

Australia

Price

A\$1.42 cents

Average Traded Value

A\$708,999

90 Day Volatility

29%

Market Cap

A\$227.8 MM
US\$167.5 MM

Codes

PTD AU

Index

ASX

Rel. Performance vs. Index

1 Month	+8%
3 Month	-3%
12 Month	-32%

Peptech

Into the clinic

New South Wales-based Peptech (ASX: PTD) is a drug discovery and development company with considerable expertise in antibody technology. The company owns key assets in the anti-TNF space and has been able to leverage this to secure a steady stream of royalties for the near-to mid term. Through an equity stake in UK-based Domantis Peptech will shortly enter the clinic with its first therapeutic products, marking the transition from a drug discovery company to drug developer. Domantis' domain antibody technology has several advantages over conventional platforms. The company also has a JV with Biosceptre which will provide Peptech with access to oncology diagnostics and therapeutics. The transformation will be funded, in part, by significant dollar revenue from its TNF intellectual property and later from its emerging animal health business.

[☆☆☆☆] **Business Risk** Peptech owns key intellectual property in the TNF inhibitor market. Peptech has freedom to operate in this market while recent settlements have now made it clear that others must pay royalties to access the technology. The Animal Health business while unprofitable should break even following roll-out of Ovuplant in Europe and Suprelorin in Europe and the US. A more ethereal source of concern comes from the renewability of the business model once the anti-TNF revenues dry up. Management has identified this as a risk to be addressed.

[☆☆☆☆] **Financial Risk** Peptech has not approached the Market for many years. We estimate that recurring revenues from Peptech's TNF patent interests will increase from A\$22 MM in 2005/06 to A\$33 MM in 2009/10 and should cover the company's ongoing operating requirements. In fact Peptech recently returned cash to shareholders via a share buy back and a special dividend of A\$0.08 per share. We doubt whether Peptech will be able to fund anticipated acquisitions entirely from cash resources. It is therefore likely that Peptech will seek further equity investment. Nonetheless, the company remains one of the best funded in the Australian sector.

[☆☆☆☆] **Market Risk** Despite securing its near term revenue streams (the anti-TNF royalties); Peptech needs to acquire and commercialise new products to provide revenues after the expiry of the IP in August 2010. Peptech's management believes that there a number of attractively priced assets in the Australian biotechnology sector. While the company is in sufficiently robust financial condition to act as the sector consolidator, as a profitable biotech business such future acquisitions carry some uncertainty.

[☆☆☆☆] **Expected Return.** We estimate that the current fair value for Peptech is A\$1.81 cents per share, much of which comes from the anti-TNF royalty flow. However, there is significant potential upside from its 36% stake in Domantis, which has a carrying "cost" of A\$0.18 cents per share, but could be worth another A\$0.66 cents. Domantis gives investors exposure to one of the UK's leading antibody technologies. The Biosceptre cancer target represents an intriguing opportunity although too little is known about it to apply a value. Based on our modest sales assumptions for the animal health business we estimate that the Ovuplant business is worth A\$0.15 cents per share and Suprelorin A\$0.07 cents per sh

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Executive Summary

Peptech is a drug discovery and development company with considerable expertise in antibody technology. In addition to its human healthcare assets, it also has an emerging animal health business. In the field of human health; its first therapeutic products are about eighteen months away from entering the clinic, marking the transition from a drug discovery company to one that also develops drugs. The transformation will be funded, in part, by significant dollar revenue from its TNF intellectual property and later from the animal health business. We understand that Peptech will continue to pursue its M&A strategy, as long as it perceives there are valuable, but underappreciated assets in the Australian biotech market.

EXHIBIT 1: KEY ASSETS

Component	Status
TNF patents	Out-Licensed
TNF dAb	Pre-clinical
TNF mAb	Pre-clinical
Domantis	Company
Suprelorin	Marketed
Ovuplant	Marketed

Source: Rodman & Renshaw Elixir

TNF patent revenue secure to 2010. Peptech owns key intellectual property that allows it to financially benefit from sales of products in the TNF inhibitor market. There are three major TNF products on the market, two of which fall under Peptech's patents. Although the licensees of these patents went on to challenge Peptech's intellectual property rights, the licenses have been recently re-negotiated. Despite securing its revenue streams, Peptech needs to acquire and commercialise assets to provide revenues after the expiry of the IP in August 2010. Peptech intends to further exploit its intellectual property in the TNF space by developing its own therapeutics including a domain antibody generated by investee company Domantis and its own monoclonal antibody. Peptech has freedom to operate in the crowded anti-TNF IP landscape.

M&A a fundamental growth driver Peptech's management believes that there a number of attractively priced assets in the Australian biotechnology sector. We believe that the company has both the management skills and a sufficiently robust financial condition that should allow it to successfully execute its acquisition strategy. Management is investigating clinical stage targets that offer long-term, high revenue potential, that are compatible with its existing IP position.

If the balance sheet is unable to directly finance the acquisition of its intended targets, the revenue streams associated with the TNF patents and its interest in Domantis should help persuade the market to finance the acquisitions.

Domantis Peptech's 36% in Domantis gives investors exposure to one of the UK's leading private biotechnology companies. Domantis' domain antibody technology has

several advantages over conventional antibodies, which may be attractive to larger players in the biopharmaceutical industry.

Biosceptre JV The joint venture with Biosceptre gives Peptech exposure to the attractive oncology market. Biosceptre is characterising a unique target that is practically ubiquitous in solid tumours. The companies plan to use this target to develop both diagnostics and therapeutics. The products being developed by the joint venture are at a relatively early stage of development, but we expect the joint venture's diagnostics products to mature at a much faster rate than the therapeutics.

Animal Health The Animal Health business should achieve profitability in the next 24 months, as Suprelorin is rolled out and new territories are opened up for Ovuplant. Planned registration of the new manufacturing facilities with the US FDA in 2007, should allow Peptech to re-enter the commercially important US market.

EXHIBIT 2: KEY INFLEXIONS

Date	Event
Q4 2005	Ovuplant submissions in Europe
Q1 2006	US trials for Suprelorin 12
Mid 2006	Suprelorin 12 month product approved in Australia
2006	Commercialisation of Biosceptre diagnostic
2006	EU approval for Ovuplant
2006	EU approval for Suprelorin
H1 2007	Anti-TNF dAb clinical trial start
2007	COPD dAb clinical trial start

Source: Rodman & Renshaw Elixir

Valuation We estimate that the current fair value for Peptech is A\$1.81 cents per share. A significant proportion of this is embedded in the royalty stream it receives on its TNF patents, its stake in Domantis and its animal health business. In our current conservative analysis we value Domantis at A\$0.18 per share, based on its historical acquisition cost of A\$29.4 MM. Clearly this approach under-represents the actual value of its 36.1% stake in Domantis to Peptech share holders. Our sensitivity analysis shows that if you assumed Domantis was worth A\$105 MM then our fair value estimate rises by 47 cents to A\$2.29 cents.

Investment risks The principal long-term risk to Peptech's valuation is that it fails to develop its product portfolio. Whilst the attrition rate in drug development is high, the revenues from the TNF patents should give it the resources to develop its existing assets and acquire new ones. During the next 5 years, the Domantis portfolio should mature to the point where clinical data can be used to evaluate their potential. There is also a risk that the Market perceives that Peptech has overpaid for assets; either licenses to products or companies.

Tumour Necrosis Factor

Peptech employees began research into Tumour Necrosis Factor alpha ("TNF") during the mid-1980s, leading to the granting of its first TNF-related patent in Australia with a priority date of 1989. The patent described how anti-TNF monoclonal antibodies could bind the native TNF and modify its biology. These patents describe the fundamental mechanism of action of several commercially valuable products. After protracted disputes, Peptech now receives revenues from Centocor and Abbott Labs.

The Patents By correlating structure with function, the Peptech patents highlight the parts of the TNF molecule that are critical for its natural biological function. The patents go on to describe that binding of antibodies to these sites results in the blockade of its natural function and may result in a therapeutic effect. Accordingly, these patents were licensed to two companies which used antibodies to modify the biology of TNF.

The licenses granted by Peptech were structured to remain dormant until the appropriate patents were granted in a particular territory. In the US, Peptech's TNF patents were not granted until 2001, eventually triggering license disputes from both Johnson & Johnson subsidiary Centocor and Abbott. All parties eventually settled and Peptech now receives revenues from both Centocor and Abbott.

Peptech's core business within its human therapeutics group is based on its expertise, and more importantly its intellectual property, in the area of anti-TNF antibodies. The company has an extensive patent portfolio in the anti-TNF antibody area. Furthermore, in the last year a further two patent applications were granted in the US and 16 applications were published. Peptech also holds key anti-TNF patents in Europe, Canada, Japan and Australia.

