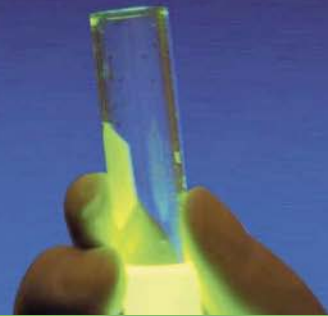




PEPTECH UPDATE



www.peptech.com

Issue 3, September 2005

In this issue

HUMAN HEALTH

- Key achievements
- Investment grows as Domantis hits milestones
- Anti-TNF compounds — promising for commercial applications
- Joint venture casts cancer technology net wider

ANIMAL HEALTH

- Key achievements
- Suprelorin® takes to the radio waves
- Progress towards Suprelorin® registration in Europe and United States
- Strong Suprelorin® demand for population control
- Ovuplant® in the UK and USA
- Suprelorin® consumer awareness campaign and NZ market launch



PEPTECH

www.peptech.com

Email: corporate@peptech.com

Tel: +61 2 9870 8788

Fax: +61 2 9870 8786

Peptech Limited
19-25 Khartoum Road
Macquarie Park NSW 2113

From the Chairman

Welcome to the third issue of "Peptech Update". I am pleased to advise that Peptech is on track and continuing to hit our key milestones.

STRONG FINANCIAL POSITION

In our half year report we reported a strong cash position and an upgraded full year net profit forecast of \$22 million to \$24 million. The company is clearly focused on utilising our ongoing cash flow to continue the expansion of our product pipeline and to build critical mass.

HUMAN HEALTH

Our human health division continues to achieve its key milestones, with our potential anti-TNF products continuing to advance according to plan and other programs progressing with the support of Biosceptre and Domantis.

Biosceptre

The Peptech/Biosceptre joint venture recently reported exciting results from trials focused on the early detection of ovarian cancer and prostate cancer — areas of major unmet medical need. Biosceptre's revolutionary cancer marker and Peptech's antibody therapeutic expertise provide considerable potential for both companies to make an important contribution towards developing the next generation of cancer diagnostics and treatments.

Domantis

Domantis has commenced work to generate a domain antibody against the Biosceptre cancer marker. Upon completion, the domain antibody will be transferred to Peptech for further development for diagnostic and therapeutic uses. In addition, Domantis continues to progress 12 of its own projects plus additional projects with its collaboration partners.

Peptech anticipates an ongoing positive news stream from Biosceptre and Domantis in the run up to the end of the calendar year.

New manufacturing facility

The Peptech team has now settled into the new manufacturing facility at Macquarie Park in Sydney, which provides us with the in-house capability to perform human drug development work previously outsourced. This has led to ongoing cost savings, which were a contributory factor in our full year profit upgrade.

ANIMAL HEALTH

Peptech Animal Health has also made strong progress. We recently launched world-first dog contraceptive Suprelorin® in New Zealand following the Australian launch late last year, and Ovuplant®, a successful horse-breeding aid, is enjoying ongoing strong domestic and export sales. The team is now working diligently towards gaining US Food and Drug Administration (FDA) approval for our new manufacturing facility to allow us to scale up production of Suprelorin® and Ovuplant® to meet increasing international demand.

A SOLID FOUNDATION

Our focus in 2005 has been on laying solid financial and product pipeline foundations that will continue to drive growth through to, and beyond, 2010 and secure our position as one of Australia's top five life sciences companies. Peptech is well placed to achieve this goal — we are a company with a spread of risk, ongoing revenue streams and a development pipeline with products directed at two of the world's largest markets, cancer and inflammation. We see a very exciting future.

I trust you find this bulletin informative and useful. We welcome your feedback on its style and content, which can be delivered to us by clicking "[here](#)" if you are viewing this Update via Peptech's website.

