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# VEGF Inhibitor Technology Patents

Open Briefing with CEO & MD Robert Klupacs

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**In this Open Briefing®, CEO & MD Robert Klupacs discusses**

- US patents covering VEGF inhibitor technology granted
- Settlement of arbitration against Lymphatix with improved commercial terms
- Rise in revenue expected over next 12- 24 months

**Open Briefing interview:**

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Circadian Technologies (ASX: CIR) recently announced it had been granted patents in the US covering VEGF inhibitor technology. The patents give Circadian exclusive rights until September 2023 to use any anti-VEGF-C, anti- VEGF-D or anti-VEGFR-3 antibody to treat cancer. How will the patents help underpin the commercial development of Circadian's proprietary VGX-100, VGX-200 and VGX-300 candidates?

**CEO & MD Robert Klupacs**
These patents are of enormous strategic value to us. They block any other party from commercialising any VEGF-C, VEGF-D or VEGFR-3 antibodies for the treatment of cancer, cementing our world leadership area in respect of these classes of molecules. Additionally, the extended period of protection to 2023 creates an extended window of opportunity for us to complete the development of and register our drugs with the benefit of monopoly rights.

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You've also secured corresponding patents in Europe and Canada. How important are these to your overall IP position?

**CEO & MD Robert Klupacs**
Again, as outlined above, the protection we have also obtained in these major territories is of major strategic value.

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You're confident the patents will form the basis of potential commercial and drug development partnerships. What is your strategy in relation to securing such partnerships and are you funded

adequately to develop your IP portfolio in the absence of any major partnerships?

**CEO & MD Robert Klupacs**
Our partnering strategy is based on working with parties that can accelerate the development and expand the application of our drug candidates. We have previously said that we will enter such partnerships, at any time in the development cycle, so long as the commercial terms and value adding proposition is acceptable. We've had a number of approaches since we first published data on our lead molecule VGX-100 earlier this year. While our preference is to enter a partnership once we've achieved clinical proof of principle, we're flexible and remain open to earlier relationships.

With cash of approximately $28 million currently on our balance sheet (unaudited), and the expected increase in royalty income over the next 12-24 months, we are confident we have funding to achieve the necessary outcomes in our IP portfolio over the next 2-3 years.

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Circadian recently announced the settlement of its arbitration proceedings against Lymphatix Ltd, a subsidiary of Ark Therapeutics Group, relating to Ark's product Trinam®. You've won an increased annual license fee and royalties in return for granting Ark exclusive worldwide rights for VEGF-D gene therapy products. Why was this settlement in the best interests of Circadian?

**CEO & MD Robert Klupacs**
The arbitration had ongoing legal expenses for both parties and was taking up significant management time. The settlement saves money on legal fees, enables Ark to focus on developing this application with Circadian sharing in any commercial benefits, and most importantly frees up management time to focus on our development activities. Our preference was to achieve a commercial outcome without legal proceedings, however we were required under contract to go through an extensive arbitration process. We are glad that we have been able to pragmatically achieve a good commercial outcome under which we've improved our commercial terms.

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Both parties have agreed to absorb their own costs incurred to date. What is the expected cost in the current financial year and how will it be booked?

**CEO & MD Robert Klupacs**
We can't comment on money spent directly on the arbitration but it's been less than we budgeted. We were able to defer some of the major costs while the settlement was proceeding. We will book the costs as part of our operating costs in this financial year.

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What will be the key drivers of growth in Circadian's portfolio of revenue generating assets? How do you expect the portfolio to change over the next 12 to 18 months?

**CEO & MD Robert Klupacs**
It might not be immediate but we expect to see a rising trend for our revenues over the next 12 to 24 months. Our relationship with Imclone/Eli Lily will continue generating revenue and we've also increased our potential royalties from Ark.

As more data emerges about VEGF-C, VEGF-D and VEGF-R3, sales through our licensed research reagent providers are expected to increase, with a consequent rise in the royalties we receive.

We're excited about our partnership with Healthscope for a test for cancers of unknown primaries (CUP). We are quietly confident that Healthscope could begin marketing the test in the first half of 2011 with royalties on sales flowing through to us. We also retain the right to market the test in Europe, USA and Japan which provides us with the opportunity for further revenue generating opportunities through licensing deals in these territories.

We've partnered with the Cincinnati Children's Hospital Medical Centre to provide our VEGF-D test for respiratory disease monitoring in women and expect royalties to start flowing through from early 2011. Although still a niche test, further market research we have conducted indicates the market potential may be higher than first thought. We have yet to license the test in Europe and Japan so further opportunities exist for future licensing fees and downstream sales.

Finally our data, as well as data generated by other scientific groups around the world, indicates that the use of VEGF-C as a biomarker to monitor the progress of patient response to certain cancer therapies could be a very important adjunct for oncologists. We are in discussions with a number of major diagnostics companies to assist us in developing a VEGF-C clinical diagnostic test. This should result in further up-front licence fees and ongoing royalties.

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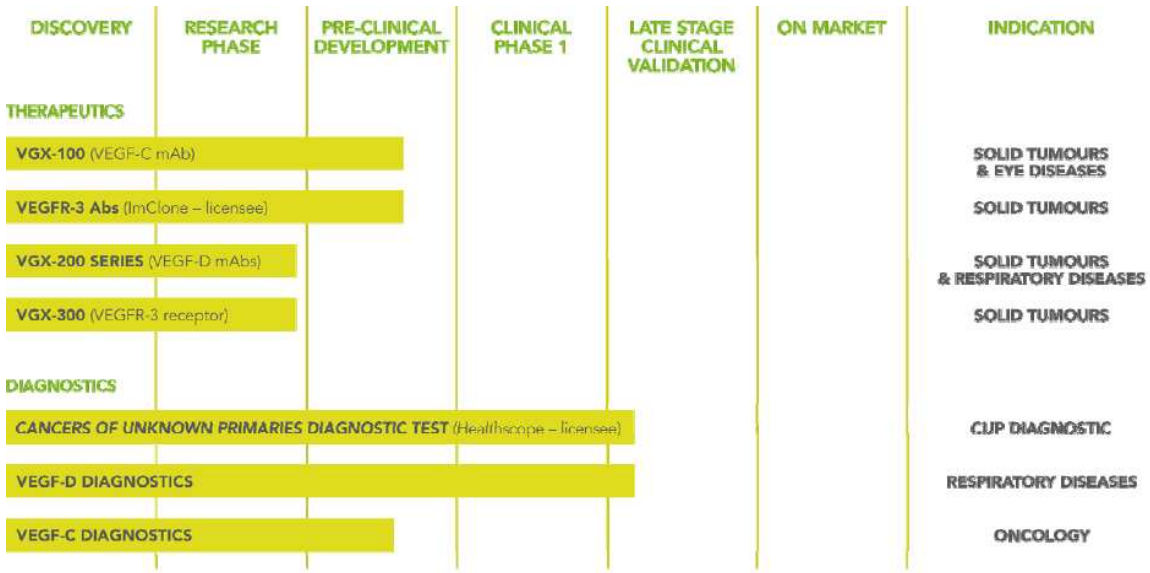
Thank you Robert.

## Circadian's Product Pipeline



For more information about Circadian Technologies Limited, visit www.circadian.com.au or call Robert Klupacs on +61 3 9826 0399.

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