therapeutics Limited, a listed biotechnology company, until the company's recent takeover by Cephalon Inc., and was a director of antibody engineering company Evogenix Limited until its merger with Peptech Limited to form Arana Therapeutics in 2007. His life science industry experience also includes previous roles as Chairman of Select Vaccines Limited, Chairman of the Cooperative Research Centre for Diagnostics and non-executive director of GroPep Limited.

Mr Beaumont was Managing Director of the Advent venture capital group until 1998 and represented Advent's interests as a director of Primary Health Care, Benchmark Mutual Hospital Group, The Preston Group, Tower Technology and the Ayers Rock Resort Company. He is also a former non-executive director of Ruralco Limited.

Prior to joining Advent, Mr Beaumont had more than ten years of strategy consulting experience, after holding senior management positions in a large listed company.

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Wise-owl.com recommendation system

Care has been taken to define the level of risk to return associated with a particular company. Our recommendation ranking system is a follows:

Spec Buy
We forecast strong earnings growth or value creation that may achieve a return well above that of the broader market. These companies also carry a higher than normal level of risk.

Buy
Companies with 'Buy' recommendations have been cash flow positive for some time and have a moderate to low risk profile. We expect these to outperform the broader market.

Hold
A sound well managed company that may achieve market performance or less, perhaps due to an overvalued share price, broader sector issues, or internal challenges.

Sell
Risk is high and upside low or very difficult to determine. We expect a strong underperformance relative to the market and see better opportunities elsewhere.

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