



NEWS RELEASE

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GROPEP TO PURSUE PROMISING ASTHMA DRUG FOLLOWING PRECLINICAL STUDY RESULTS

Adelaide biotechnology company GroPep has completed preclinical efficacy studies of its T-cell peptide drug candidate, in models of psoriasis and asthma.

GroPep will undertake a market feasibility assessment for the use of the drug in asthma but will cease development for psoriasis.

Current annual sales of asthma drugs in the United States alone exceed US\$4.0 billion and are growing at over 10%. GroPep has international patent coverage for the T-cell peptide technology.

Listed biopharmaceutical company GroPep Limited (ASX: GRO) announced today that it had completed testing of its T-cell peptide drug candidate in preclinical models of asthma and psoriasis.

The results showed that the drug was highly effective in treating asthma but had little effect in a model of psoriasis when applied to the skin, even in an efficient formulation. As a result, the Company will direct its resources in the highly profitable field of immune-based diseases towards asthma, and will cease development for psoriasis.

As previously reported by the Company, initial research conducted at the Royal North Shore Hospital, Sydney by Professor Manolios showed the drug has potential in a range of autoimmune diseases.

Exclusive, worldwide rights to key patents covering the drug were obtained by GroPep in 2002, through a licence from the Northern Sydney and Central Coast Area Health Service.

In May 2005, GroPep filed a new International Patent Application on the use of the drug for the treatment of asthma, based on the work of Professor Enk at the University of Mainz, Germany

Asthma affects more than 15 million people in the US alone and 100 million people worldwide. The market is increasing because of an ageing population and the contribution of pollution, smoking and airborne allergens. Current sales of asthma drugs in the United States alone exceed US\$4.0 billion and are growing annually at over 10%.

GroPep's Chief Operating Officer, Dr. Chris Goddard said that although the preclinical work aimed at psoriasis was disappointing, the results of the asthma studies were promising.

“Much of the data underpinning the psoriasis indication will be applicable to developing the drug for asthma. The reason for lack of effect in psoriasis appears to be due to an inability of the drug to penetrate the skin. We do not have that problem in developing the drug to treat asthma,” he said.

GroPep will undertake a full feasibility assessment prior to committing to a development program for asthma.

The Company was awarded an AusIndustry R&D Start Grant towards the psoriasis application in December 2004. Given the decision to cease work on this indication, the Company will seek a mutual termination of the grant but expects to apply for support for the asthma indication under the Commercial Ready Program, if the feasibility assessment is positive.

As a result of the termination of the grant, GroPep will reduce its planned R&D expenditure for the balance of 2005-06 to ensure that net Drug Development expenditure for the year is within the range of 15-20% of revenue, in line with previous guidance.

About GroPep

GroPep is a world leader in the development, manufacture and commercialisation of biologically active proteins for cell culture and biomedical research. The Company has an active biopharmaceutical development program that establishes proof of concept for products in humans and partners the later stages of product development and marketing with major pharmaceutical companies. GroPep is listed on the Australian Stock Exchange Limited (ASX code: GRO).

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