TNF License Disputes

Despite negotiating licenses to the Peptech intellectual property, the licensees disputed the necessity of these licenses when it became clear that the drugs would become a commercial success.

Abbott Laboratories In January 2003 Abbott received approval for Humira from the US FDA and commenced marketing for the treatment of rheumatoid arthritis. Peptech was due to receive milestone payments and royalties on sales in countries where a valid patent was held. However, Abbott then announced that they believed that Humira did not infringe on the claims of the licensed Peptech Patents. Subsequently, dialogue was established between the companies and a business resolution was reached in November 2003, whereby Abbott made a one-off undisclosed payment to Peptech that we estimate to be about a\$40 MM. We estimate that Peptech will also receive ongoing licensing payments of around a\$6 MM per annum.

Centocor Previously, in October 2002, a dispute had also arisen with Centocor, another licensee of Peptech's IP portfolio on a non-exclusive basis. It halted payments of royalties in both the US and Europe during 2002, claiming that Remicade did not infringe the relevant patents. Peptech initiated formal arbitration proceedings against

Centocor in September 2003. The dispute rumbled on until November 2004 when the two parties reached a settlement resolving the dispute.

TNF inhibitor royalties The TNF inhibitor market consists of three established drugs. In 2004, the established drugs sold in excess of US\$ 6.4 BN across a variety of indications from rheumatoid arthritis to psoriasis. Enbrel is the largest seller in the TNF inhibitor space and is not subject to the patents held or licensed by Peptech, since it is not an antibody. Remicade and Humira, however, are subject to these patents and Peptech has recently had patent disputes with both parties. It is conceivable that certain developmental TNF inhibitors will require a Peptech license. The most advanced of these is Cimizia (UCB), which is expected to launch in 2007.

EXHIBIT 3: TNF INHIBITOR SALES

Product	Company	2004 sales (US\$)
Enbrel	Amgen/Wyeth	\$2,582 MM
Humira	Abbott Labs	\$ 852 MM
Remicade	J&J/Schering-Plough	\$ 2,945MM
Cimizia	UCB	\$0 MM

Source: Rodman & Renshaw Elixir

The patent dispute settlements provided for a significant cash payment, we suspect that the royalty payable to Peptech was reduced. At present we estimate Peptech is receiving a royalty of 0.6% of Remicade sales. Peptech estimates that recurring revenues from its TNF patent interests will increase from A\$22MM in 2005/06 to A\$33MM in 2009/10. Peptech recently reported full year results (for the year ended September 2005) including royalties of A\$40.1MM of which A\$32.9MM were earned in the first half. Peptech communicated that the first half royalties included the settlement of the Centocor dispute.

Antibodies

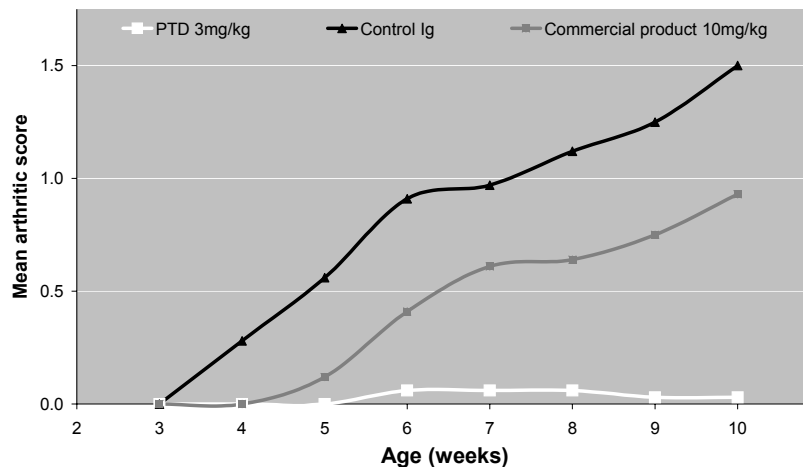
Despite its long association with TNF, Peptech has only recently embarked on developing anti-TNF antibody based therapeutics. During 2005 Domantis generated a suitable dAb and Peptech incorporated it into a final drug structure. The drug has been manufactured to laboratory scale production in mammalian cells lines with good yields. In September 2005 Peptech signed an agreement with an internationally reputed manufacturer of biopharmaceuticals for production at therapeutic GMP standard. This will provide sufficient material for further pre-clinical and clinical development. Peptech anticipates that the first clinical trials will start in H1 2007.

Minimal target risk Recently, Peptech has present data from a well established animal model where it demonstrated that treated with its dAb-based product gave significantly greater inhibition of mean arthritic score than a commercial product at 10mg/kg. Previously, Peptech has indicated that compounds incorporating anti-TNF dAbs have been tested in a series of industry standard models for rheumatoid arthritis and in each one the compounds have demonstrated significant efficacy compared to marketed TNF inhibitors. Peptech has

also demonstrated that its own anti-TNF mAb is more effective in a model of arthritis than a commercial product at 10mg/kg. It is also known that the anti-TNF dAb-based compound has an extended serum half-life that may offer dosing benefits.

The TNF target is a well characterized one, with three products already successfully commercialized. By focusing on TNF, Peptech can develop and validate dAb technology without incurring significant target risk.

EXHIBIT 4: ANTI-TNF MAb IN ARTHRITIS MODEL



Source: Peptech

Market Opportunity The TNF inhibitor market place already has several products. Peptech's proprietary anti-TNF antibody and the domain antibody-based product face a difficult task to differentiate themselves from Enbrel (Amgen), Humira (Abbott) and Remicade (Johnson & Johnson). In the time it takes to develop the anti-TNF antibodies, the market will likely have a fourth established member (Cimizia; UCB). Other anti-TNF inhibitor therapies are in development. However due to the complex IP landscape, Peptech's anti-TNF products represent one of the few means of non-participants entering into this therapeutic area.

TNF inhibition

High levels of circulating TNF have been implicated in numerous disease states including rheumatoid arthritis, Crohn's disease and psoriasis. TNF seems to be at least partly responsible for the pathological inflammation or destruction of tissue structure, which is seen in each case. The three market leading biological products, Enbrel, Remicade and Humira bind to free circulating TNF preventing it from binding to its receptors and orchestrating the key pro-inflammatory pathways. The two latter products are antibody-based.

The treatment of several autoimmune disorders has been revolutionised by the commercial availability of anti-TNF therapies. To date three anti-TNF therapies have been launched on the market, generating sales of over US\$6 BN worldwide in 2004 with projected sales of over US\$8 BN for 2005. However, there is reason to believe that the market still has room to accommodate novel anti-TNF products. Enbrel has c.70% of the US market in rheumatoid arthritis. However, the biologics penetration rate in the moderate-severe rheumatology market is still tantalizingly low at 28% (and less than 2% in moderate to severe psoriasis). Furthermore, the growing trends towards maintenance and earlier treatment are expanding the revenues disproportionately. Therefore, we forecast that the anti-TNF market could more than double over the next 5 years. There is also evidence to suggest that these drugs may eventually be used to treat ailments as diverse as chronic obstructive pulmonary disease ("COPD") and Wegener's granulomatosis.

There is a range of drugs in development for rheumatoid arthritis both in and out of the anti-TNF field. However, possibly of greater interest are the companies that are currently not involved. Peptech sees itself as a gatekeeper for much of the TNF technology (although Enbrel, for example is not included) and, as such, non-participants presently represent potential candidates for licensing Peptech's existing anti-TNF antibody products (with a rapid route to market and an implicit technology license).

Current TNF inhibitors

Anti-TNF treatments do not benefit all patients. It is estimated that 25-40% of sufferers do not respond to anti-TNF drugs and therefore some companies have shifted their focus to alternatives. Presently, there are three products on the market:

Humira (adalimumab) is a fully human IgG1 anti-TNF monoclonal antibody, optimised by Cambridge Antibody Technology ("CAT") using its in-house 'Phage Display' technology as part of a research collaboration with Knoll (now Abbott Laboratories). Humira was the first fully human anti-TNF antibody to be tested in rheumatoid arthritis ("RA") patients. The drug is indicated for 'reducing signs and symptoms and inhibiting the progression of structural damage in adult patients with moderately to severely active RA who have had an inadequate response to one or more disease modifying anti-rheumatic drugs ("DMARDs").

Humira was the third TNF inhibitor on the market, after Centocor's Remicade and Enbrel from Amgen. Abbott obtained FDA approval for Humira either alone or in combination with methotrexate ("MTX") or other DMARDs in moderate to severe rheumatoid arthritis in December 2002 and in Europe during May 2003. Humira is administered subcutaneously once weekly or once bi-weekly and appears to have similar efficacy to Enbrel. Abbott

expects to book over US\$1300MM in sales in 2005. We believe Humira could reach over US\$1.5 BN in annual sales if approved in several indications.