Mel Bridges
Executive Chairman





HUMAN HEALTH

Key achievements since we last wrote

- advancing our intellectual property position in the anti-TNF area
- advancing the commercial production of the anti-TNF dAb-based compound
- continuing progress in our joint venture with Biosceptre
- agreement with Domantis to develop dAb-based cancer imaging and therapeutic agents
- investment in Domantis growing in value

Investment grows as Domantis hits milestones

Domantis Limited, a company in which Peptech holds a 36.1 per cent interest (33.1 per cent fully diluted), continues to develop its own programs and an impressive product pipeline. Peptech's current investment is \$29.4 million.

Substantial progress has led to a pipeline of potential products that continues to mature and gain in value. Programs are moving rapidly from initial discovery, through preclinical towards clinical development – increasing our confidence in the commercial potential of Domantis, its technology and the value of Peptech's investment.

Domantis continues to deliver on its milestones. In addition to Domantis' successful transfer of an anti-TNF dAb to Peptech in April 2005, Domantis announced in June it had achieved a milestone in its research agreement with Abbott — the generation of a fully human dual targeting dAb directed against two inflammatory disease targets. The milestone concluded the discovery phase of a collaborative project that began in 2003 and triggered an undisclosed payment to Domantis.

The formalisation of an agreement around the Biosceptre cancer marker is testimony to Peptech's confidence in Domantis.

Anti-TNF compounds — promising for commercial applications

We have previously reported the successful completion of a preclinical trial with a proprietary domain antibody (dAb)-based compound in an industry standard model.

This compound has optimal design features for commercial production. It showed about three times the therapeutic potency of a marketed blockbuster anti-TNF drug in the same model that was used in the development of current marketed anti-TNF drugs.

In the course of this work we have advanced our intellectual property position with new patent filings.

We have progressed commercial production of the dAb-based compound to the initial phases of production under the rigorous production requirements of Good Manufacturing Practice conditions.

We have successfully applied newly gained expertise in the in-house generation of a bank of cell-lines that abundantly produce the anti-TNF compound. Internalising early stages of production of the anti-TNF dAb reduced reliance on outsourcing, with significant savings in costs and no loss in time. Excellent progress in this phase of the work gives us strong confidence in the potential of the current expression systems to sustain commercial levels of production of the anti-TNF protein.

Peptech has signed an agreement with an internationally reputed manufacturer of biopharmaceuticals to produce the quantity

and quality essential to further preclinical assessment of the Peptech compound and its use in clinical trials in humans.

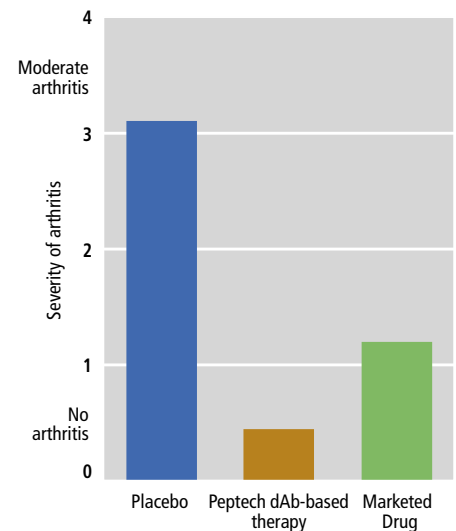
R&D Director Dr Phil Jennings notes that "Our confidence in the potential of our cell-lines to sustain commercial levels of production of our compound has enabled us to move to a manufacturing agreement. The key deliverable is production of GMP quality material in sufficient quantity to enable the further preclinical development of the Peptech compound and its use in human clinical trials.

We are progressing well towards our goal of entering the clinic with our anti-TNF compound in the first half of 2007."

Additional to the ongoing development of the dAb-based anti-TNF, we have independently developed our own proprietary monoclonal antibody (mAb) against TNF. The Peptech mAb, trialled in the industry standard model (as above), demonstrated its value by outperforming a leading existing anti-TNF drug.

We are assessing the requirements of potential commercial partners to ensure we develop an optimum product from the mAb.

As well as progressing both the dAb-based product and the mAb towards the clinic, Peptech is exploring partnering opportunities for both these products.



