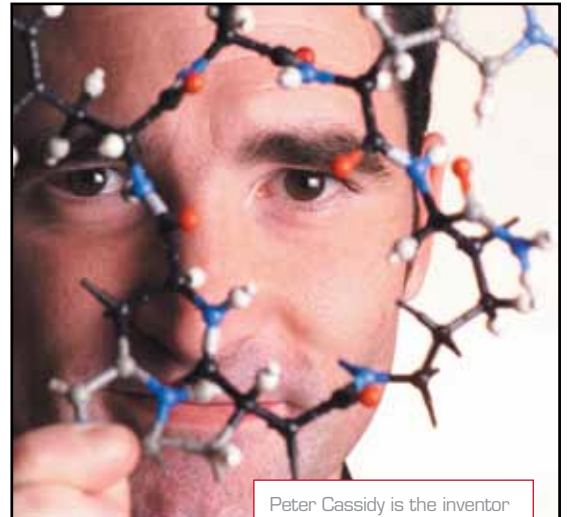


milestones

Newsletter of Start-up Australia

Acne - A Clear Path Ahead

A new weapon against acne has moved a step closer to fruition. Mimetica has just demonstrated clinical effectiveness in a Phase II "proof of concept" clinical trial on its topical drug treatment for acne, MTC896. This trial was a double blind controlled trial in 135 people, designed to test the effectiveness of the drug in reducing sebum production in oily skin. Sebum secretion is an important component in the causation of acne. The Mimetica clinical trial showed the drug has an excellent safety profile. There were also effects on important measures of efficacy. Reductions in sebum and the sebum-specific lipid squalene, were observed in the higher sebum secreting subjects receiving MTC896 compared to vehicle. This effect increased in magnitude with increasing sebum secretion levels. Differences favouring MTC896 were also observed on several responses in the self-assessment questionnaire related to the oiliness of their skin.



Peter Cassidy is the inventor behind Mimetica



Acne can be severe and has limited treatment options

Acne is the most common skin disorder. It affects four out of five teenagers. Sales of prescription drugs to treat acne are around \$3 billion but there are few good treatment options for moderate to severe acne and there is also significant toxicity with some current drugs. There have been no new drugs (new chemical entities) to treat acne since 1997 and there are currently no topical treatments to reduce sebum production.

The Mimetica drug is a topical treatment, targeting the Melanocortin-5 receptor which modulates sebum production. This is a well-validated target for the treatment of acne but no drugs are yet on the market targeting this mechanism. The Mimetica drug has been through an extensive pre-clinical evaluation and completed three Phase I safety clinical trials successfully. These three trials and the Phase II clinical trial showed the drug to be well tolerated.

Start-up Australia's first investment in Mimetica was in July 2002. Starfish Ventures is also an investor. A clear clinical development path for this drug has been identified and William Blair & Company have been appointed to assist Mimetica maximise its commercial value.

"The success of the Phase II "proof of concept" trial for MTC896 is an important milestone in the development of this exciting new drug for acne", added Dr Michael Thurn, Mimetica's Chief Executive Officer. "MTC896 has the potential to be the first new entrant in a acne drug market that has been starved of new treatment options for more than decade."

Venture Capital - An Inside Look

So what does a venture capital fund look like as it reaches maturity? Start-up Australia has just reached the 10 year mark on its main IIF fund and also manages a smaller IIF fund. As expected, we saw numerous major events during that time frame, notably the global financial crisis. A well managed venture fund should be able to deliver returns over the long term, despite shorter term adverse equity market events. We thought we would give some aggregate indicators of our performance since 2001.

- Cash invested: \$47 million
- Cash returned to investors: \$71 million
- Additional value still held: \$49 million
- IRR 18% p.a. to investors
- Companies created: 12
- ASX Listings: 2
- Trade sales or mergers: 4
- Drugs reaching clinical trials: 5

Of course, it's not over yet. We expect these numbers to improve even further as our key assets continue to meet critical milestones. We continue to hold significant shareholdings in Bionomics, Alchemia, Mimetica and some smaller private companies.

Alchemia's drug on the market

Alchemia has just made 2 major announcements. Its generic fondaparinux drug was approved by the FDA for sale in the US, and rapidly following that major achievement, the drug was launched in the US.

US sales of the branded version of the drug, Arixtra, marketed by GlaxoSmithKline, were \$340M (+16%) in the 12 months to May 2011.

Fondaparinux is extremely difficult to manufacture at scale. Alchemia's improved process for the manufacture of fondaparinux, licensed to Dr Reddy's, is covered by two issued, and two pending patents in the US.



Bionomics has a broad drug discovery platform and a deep product pipeline.

Anxiety Drug Success

Bionomics (ASX:BNO) recently announced successful results of its clinical trial on BNC210. These results confirm the previous excellent safety profile of the drug but the major news was there was statistically significant evidence of efficacy.

Some of the key findings were as follows.

- A significant reduction in panic symptoms.
- Brain activity measured by EEG indicated anti-anxiety activity.
- BNC210 outperformed its comparator in tests measuring attention, memory, coordination, sedation and addiction.

According to a study published in the Journal of Clinical Psychiatry, anxiety disorders cost the US more than \$42 billion, almost one third of the total mental health bill for the US. BNC210 has substantial market potential given the favourable efficacy result and minimal side effect profile.

Bionomics CEO and Managing Director Dr Deborah Rathjen commented, "We are thrilled to report the positive results of both BNC210 clinical trials. The results have exceeded our expectations."

"Both studies were designed to demonstrate the value of BNC210 as an innovative new generation treatment for anxiety and depression and the results confirm the drug's potential. Anxiety is a common debilitating condition that affects 19 million patients in the US and anxiety drugs have an estimated worldwide market of up to US\$12 billion per annum. Blockbuster drugs that treat anxiety include Valium, Prozac and Effexor. 2009 worldwide sales of Effexor alone were US\$3.25 billion. These drugs are not ideal and BNC210 represents a next generation treatment for anxiety which stands out as free of the serious side-effects."

Near term milestones

Bionomics also recently announced interim results on its cancer drug, BNC105. The data showed the drug is well tolerated and had a clinical effect with around 25% of patients with mesothelioma having stable disease. These results showed the way forward for further clinical development as combination therapy in renal cancer and this will be extended to ovarian cancer. Final results are expected in 2012.

Meanwhile, we keenly wait on the outcome of the licensing discussions underway. Bionomics expects to sign a deal late in 2011 or early 2012.