Remicade (infliximab) was the first immunotherapeutic to be approved by the FDA for rheumatoid arthritis (1999). It is a chimeric IgG1k monoclonal antibody that is administered by intravenous infusion.

Remicade has side-effect issues (including serious infections such as TB and sepsis) and cannot be used by patients with heart failure. These side effects are also evident with other anti-TNF therapies. Remicade sold US\$2.9b BN during 2004 and we predict US\$3.5 BN in 2005.

Enbrel (etanercept) is a soluble dimeric fusion protein consisting of the extracellular ligand-binding portion of the human type 2 TNF receptor (p75) linked to the Fc portion of human IgG1. It is indicated for the first line treatment of patients with moderate to severe rheumatoid arthritis with or without MTX. Enbrel is a recombinant soluble anti-TNF receptor protein. Enbrel also became the first treatment indicated to treat active arthritis in patients with psoriatic arthritis in 2002 and ankylosing spondylitis in 2003.




Nonetheless, the intangible value of Enbrel's track record and safety database may yet provide a decisive argument as physicians consider whether to place Enbrel at the forefront of evolving treatment paradigms. Enbrel booked US\$2.6BN in revenues in 2004 and we forecast that it will reach US\$3.6 BN this year.

Cimzia (CDP-870) UCB (formerly Celltech) is developing the anti-TNF antibody CDP-870. Due to setbacks in phase 3 clinical trials we do not expect this to be on the market until 2007. CDP-870 is an anti-TNF humanised pegylated monoclonal antibody fragment being developed. The product has suffered from various delays, not least the departure of Pfizer as its marketing partner before Celltech's acquisition by UCB. Its efficacy is not likely to be significantly better than either Humira or Enbrel, and the product will most likely compete on price as it is a fragment, is produced in bacterial culture and therefore is cheap to produce with margins up to 95%.

UCB has also experienced some problems with the administration of CDP-870. Although the product will be administered once a month, problems have been reported with the viscosity of the formulation and the subsequent need for wide-bore needles for administration. This is unlikely to be attractive in terms of patient compliance. UCB will need to resolve this issue prior to the drug reaching the market

We also anticipate that should CDP-870 make it to the market, it may fall under the Peptech patent estate and as such, a royalty would be due. Peptech will not know definitely whether CDP 870 infringes until testing of the marketed product is performed. Cimzia is expected to be filed for Crohn's disease in Q1 2006 and may reach the market in 2007. Results from two ongoing Phase 3 clinical trials (RAPID [027] and RAPID [050]) in rheumatoid arthritis are expected in Q4 2006/Q1 2007.

EXHIBIT 5: TNF INHIBITOR CHARACTERISTICS

Human Monoclonal Anti-TNF- α Antibodies	Recombinant IL-1 Receptor Antagonist (IL-1Ra)	Soluble TNF Receptors	Chimeric Monoclonal Anti-TNF- α Antibodies
Adalimumab 	Anakinra Differs from native IL-1Ra with the addition of a methionine residue at the amino terminus	Etanercept 	Infliximab 
<ul style="list-style-type: none"> □ 100% human in peptide sequence and structure □ Full-length human IgG1 □ Phage display technology resulting in human derived variable regions and human IgG1:κ constant regions □ Half-life of 10-20 days 	<ul style="list-style-type: none"> □ Half-life of 4-6 hours 	<ul style="list-style-type: none"> □ 100% human peptide sequence, but artificial construction □ Fusion protein made up of two recombinant p75 soluble receptors fused with the Fc fragment from the human IgG □ Half-life of 3.0-5.5 days 	<ul style="list-style-type: none"> □ 25% mouse, ~75% human □ Variable region of a mouse monoclonal anti-TNF antibody coupled to the constant region of a human IgG1 □ Half-life of 8-10 days

Source: Amgen, Rodman & Renshaw Elixir

Rheumatoid arthritis

All of the anti-TNF drugs that have been approved are indicated for the treatment of rheumatoid arthritis ("RA"), and this is likely to be the primary indication for Peptech's drugs.

In the US, RA affects more than two million people and more than five million in Europe and Japan. This is a particularly debilitating autoimmune disease which results in joint linings and other organs becoming inflamed. The moderate to severe RA patient population is estimated at one m patients in the US and we estimate that only around 28% of this market has been penetrated by biologics although we can see this rising to 60% in 2009 (and this is reflected in our forecasts). It is also expected that there will be some expansion into earlier stages of RA as biologics prevent joint damage and halt disease progression. This leaves significant scope even for those competitors that are in the earlier stages of development.

EXHIBIT 6: SELECTED TNF INHIBITOR TRIAL DATA

Study	Treatment	#s	ACR20	ACR50	ACR70
Moreland et al	Placebo	80	11	5	1
	Enbrel	78	59	40	15
Weinblatt et al	Placebo + MTX	30	27	3	0
	Enbrel + MTX	59	71	39	15
Maini et al	Placebo + MTX	84	20	5	0
	Remicade + MTX	83	50	27	8
Abbott Labs	Placebo	110	19	8	2
	Humira	113	46	22	12
Weinblatt et al	Placebo + MTX	62	15	8	5
	Humira + MTX	67	67	55	27

Note: MTX = methotrexate

Source: Rodman & Renshaw Elixir

There is a perception that Enbrel is the safest of the TNF agents, since it has the most extensive safety database. All TNF inhibitors carry extensive warnings in their package inserts, the most prominent of which concerns serious infections and sepsis. Rare cases of tuberculosis have also been reported.

Short-half life may be a disadvantage The short-half life of Enbrel is a comparative disadvantage. Initially approved for twice weekly dosing, a once per week product is now registered. In contrast Humira is dosed once every two weeks and Remicade is given approximately every four weeks

TNF patents Peptech employees began research into TNF during 1988. Its first TNF related patent was granted in Australia with a priority date of 1989. The patent described how anti-TNF monoclonal antibodies could bind the native TNF and modify its biology. Peptech filed a series of other TNF patents on the subject of using anti-TNF antibodies. Recognition of Peptech's patents outside Australia was less forthcoming; in the US its TNF patents were not granted until 2002. The last of 3 patents protecting Enbrel in the US expires in October 2012. At present the US government has effectively prevented generic competition to its biotechnology industry by shelving plans for biogenerics. Europe, however, is more advanced in this matter and we it reasonable to expect generic competition to Enbrel early in the next decade.

The TNF inhibitor market The TNF inhibitor market is relatively crowded. There are three established drugs (Enbrel, Humira and Remicade) and one expected new market entrant (Cimizia). In 2004, the established drugs sold in excess of US\$ 6.4 BN across a variety of indications. Enbrel is the largest seller in the TNF inhibitor space and is not subject to the patents held or licensed by Peptech, since its is not an antibody. Remicade and Humira,

however, are subject to these patents and Peptech has recently settled patent disputes with both parties.

Whilst the settlement with Centocor provided for a significant cash payment, we suspect that the royalty payable to Peptech was reduced. At present we estimate Peptech is receiving a royalty of 0.6% of Remicade. Peptech estimates that recurring royalty revenue from its TNF licenses will increase from A\$22MM in 2005/06 to A\$33MM in 2009/10

TNF license disputes

Abbott Laboratories In January 2003 Abbott received approval for Humira from the US FDA and commenced marketing for the treatment of rheumatoid arthritis. Peptech was due to receive milestone payments and royalties on sales in countries where a valid patent was held. However, Abbott then announced that they believed that Humira did not infringe on the claims of the licensed Peptech Patents. Subsequently, dialogue was established between the companies and a business resolution was reached in November 2003, whereby Abbott made a one-off undisclosed payment to Peptech that we estimate to be about A\$40 MM. We estimate that Peptech will also receive ongoing licensing payments of around A\$6 MM per annum.

Centocor Previously (in October 2002) a dispute had also arisen with Centocor. Centocor, another licensee of Peptech's IP portfolio on a non-exclusive basis, halted payments of royalties in both the US and Europe during 2002, claiming that Remicade did not infringe the relevant patents. Peptech initiated formal arbitration proceedings against Centocor in September 2003. The dispute rumbled on until November 2004 when the two parties reached a settlement resolving the dispute.

Biosceptre JV

Biosceptre owns intellectual property that identifies a new marker specific for cancer. Peptech and Biosceptre International Limited established a joint venture in December 2003 with the aim of exploiting this target. Peptech paid Biosceptre A\$3.5 MM to obtain an exclusive license to the core intellectual property. The consideration was reinvested in Peptech, when Biosceptre bought 2.3 MM shares in Peptech at A\$1.51 each.

The target has not been disclosed but we understand that it is a modification of a major cell receptor that is common to the majority of cancer types. The receptor is thought to be intimately involved in apoptosis (programmed cell death). Expression of the marker appears to vary with the different stages of cancer; which may facilitate more accurate diagnosis and staging.