Peptech anti-TNF dAb-based therapy inhibits arthritis in an industry-standard model.

The Peptech anti-TNF dAb-based therapy inhibited development of arthritis to a greater extent than a marketed anti-TNF drug administered at the same dose, as shown in this figure by the reduced severity of arthritis.



PEPTECH UPDATE • SEPTEMBER 2005

HUMAN HEALTH



Joint venture casts cancer technology net wider

Since Peptech entered into a joint venture with Sydney-based company Biosceptre in November 2003, we have been focused on developing new ways to diagnose and treat a wide range of cancers using antibodies and protein based approaches.

As part of this focus the partners have confirmed the presence of a novel marker, selectively expressed on tumour cells, in the majority of types of solid cancers (eg skin, lung and bowel cancer). The ongoing application of the technology to the diagnosis of prostate cancer continues to show promise with our joint venture partners, Biosceptre reporting on the "greatly encouraging" results of trials conducted at St Vincent's Hospital in Melbourne. The trials were overseen by an international authority on prostate cancer, the Chairman of the Department of Urology and Head of the Uro-Oncology Research Unit at St Vincent's Hospital, Dr Phillip Stricker.

We have also reported the addition of ovarian cancer as another potential diagnostic application of the technology. The antibody against the tumour marker was found to identify 100% of ovarian cancers in tissue analysis and to discriminate between invasive and non-invasive ovarian tumours. The study was conducted at the Monash Medical Centre's Ovarian Cancer Research Foundation, under Research Fellow and trial co-ordinator Dr Martin Oehler. These observations constitute a significant milestone on the path to a commercial laboratory test.

The joint venture partners have been successful in collaboratively generating a panel of antibodies against the novel tumour marker. The progress has been such that Peptech formalised an agreement with UK-based Domantis to generate dAbs against the novel Biosceptre target to enable development of diagnostic and therapeutic products to fight cancer. The aim is to develop products for imaging cancers in patients and for their subsequent treatment.

Flowing on from the excellent results obtained with the dAb-based compound against TNF, we are optimistic about the prospects for a dAb-based approach, focused on the novel marker, for the diagnosis and treatment of cancer.

We expect there will be three phases of development in this work:

1. An initial research program to identify and optimise dAb lead(s) taking up to 18 months;
2. Subsequent transfer of the dAb to Peptech for preclinical development; and
3. Initial clinical trials and commercialisation of dAb-based products by the joint venture.

In forming a 50/50 joint venture, Peptech and Biosceptre identified two diagnostic and two therapeutic product lines using the novel cancer marker. dAb-based products may be useful for the various diagnostic and therapeutic applications.



Glossary

TNF – Tumour Necrosis Factor, a natural protein involved in immune system function, that when produced in large excess can lead to arthritic disease, such as rheumatoid arthritis.

Anti-TNF – a molecule, such as an antibody, that neutralises the damaging activity of excess TNF.

Monoclonal antibody (mAb) – a single antibody, in terms of its composition produced in very large numbers of identical copies.

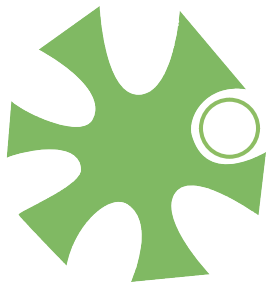
Domain antibody (dAb) – a type of protein molecule which has similar binding properties to a conventional antibody, but in a much smaller size. Produced by a technology that is proprietary to the UK company, Domantis.

Good Manufacturing Practice – Rigorous quality standards applied to the production of drugs intended for medical or veterinary use.

Cell lines – Immortalised cells, derived in this case from a mammalian source, grown in culture to large numbers. Used in this case as a 'factory' to produce the Peptech compound.

Preclinical trials – trials in predictive animal models, conducted to test the efficacy of a given compound prior to its first testing in trials in man (clinical trials).

Preclinical development – assessment of the drug-like qualities and safety profile of candidate therapeutic compounds prior to their first testing in man.