EXHIBIT 7: BIOSCEPTRE PRODUCT PIPELINE

Project	Status
Laboratory diagnostic	Clinical candidate
In vivo diagnostic	Lead compound
Medical imaging	Research
Therapeutic mAb	Research
Therapeutic dAb	Research

Source: Company, Rodman & Renshaw Elixir

Intellectual property The first in a series of patents protecting the Biosceptre marker was granted in Australia during June 2005, relating to the PCT application WO 01/06259. The companies intend to build a family of patents that protect the marker and its use in the diagnosis and treatment of cancer.

Product development

The Biosceptre diagnostic antibody has been independently shown to bind to over 90% of all epithelial cancer types including ovarian, bowel, prostate, liver, uterine, cervical, breast, brain, skin, stomach and lung. It expects to rapidly commercialise the first product leading to a product launch in 2006.

Ovarian cancer data In June 2005 it announced the development of an antibody-based diagnostic for ovarian cancer that identified 100% of those tumours in an analysis of 55 ovarian tissue samples (Ovarian Cancer Research Foundation at Monash). Biosceptre believes the antibody has the potential to discriminate between invasive and non-invasive tumours.

Second dAb target In July 2005, Peptech requested that Domantis develop a domain antibody against the Biosceptre marker. Peptech will use the resulting dAbs to develop an in vivo diagnostic and a systemic therapeutic.

Market Opportunity

The Oncology market is an attractive opportunity for biotechnology companies developing either therapeutics or diagnostics. The incidence of cancer is high and the resources allocated to treating it are considerable. Targeted therapies, such as antibodies and their derivatives, are now amongst the most lucrative medical agents.

Diagnostics It has been estimated that more than 160 million cancer screening and diagnostic oncology procedures were performed in the US during 1999. The revenues generated by these tests, was estimated at US\$1.6 BN in the US alone.

At present we believe that the bulk of the cancer screening and diagnostic oncology market is in vitro rather than in vivo. The companies have a higher chance of successfully developing an in vitro diagnostic. It is intended to partner the product once a proven test can be delivered, which the joint venture estimates is feasible some time in 2006. Peptech is not

required to pay research costs for the in vitro diagnostic but still receives 50% of the commercialization proceeds.

Peptech believes that the market potential of a successful in vivo diagnostic product is in excess of US\$250 MM. Like the in vitro diagnostic, 50% of the commercialization proceeds will be payable to Peptech, but it will have to pay 100% of the R&D costs. In all likelihood, the joint venture will license an in vivo diagnostic to a third-party.

Therapeutics Biosceptre is developing a topical agent for non-melanoma skin cancer. Non-melanoma skin cancers are the most common skin-cancers. The group consists of all skin cancers except malignant melanoma. The JV intends to out-license the product once it has established proof-of-principal with the topical formulation. Peptech is not incurring any ongoing research costs but will share 50% of the commercialization proceeds.

The therapeutic mAb and dAb project will be funded entirely by Peptech, who will receive 50% of the commercialization proceeds. These are most likely to come from outlicensing fees and royalties, since the Joint Venture intends to outlicense before the start of Phase 3 studies. The market potential of a successful therapeutic antibody is enormous. The multi-billion dollar market success of drugs such as Herceptin and Avastin vividly illustrate the potential of these agents. It is worth noting, however, that there are many such agents in development and that by the time of commercialization several of these agents may have significantly raised the competitive bar.

Domantis

Domantis (previously known as Diversys) is a UK-based biotechnology company focused on the development of domain antibody technology. This technology originated from the Molecular Research Council ("MRC") in the late 1980s and its application has led to the creation of a large library of human single variable domain antibodies ("dAbs"). The company was founded by Sir Gregory Winter and Ian Tomlinson with asset manager MVM to commercialise domain antibodies. In addition a large and comprehensive patent estate has been generated to protect these entities. Domantis is the sole inheritor of this patent estate through an exclusive license.

Peptech's Shareholding Peptech appears committed to retaining its 36.1% stake in Domantis. The original stake was purchased at a cost of A\$14 MM while a subsequent fundraising occurred in February 2004, when Peptech invested a further A\$15 MM to maintain its position. The Series B financing round was led by 3i and contains a number of other high quality investors (Gray Ghost LLC, Albany Ventures, MVM and an undisclosed US institutional investor). Peptech's investment was made in two tranches with an initial contribution of A\$7.5 MM.

In February 2005 Peptech invested the remaining A\$7.5 MM commitment, to fund Domantis' domain antibody programme. The funding round included other shareholders; raising more than £8 MM. Peptech retained its 36.1% stake. The carrying value, at cost, of Domantis is A\$29.4 MM.

The Agreement Under Peptech's collaborative research agreement with Domantis, Peptech has the right to ask Domantis to produce dAbs against four targets nominated by Peptech. The first of these was TNF and Domantis has already delivered a single domain anti-TNF antibody to Peptech. Peptech therefore has the opportunity to nominate three further targets to Domantis which may include targets that may arise from the intellectual property acquired from Biosceptre International Limited.

Domantis to generate leads for Biosceptre In July 2005 Peptech and Domantis agreed to generate a domain antibody for Biosceptre's cancer diagnostic to enable development of diagnostic and therapeutic products. Domantis will generate a lead dAb, optimize it and transfer it to Peptech for pre-clinical development and initial clinical trials. The Peptech/Biosceptre joint venture will be responsible for its subsequent commercialization. The initial development of the lead product is expected to last up to 18 months.

Intellectual Property Domantis believes it has a dominant patent position in the field of human Domain Antibodies. The first high affinity single variable domains were isolated in MRC laboratories in the late 80's. Domantis has an exclusive license to these inventions, which are covered by a series of issued and pending patents. These patents comprise foundation antibody patents such as Winter II, Huse/Lerner/Winter and McCafferty, Griffiths. Domantis also owns patents covering domain antibody libraries, novel selection and screening methods, dual targeting dAbs, extended serum half-life formats and the use against specific diseases and targets.

Competition Domantis faces direct competition in the antibody fragment space from the Belgian company Ablynx. Ablynx's Nanobodies technology is comparable to Domain Antibodies, although is based around Camel and Llama antibody structures. The resulting Nanobodies have an approximately ~99% similarity to human antibodies. Ablynx's development programme is marginally less advanced.

Other small molecular size binding technologies are in development by companies such as Affibody, BioRexis, Borean Pharam, Compound Therapeutics, Pieris Proteolab, Scil Proteins and Selector. Although all are at the pre-clinical stage, we note that several are targeting well characterized drug targets such as TNF.

Domantis actively protects its patent estate Domantis announced in September 2005 that it had successfully opposed a patent EP0656946 awarded to VUB (Vrij Universiteit Brussel) and is subject to various licenses, including a license to Ablynx for the field of healthcare products. The opposition led to a major amendment of the main claim of the patent and narrowed the scope of 34 of the other 41 claims. Domantis remains free to operate in the field of human domain antibodies. Ablynx also claimed victory in this dispute, suggesting that the patent had largely remained intact.

Domantis Portfolio As Domantis develops its therapeutics programme, Domantis' increased investment commitments and limited amount of cash suggests another round of funding will occur within the next 12 months. We expect Peptech to participate in sufficient size to maintain its holding.

EXHIBIT 8: DOMANTIS PORTFOLIO

Lead	Indication	Target	Advantages	Status
<i>Immunology</i>				
Dom0100	RA, Crohn's	TNFR1	Monomeric inhibitor to avoid side effects of TNF inhibitors	In Vivo Efficacy
Dom0200	RA, Crohn's	TNF \square	Patient-friendly long serum half-life TNF inhibitor	Pre-clinical
Dom0400	RA, OA	IL-1R	Inhibitor with long serum half-life	Pre-clinical
Dom0700	RA	Cytokine receptor	Long Half-Life version of existing RA drug	In Vivo Efficacy
Dom0800	Autoimmune Diseases	CD40L	Monomeric inhibitor to avoid known toxicity	Optimization
<i>Respiratory</i>				
	COPD		Can deliver dAbs to the lung. Co-developed with Argenta.	
Dom0910	Asthma (injectable, noninjectable)	IL-4 + IL-13	Dual Target inhibitor of key cytokines in asthma pathogenesis	Optimization
<i>Oncology</i>				
Dom11/12	Multiple Myeloma	Tumour Markers	Selective tumour cell killing with Dual Target dAb conjugated to toxic drug	Optimization
Dom13/14	Lung Cancer	Tumour Markers	Selective tumour cell Killing with Dual Target dAb conjugated to toxic drug	Optimization
Dom15/16	Solid Tumors	Tumour Factors	More effective inhibitor of tumour growth by targeting two growth factors	Optimization
Dom19	Solid Tumors	Undisclosed	Monomeric inhibitor of tumour receptor	Discovery

Source: Rodman & Renshaw Elixir

COPD Recently Domantis announced with its partner that it had demonstrated the effectiveness of one of its domain antibodies in an animal model of COPD. The

companies believe that the COPD dAb is at least as effective as a high dose of an industry standard control drug. Further studies are being conducted to determine the precise dosing regimen for clinical studies which should begin in 2007. It is thought that reducing the pulmonary inflammation in COPD should result in a reduction in exacerbation rate and severity.

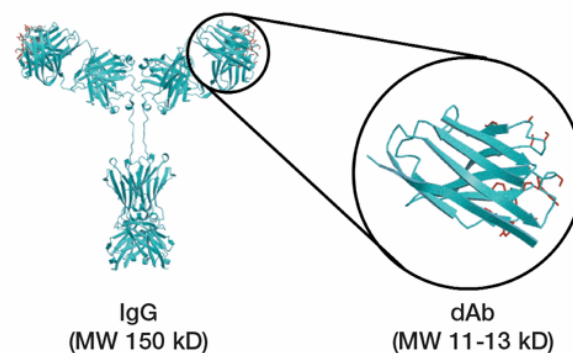
Domain Antibodies

Domain Antibodies ("dAbs") are effectively the smallest functional binding regions of an antibody. They consist of either the heavy or light chains of human antibodies. However, because the bulk of the antibody is missing, individual dAbs have a molecular weight of only around 11-13kD; a tenth (or less) of a full IgG antibody. Potentially, this confers some very desirable properties on products developed from them.

Potential Benefits

An additional benefit of dAbs is that they can be produced in bacterial, yeast and mammalian cell systems. Some methods of manufacture can reduce production costs and potentially increase yields.

EXHIBIT 9: DOMAIN ANTIBODIES



Source: Rodman & Renshaw Elixir

In addition, dAbs are more robust than antibodies and may be freeze-dried etc. Furthermore, the higher potency, in terms of active units per gram (due to the low molecular weight) means that the large dose volumes which are often necessary with antibodies may become a thing of the past. Further manipulation of the antibody allows the serum half-life to be tailored. This opens up a world of opportunity when it comes to formulation of the product and confers properties which are more akin to 'small molecules' than conventional biologics:

EXHIBIT 10: ADVANTAGES OF DOMAIN ANTIBODIES

Advanced solubility and stability
Customised product formats
Potential for non-injectable delivery
Lower manufacturing costs
Broader range of immunotherapeutic targets than whole antibodies

Source: Rodman & Renshaw Elixir

A dAb-based drug candidate is intended to combine the therapeutic potential of antibodies by maintaining their most desirable characteristics, as well as incorporating some of the benefits of small molecule drugs.

Large Libraries Domantis has developed some huge libraries of highly functional, fully-human dAbs and can 'fish' for dAbs which have high specificity/affinity for specific therapeutic targets. The libraries have been designed using human germ line antibody sequences, resulting in libraries that have in excess of 10^{10} different sequences in each library. Domantis believes that dAbs selected from its libraries are well fold and expressed.

Potential Oral Delivery One of the most exciting aspects of the Domain Antibody technology may be the delivery of antibody technology through non-injectable routes. Domantis' believes that the small size of the Domain Antibody make it suited to delivery by pulmonary or oral administration. Oral delivery would bridge the gap between antibody and small-molecule drugs.

Dual Target Domain Antibodies Domantis has successfully created dual-targeting antibodies that are fully human and can bind two targets simultaneously. They can be manufactured using an industry standard manufacturing process in dimer, Fab-like or IgG-like formats. The development of dual target domain antibodies has been paralleled by the development of bispecific antibodies by companies such as Medarex, Immunomedics and Micromet.

Customised Half-Lives Domantis uses dAb –Fc region fusions, albumin conjugates and PEGylation to control the biophysical properties of domain antibodies; with the potential to significantly improve half-lives.

Animal Health

Peptech is building an Animal Health business around a synthetic hormone called deslorelin. This molecule is a leuteinising hormone releasing hormone ("LHRH") agonist that acts on the pituitary gland which sends chemical messages to the reproductive organs to produce the steroid hormones. Recently it has launched a formulation of deslorelin for control of fertility under the brand name Suprelorin. The product is expected to generate substantial greater sales than its older, equine product, Ovuplant.

At present Peptech Animal Health is unprofitable, particularly due to significant investment in R&D activities related to Suprelorin. Profitability is expected following roll-

out of Ovuplant into the European markets and the approval of Suprelorin for use in Europe then the US.

EXHIBIT 11: ANIMAL HEALTH PRODUCT PORTFOLIO

Product	Indication	Markets	Status
Ovuplant	Horse breeding	Australasia, Canada	UK, Marketed
	Horse breeding	USA	Pre-registration after halt
	Horse breeding	Europe	Registration
Suprelorin	Castration/BPH	Australasia	Marketed
	Castration/BPH	Europe	Registration
	Castration/BPH	USA	Clinical trials

Source: Rodman & Renshaw Elixir

Ovuplant

Ovuplant helps horse breeders predict ovulation in mares. Ovuplant is a sustained release formulation of deslorelin that triggers the release of the mare's own hormones. These in turn stimulate ovulation in a predictable manner, which helps reduce the cost and time associated with successful breeding. Within 48 hours of implantation horse breeders have a high degree of certainty that within the mare will ovulate. The breeder can therefore precisely time when to introduce the stallion. Ovuplant can also be used to improve the chances of fertilisation where artificial insemination or embryo transfer techniques are being used.

Regulatory status Ovuplant has been registered in Australia, New Zealand, Canada and South America since 1995. Ovuplant was first authorized by the FDA for use in the US market during June 1998. Peptech had expected to begin marketing Ovuplant in the UK for the 2005 breeding season (starting March/April). However problems at the contract sterilization site delayed the launch until just before the end of the season. The Animal Health business believes that Dechra will begin submission of dossiers for Ovuplant in several of the European countries once Peptech's full manufacturing license is received (expected Q4 2005). It is unlikely that the registration process will be complete in time for the 2006 season.

The company uses third party distributors to supply Ovuplant to a number of markets. The UK and European marketing is conducted by Dechra Pharmaceuticals formerly Arnolds Veterinary Products. Sales of Ovuplant in the US ceased after the 2004 season following the termination of a manufacturing agreement with a US contract manufacturer.

Competition is tough The principal competition to Ovuplant is Chorulon, a human chorionic gonadotrophin that is used in dogs, horses and cattle. Chorulon is marketed by Intervet, a division of Dutch company Akzo Nobel. Sales figures for the product are not available, whilst

a cursory review of the Intervet product segments suggests that Equine breeding drugs form a very small portion of its revenues.

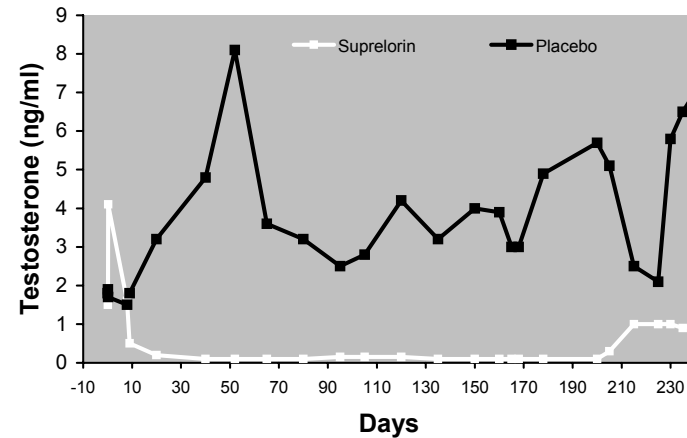
Sales have stalled Sales in Ovuplant stalled in 2004 following the cessation of US commercial activities, although we note growth persisted in certain markets (NZ and Australia). Significant future growth will be primarily driven by resumption of US sales and expansion into European markets. We do not expect FDA authorization for the new plant to be granted until 2007.

Peptech has called Ovuplant a niche product. Elixir estimates that peak revenues for Ovuplant will reach A\$2.5 MM over the next 5-years, based on sales of A\$17 MM (15% royalty). We expect Ovuplant to enjoy patent protection in most major markets until at least 2012. Peptech has indicated that Ovuplant enjoys a high gross margin of around 60%-80%.

Suprelorin

Suprelorin is a prescription implant that delivers a low continuous dose of a deslorelin. This molecule is an effective contraceptive, preventing production of the canine sex hormones which control fertility. Unlike its surgical equivalent, chemical castration with Suprelorin is reversible. The effects of Suprelorin are effective within 14 days after implant. If the dog owner is unsure about the behavioral impact of castration, chemical castration with Suprelorin may be used as an interim measure.