PEPTECH UPDATE • SEPTEMBER 2005

ANIMAL HEALTH



Suprelorin® takes to the radio waves

As part of the next phase of our marketing campaign to increase consumer awareness of Suprelorin®, the product was advertised in late July and early August 2005 on one of Sydney's premier radio stations. Twenty advertisements per day were played over two weeks, along with two discussions by the commentators during the peak morning period.

The success of the campaign will be followed up, particularly in Sydney, with a survey to gauge veterinarians' impressions, opinions and experiences with the product. A chance to win a \$500 travel voucher will be added as an incentive to ensure as many responses as possible.

"The survey will give us first hand information as to the awareness vets have of this novel product. It will also give us a guide as to how the vets view the future uses of Suprelorin® as a 12 month product and for bitches," said Peptech Animal Health (PAH) General Manager, Paul Schober. "We in fact have just submitted a regulatory package for the 12 month product in Australia".

Peptech has just launched a more convenient twin pack of the product to complement the current five-pack. "Many vets, particularly from small practices, want Suprelorin® as a shelf-item but were reluctant to do so with the five-pack. This new twin pack allows them to have the product ready to go in the clinic," Dr Schober said.

ANIMAL HEALTH

Key achievements since we last wrote

- **Suprelorin® twin pack launched**
- **Suprelorin® launched in New Zealand**
- **Suprelorin® European regulatory package submitted**
- **Suprelorin® USA registration trials in advanced state of planning**
- **Ovuplant® official September launch in the UK**
- **Suprelorin® 12 month product submitted for regulatory approval in Australia**

Progress towards Suprelorin® registration in Europe and United States

The submission for registration of Suprelorin® in Europe was submitted in September with approval expected to take about one year. PAH has engaged a specialist UK firm and the services of former PAH Managing Director, Dr Tim Trigg, to aid the registration process.

With our new facilities on Khartoum Road completed and successfully audited, PAH is producing material for registration trials in the USA. These trials, the protocols of which have been approved by the US authorities, are due to begin later in the year and will continue for several years. However, the first submission of information in the registration process is expected to begin in 2007.

Strong Suprelorin® demand for population control

The demand for Suprelorin® for population control in different species remains high. It is being used in conjunction with Macquarie University, to control kangaroos on a site in western Sydney and koalas on Kangaroo Island. Peptech has also donated several hundred implants to Sri Lanka and to the Indonesian province of Aceh to help relieve the problems of stray dogs after the tsunami. "It is really only a small contribution, but we believe that we have a responsibility to help where we can," said Dr Schober.

Ovuplant® in the UK and USA

Ovuplant® will be officially launched at the British Equine Veterinarian Association Annual Congress in Harrogate, England in September.

Dr Schober will attend the launch and, as part of his visit, he will work with the product's distributor Arnolds to develop a strategy to take Ovuplant® to selected countries in Europe. More details of this initiative will be available shortly.

PAH intends to recommence sales in the United States by registering its new Khartoum Road facilities with the US FDA. Initial submissions are planned in early 2006, with the product expected to be available for sale in the 2007 season.

Sales of Ovuplant® for the coming season in Australia and New Zealand have begun well again.



Suprelorin® consumer awareness campaign and NZ market launch

The next step in the consumer awareness campaign will be to attend pet expos in the major cities. "We have agreed to exhibit Suprelorin® and Peptech over the next few months at these expos, which attract over 50,000 pet owners. We believe we are targeting the right people — interested and caring pet owners," said Katie Yeates, Suprelorin® Product Manager.

Dr Yeates, who has visited the majority of veterinary clinics in Sydney, Melbourne and Brisbane, believes this focused targeting of pet owners will bring the best results in raising consumer awareness.

PAH also recently launched the product in New Zealand after a quick visit recently. Dr Schober said he was pleasantly surprised by the level of interest and awareness of the product, and that vets wanted to buy Suprelorin® immediately. Provet NZ has agreed to act as exclusive distributor, having recently become the largest and most progressive veterinary wholesaler in that country.