Suprelorin is also indicated for the treatment of benign prostatic hyperplasia ("BPH"). BPH primarily affects elderly dogs and may be treated with castration or a daily pill. Suprelorin has several advantages over the current competition. In certain, older animals, castration may not be possible whilst a six-monthly implant is clearly more convenient than daily dosing. Although it currently manages its Australian and New Zealand distribution, Peptech expects to out-license global marketing and distribution rights to third parties. Peptech plans to retain the manufacturing rights to Suprelorin.



Source: Peptech

Marketing Status Suprelorin was first launched in Australia and New Zealand during December 2004 in a 6 month implant formulation. On 13 September 2005, Peptech submitted the 12 month formulation of Suprelorin in Australia. If approved, the new formulation will be marketed as Suprelorin 12. If registration proceeds according to plan Peptech expects to launch Suprelorin 12 during mid 2006. Suprelorin 12 should also be indicated for the treatment of BPH.

Also in September 2005, Peptech announced that it had submitted 6-month Suprelorin for registration in Europe. Further trials are required in the US, which will be started by Q1 2006. Approval in both markets is critical to the commercial success of Suprelorin.

Additional indications Peptech is investigating a number of additional indications for use in fertility control in bitches and the control of incontinence in spayed bitches. Peptech has also received research funds to exploit Suprelorin potential in controlling wild animal populations, such as kangaroos and koalas.

High sales potential Sales were minimal during 2004, after the December launch in Australasia. We expect strong sales trends to develop, as approvals are sought and gained in the US and European markets. Elixir estimates that peak revenues from Suprelorin to Peptech will reach A\$7 MM over the next 5-years, based on a 15% royalty on sales of A\$47 MM. Our current estimates include contributions from BPH and other indications. Suprelorin should enjoy a relatively long life cycle since patent protection is expected to last in major jurisdictions until 2016. The greater near-term threat is the development of competing agents. Peptech has indicated that Suprelorin enjoys a reasonable gross profit margin of

around 50%. Peptech believes that it has the potential, with additional indications, to reach veterinary blockbuster sales of greater than US\$100 MM per annum within 5-10 years.

Strategic implications We believe that Peptech's Animal Health business will develop into a significant entity within the next 12-24 months. It will have two products on the market, one of which has substantial potential in the Animal Health segment. If early commercialization of the Suprelorin family in Australasia progresses well, larger Animal Health players are likely to be attracted to the franchise and possibly the business unit.

Board, Management & Scientific Advisory Board

Peptech has assembled an experienced Board, with diverse experience, to supervise the management of the company.

Mel Bridges Mel Bridges joined the board as Chairman in December 2002. He was appointed Executive Chairman on 1 January 2004. Mel Bridges brings to the Board more than 30 years experience in the biotechnology and healthcare industries. During his career, he has founded and developed successful diagnostics, biotechnology and medical device companies, and also held senior management positions with divisions of Chicago based, Baxter Healthcare. He is also a director of listed company Alchemia Limited (Chairman), a position held since December 2003. He is Peptech's nominated director on the Domantis Limited board and is a director and chairman of the joint venture with Biosceptre International Limited. He is a Fellow of the Australian Institute of Company Directors and holds a Bachelor of Applied Science (Chemistry), University of Southern Queensland.

Bill Bartlett Mr Bartlett joined the Peptech board as Non-Executive Director in August 2004. He is Chairman of the company's Audit and Compliance Committee and a member of the Remuneration Committee. Mr Bartlett brings to the Board international public company experience (UK and USA) and strong accounting, financial and corporate business credentials. He is a retired partner of professional services firm Ernst & Young (E&Y), where he helped develop a specialist biotechnology practice. In previous roles at E & Y, Mr Bartlett was Chairman of Worldwide Insurance Practice, National Director of Australian Financial Services Practice, and Chairman of the Client Service Board. He is currently director of: Suncorp - Metway Limited, Reinsurance Group of America, Retail Cube Limited. He is also a director of the St James Ethics Centre and the Bradman Museum and Bradman Foundation. He is a Fellow of both the Australian Institute of Chartered Accountants and the Institute of Cost and Management Accountants and is a Certified Practising Accountant (Australia) and a Chartered Accountant (South Africa).

Greg Bundy Mr Bundy joined Peptech's board in February 2005 as Non-Executive Director. Greg Bundy brings international investment banking experience to the board. He has more than 20 years experience in investment banking, stockbroking and funds management gained at the major banking and broking firm Merrill Lynch. In 2002 he left Merrill Lynch as Vice Chairman Asia Pacific. He is currently Chairman of Equity Capital Markets Limited, a boutique Investment Bank based in Sydney. During the last three years he has also served as a director of the following listed company: Creatable Media Limited (April 2004 to May 2005)

Phil Jennings Research & Development Director. Dr Jennings joined the Peptech board in August 2004, having served as Peptech's Chief Scientific Officer since September 2001. Dr Jennings brings a depth of practical experience in patenting, intellectual property, the commercialisation of science and in the resolution of

commercial/licensing disputes. Dr Jennings is an inventor of a number of important granted patents and patent applications including foundation patents for the biotechnology companies Gene Shears and Betabiotic. Prior to joining Peptech, Dr Jennings was a Chief Research Scientist and Corporate Fellow of CSIRO. Other roles in CSIRO included Chief of Division and Head of the Bioactive Molecules Initiative. Dr Jennings' early post doctoral work was at the MRC Laboratory of Molecular Biology in Cambridge in the United Kingdom with Dr Greg Winter, who subsequently co-founded Domantis. Dr Jennings is a director of the joint venture with Biosceptre International Limited. He is a Fellow of the Australian Academy of Technological Sciences and Engineering.

Martin Kriewaldt Mr Kriewaldt was appointed a Non-Executive Director of Peptech in October 2003 and Lead Independent Director in October 2004. He is Chairman of Peptech's Remuneration Committee and a member of the Audit and Compliance Committee. Martin Kriewaldt brings to the Board more than 15 years experience as a public company director. During 25 years as a partner at Allen Allen & Hemsley (now Allens Arthur Robinson), Mr Kriewaldt undertook litigation for 20 years. His practice included patent, trademark and intellectual property disputes, as well as banking and insurance matters. He is currently director of the following listed companies: Suncorp - Metway Limited (position held since 1996), Oil Search Limited (position held since 2002), GWA International Limited (position held since 1992), Campbell Brothers Limited (position held since 2001). During the last three years he has also served as a director of Thin Technologies Ltd 2003. He is a Fellow of the Australian Institute of Company Directors and is a Bachelor of Arts, Bachelor of Laws (First Class Honours, University Medal), and University of Queensland.

Till Medinger Till Medinger joined Peptech's board in 1997. He is a member of Peptech's Audit and Compliance, and Remuneration Committees. Dr Medinger is a Non-Executive Director. Dr Medinger brings to the board international public company experience (UK) and a senior management career over 30 years with Imperial Chemical Industries Ltd, Zeneca PLC and AstraZeneca PLC, and subsequently as a director and consultant with many smaller companies in the biopharmaceutical sector in the USA and the UK. He has had a distinguished international career spanning R&D, licensing and acquisition, strategic planning and marketing management in the pharmaceutical industry, launching several products that achieved 'blockbuster' global success. During the last three years he has also served as a director of ML Laboratories PLC (1999 to May 2005). He is alternate director for Mel Bridges on the Domantis Limited board. He is a Member of the Institute of Directors (UK) and is a Master of Arts and Doctor of Chemistry, Oxford University.

Niall Henderson Mr Henderson joined Peptech in 2001 as Chief Financial Officer and Company Secretary. He has more than 20 years experience in professional and commercial accounting. A graduate of the University of Glasgow, he is a member of the Institute of Chartered Accountants in Scotland and Australia and a member of the Australian Institute of Company Directors. Following a successful professional career, he joined TNT Limited and held several senior accounting and commercial roles including Group Accounting Manager, TNT Limited and Director and Chief Financial Officer of TNT Australia.

Valuation

Our analysis suggests that the bulk of the near-term value of Peptech is in its TNF patent estate and the associated royalty flow. Longer-term the source of most value creation will come from its 36% stake in Domantis and the development of its own proprietary molecules (including the Domantis generated dAb). We presently believe the fair value of Peptech is A\$1.81 cents per share.

EXHIBIT 13: VALUATION OF KEY ASSETS

Asset	Status	Value per share A\$
<i>Human health</i>		
Centocor license	Market	\$0.69
Abbott license	Market	\$0.22
TNF mAb	Pre-clinical	\$0.12
TNF dAb	Pre-clinical	\$0.13
<i>Animal health</i>		
Suprelorin	Market	\$0.15
Ovuplant	Market	\$0.07
Domantis		\$0.18
Cash		\$0.24
Total		\$1.81

Source: Rodman & Renshaw Elixir

TNF antibodies We have valued both the anti-TNF antibodies using our standard valuation methodology. We estimate that the present fair value of both projects is A\$0.25 cents per share. Despite the well validated nature of the TNF target, we have used drug industry standard attrition rates to value the domain antibody and the monoclonal. We expect Peptech to out-license both molecules and receive a 12.5% royalty on sales for the dAb and 15% for the mAb. A further 2.5% royalty will be payable to Domantis on the dAb. The domain antibody is expected to enter the clinic in 2007 and we expect a product launch in 2012 at the earliest. We expect Peptech's own monoclonal TNF inhibitor to take a little longer and hit the market in 2014. We have assumed peak sales of A\$1.36 BN for each product.

With both projects at such an early stage, these valuations are highly subjective. We have used lower EBITDA multiples to reflect the low level of visibility on these projects. The following table demonstrates the sensitivities of our valuation to end-user sales estimates and royalty rates.

EXHIBIT 14: SENSITIVITY OF CENTOCOR TNF LICENSE VALUATION TO REMICADE PEAK SALES

	A\$ per share	Royalty rate			
		10%	15%	20%	25%
Peak sales A\$	\$1360 MM	\$0.08	\$0.12	\$0.16	\$0.20
	\$1700 MM	\$0.10	\$0.15	\$0.20	\$0.24
	\$2040 MM	\$0.12	\$0.18	\$0.23	\$0.29
	\$2380 MM	\$0.14	\$0.20	\$0.27	\$0.34
Peak sales MM	\$2720 MM	\$0.16	\$0.23	\$0.31	\$0.39
	\$3060 MM	\$0.18	\$0.26	\$0.35	\$0.44

Source: Rodman & Renshaw Elixir

TNF patents The TNF patent revenue is a relatively simple asset to value. We know its life-span extends to August 2010 and the TNF inhibitor landscape appears relatively predictable over the next 5 years. Some complexity is introduced by the launch of Cimizia (UCB) and potentially the later launch of CNTO 148. It is not yet clear whether either of these molecules will require a license from Peptech or how expensive it will be to recover any missed revenues. We presently do not include either in our valuation; Cimizia will likely hit the market in 2007 which is when we first could see a lawsuit for patent infringement. The launch of CNTO 148 is even later.

EXHIBIT 15: SENSITIVITY OF CENTOCOR LICENSE VALUATION TO REMICADE PEAK SALES

	A\$ per share	EBITDA multiple			
		7.5x	10.0x	12.5x	15.0x
Peak sales US\$	3250 MM	\$0.41	\$0.55	\$0.69	\$0.82
	3500 MM	\$0.44	\$0.59	\$0.74	\$0.89
	3750 MM	\$0.47	\$0.63	\$0.79	\$0.95
	4000 MM	\$0.51	\$0.68	\$0.84	\$1.01
	4250 MM	\$0.54	\$0.72	\$0.90	\$1.08
Peak sales MM	4500 MM	\$0.57	\$0.76	\$0.95	\$1.14
	4750 MM	\$0.60	\$0.80	\$1.00	\$1.20

Source: Rodman & Renshaw Elixir

Domantis At present Domantis is a privately held company. Peptech carries its holding of Domantis at cost for \$29.4 MM. Using this conservative number we can value its stake at A\$0.18 cents per share. However, we think that it is likely that Domantis is worth considerably more than this; the following sensitivity analysis illustrates various estimates of the value of Domantis on our estimates for the per share value of Peptech.

EXHIBIT 16: IMPACT OF DOMANTIS VALUATION ON FAIR VALUE TO PEPTECH

Value of Domantis A\$	Value to Peptech Shareholders A\$ per share
\$30 MM	\$0.19
\$45 MM	\$0.28
\$60 MM	\$0.38
\$75 MM	\$0.47
\$90 MM	\$0.56
\$105 MM	\$0.66

Source: Rodman & Renshaw Elixir

As Domantis' product portfolio matures, we expect the company to require further financing. In order to maintain its 36% stake, it is likely that Peptech will have to find substantial amounts of investable cash. It is conceivable that Peptech will return to the market, in order to fund its cash requirements to maintain its stake Domantis.

Biosceptre JV The value of the Biosceptre JV is particularly opaque. Whilst we know that the cancer diagnostics market is an attractive one, the joint venture is at a very early stage of development with its diagnostic and therapeutic products. Furthermore there is very little publicly available information about the actual target. Consequently, despite several signals that the technology is promising, we have decided not to include any value to the JV at present. However, we expect rapid development of the diagnostic to a point where a value can be assigned. Note that Peptech acquired the license at the cost of A\$3.5 MM and this may be used as a minimum to value the technology.

Animal Health Our sales assumptions for the animal health business are quite modest. We have assigned 5-year peak revenues estimate of A\$7 MM for Suprelorin (peak sales

of A\$47 MM) and A\$2.5 MM for Ovuplant (peak sales of A\$17 MM). We assume that third-party distributors are largely responsible for selling the bulk of the product and Peptech receives a 15% royalty on sales. Using these criteria, we estimate that the Ovuplant business is worth A\$0.07 cents per share and Suprelorin A\$0.15 cents per share.

In projections released to the market at the November 2005 results presentation, Peptech indicated significant growth in the animal health sales in 2009/10. It also indicated that could reach veterinary blockbuster status in 5-10 years with the approval of additional indications. Our sales estimate is A\$67 MM in 2009.

Balance sheet and burn rate Peptech has not approached the Market for many years. It has actually returned cash to shareholders with a share buy back programme and paid a special fully franked dividend of 8 cents per share earlier this year. Since it is difficult to predict which assets Peptech will acquire and what price it is prepared to pay, we continue to value the current cash position at A\$0.24 cents per share. It is conceivable that Peptech will seek further equity investment to fund acquisitions.

Shareholders

EXHIBIT 17: TOP 20 SHAREHOLDERS AT 31 OCTOBER 2005

Holder	Shares	%
ANZ Nominees Ltd	4,484,670	2.8
National Nominees Ltd	3,798,735	2.37
Equity Trustees Ltd (SGH PI Smaller Co's Fund)	3,516,946	2.19
Thorpe Road Nominees Pty Ltd (Ian Tregoning Family A/C)	2,779,578	1.73
Sun Hung Kai Investment Services Ltd (SHKIS No 2 A/C)	2,248,875	1.4
Chevron Properties Pty Ltd	1,670,000	1.04
Justify Pty Ltd	1,561,272	0.97
JP Morgan Nominees Australia Limited	1,509,509	0.94
Bell Potter Nominees Ltd	1,202,500	0.75
Mr Raydon Ayers Lines	1,200,000	0.75
Westpac Custodian Nominees Limited	1,194,298	0.74
Biosceptre International Limited	1,167,881	0.73
W F O Investments Pty Ltd	1,030,000	0.64
Mr Yet-Kwong & Mrs Ho Yuk Lin Chiang	1,000,000	0.62
MLEQ Nominees Pty Ltd	912,016	0.57
Mr Andrew Kevin Neil & Mrs Prudence Jane Neil	841,018	0.52
Mr Mark Potter & Mrs R Potter	800,000	0.5
Lee-Sands Nominees Pty Ltd	794,156	0.49
Todber Pty Ltd	694,077	0.43
Citicorp Nominees Pty Limited	665,689	0.41

Source: Rodman & Renshaw Elixir

There are also 3.2 MM options on issue over the common stock of the company.

Financial model

We expect anti-TNF therapy to remain the dominant type of therapy in currently approved markets until the expiry of the patents in August 2010. Consequently, royalty revenues from TNF inhibitors will form the back bone of Peptech's top-line over the next 5 years. In 2009/10 we estimate it will receive A\$33 MM in revenues from its TNF patents. There is potential upside to our current numbers if UCB are obliged to pay royalties on Cimizia.

At some point during this period we expect Peptech to out-license either or both of its own anti-TNF mAb and the product based on the Domantis generated dAb. Assuming that the promising animal data is fulfilled by early clinical trials, a substantial licensing deal can be expected in the next few years. However, the precise timing and magnitude of this deal is hard to predict.

Peptech's M&A strategy is likely to materially impact forecast financials. At present it is impossible to model the financial impact of future acquisitions on the structure of the company. We doubt that Peptech will be able to fund these entirely from cash resources. Therefore our financial forecasts are subject to change in the issuance of additional equity.

Company guidance At present Peptech does not issue formal financial guidance. The financial forecasts contained herein are solely the responsibility of Rodman & Renshaw Elixir.

Peptech has however indicated that it expects A\$23.4 MM in revenue for FY 2006 (2005/6). It then expects this to grow to A\$41.2 MM in FY2010, with the animal health business generating close to A\$10 MM in revenue.

P&L 2005-2009

EXHIBIT 18: PROFIT AND LOSS (A\$000s)

Rodman & Renshaw Elixir

Peptech

Forecast financials

Year ending September 30	H105A	2005A	H106E	2006E	2007E	2008E	2009E
Total Revenues	38,231	45,969	13,658	28,031	33,002	37,714	41,618
Cost of goods sold	295	670	263	647	1,121	1,688	1,707
% of Sales	1%	1%	2%	2%	3%	4%	4%
Research & development	545	1,977	3,141	6,160	6,628	7,589	8,526
% of Sales	1%	4%	23%	22%	20%	20%	20%
SG&A	4,718	9,403	4,826	9,796	10,392	11,025	11,697
% of Sales	12%	20%	35%	35%	31%	29%	28%
Other Operating Income/(Expense)	(602)	(468)	0	0	0	0	0
Operating Profit	32,334	33,115	5,030	10,678	14,271	16,891	19,181
% of Total Revenues	85%	72%	37%	38%	43%	45%	46%
EBITDA	32,762	33,900	5,428	11,428	14,860	17,412	19,688
Non-operating items	339	804	398	750	589	521	507
Net Interest (Paid)/Received	1,618	2,888	1,493	3,229	4,349	4,475	4,594
Pre- Exceptional, Pre-tax profit	34,291	36,807	6,921	14,658	19,209	21,887	24,282
Tax	10,036	10,369	1,957	4,172	5,586	6,410	7,133
Tax Rate	0	0	0	0	0	0	0
Net Income	24,255	26,438	4,964	10,485	13,623	15,478	17,150
Fully Diluted EPS	14.70	15.85	2.82	6.02	8.06	9.25	10.29
Fully Diluted EPS Excl. Amortisation	14.33	15.56	2.82	5.88	7.95	9.15	10.19
End Period Shares Outstanding	161,722	160,974	160,974	160,974	160,974	160,974	160,974

Source: Rodman & Renshaw Elixir Securities

Cash Flow 2005-2009

EXHIBIT 19: CASHFLOW (A\$000s)



Peptech

Forecast financials

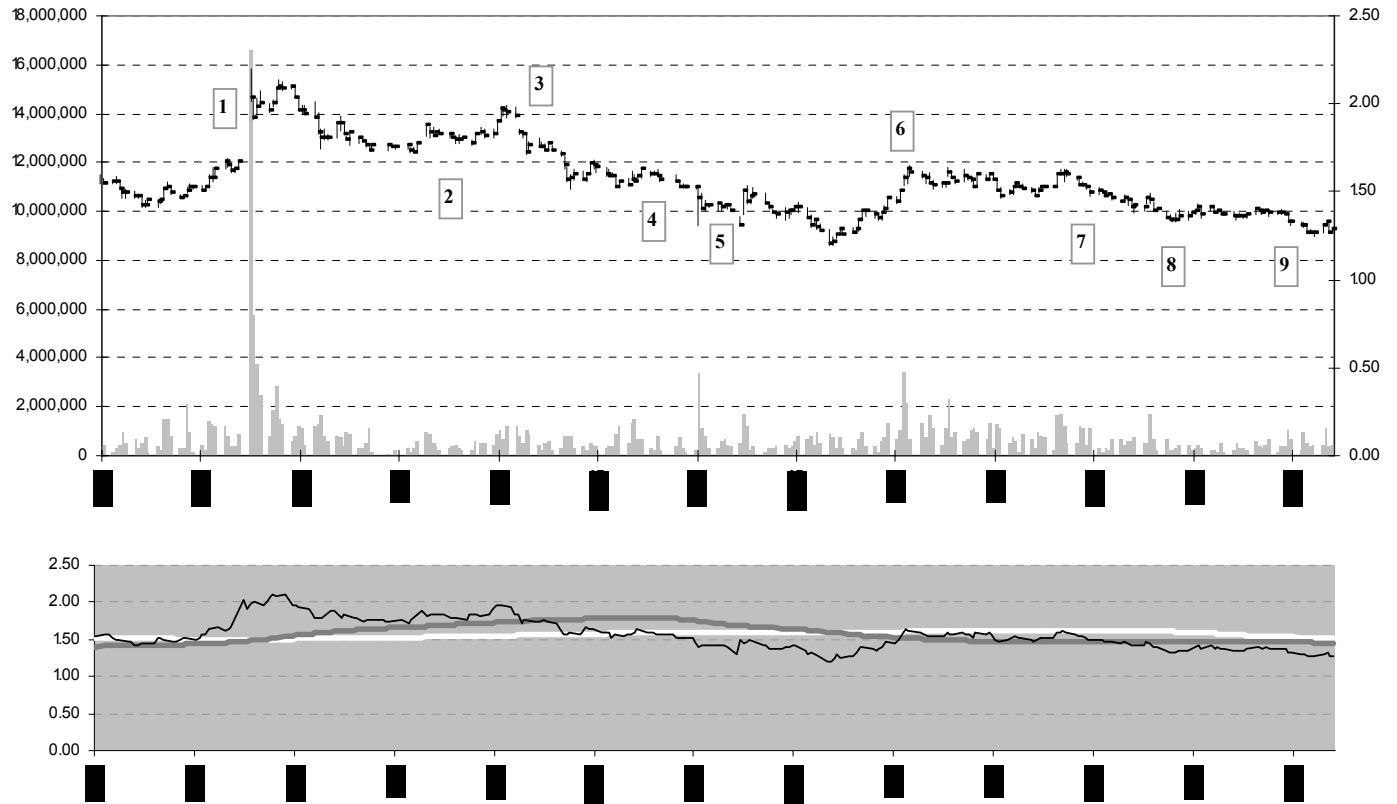
Year ending September 30	H105A	2005A	H106E	2006E	2007E	2008E	2009E
Cashflow from Operations	33,101	34,704	5,826	12,179	15,450	17,933	20,195
Non -Cash Operating/non-operating Charges	0	(10,252)	0	0	0	0	0
Change in working capital	5,735	829	2,049	4,205	4,950	5,657	6,243
Operating FCF	29,799	27,365	7,477	15,633	19,811	23,069	25,931
Non Cash Tax adjustments	0	0	0	0	0	0	0
Net Capex (Basic)	(45)	(90)	(45)	(90)	(90)	(180)	(270)
Elixir FCF	19,718	16,906	5,475	11,371	14,135	16,480	18,528
Net Capex (Incremental)	(1,445)	(2,846)	0	0	0	90	180
Issue (Repurchase) of Shares	(250)	(2,466)	0	0	0	0	0
(Repayment)/Issue of Debt	0	0	0	0	0	0	0
(Increase)/Decrease in Liquid Funds	0	0	0	0	0	0	0
Servicing of Debt and Other	(10,860)	(9,443)	1,493	3,229	4,349	4,475	4,594
Cashflow	7,163	2,151	6,968	14,600	18,483	21,045	23,302
Net Cash & liquid assets closing	44,742	39,735	46,703	54,335	72,818	75,380	77,637

Source: Rodman & Renshaw Elixir Securities

Charts

1. The first contraceptive for pets Suprelorin is released
2. Approval to market Ovuplant in the UK
3. Peptech and Biosceptre agreed for DPT Labs to manufacture anti-cancer antibody
4. Initiates share-buy back
5. Advances TNF antibody drug with Domantis
6. Domantis delivers drug candidate to Abbott
7. Prostate Cancer studies positive with Biosceptre antibody
8. Domantis' successful in patent litigation proceedings.
9. Suprelorin registered in Europe.

EXHIBIT 20: HIGH, LOW AND LAST PRICE WITH VOLUME (LOWER CHART, PRICE WITH 90 DAY AND 200 DAY MOVING AVERAGES)



Source: Rodman & Renshaw Elixir Securities

Important Information

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Disclosure

Intersuisse advises that the contents of this report, including the company valuation, was prepared by Rodman & Renshaw Elixir (“RRE”) for the UK Life Science Forum held in London in November 2005. RRE is an equity research, investment banking and stockbroking business based in the United Kingdom (“UK”). In November 2005, Intersuisse, its associate Intersuisse Bioscience Managers Pty Ltd (“IB”) and RRE together conducted a Life Science Forum in the UK. The company mentioned in this report paid fees (shared between IB, Intersuisse and RRE) to attend the UK Life Science Forum and to have research written about it. Intersuisse Corporate Pty Ltd, an associate company of Intersuisse Limited, and/or Intersuisse Limited may in the future do business with the company stated in this report. As a result, investors should be aware that Intersuisse Limited may have a conflict of interest that could affect the objectivity of this report.

This issue of RRE’s report was authorised by Peter Russell on behalf of Intersuisse.

1 December 2005