



Investment in Novacta Biosystems Limited

£13.1 million funding to drive novel antibiotics platform addressing areas of major unmet need, including hospital acquired infections *C. difficile* and MRSA

Guernsey and London, 6th July 2009 – Celtic Pharma Holdings Advisors LLP (“CPHA”), the advisor to the second Celtic Pharma fund, Celtic Pharma Holdings II LP (“CP2”), today announces its investment in a majority shareholding in Novacta Biosystems Limited (“Novacta”), which is developing a portfolio of antibiotics. The total being raised is £13.1m (\$21.6m), payable against pre-agreed milestones. As part of this investment certain existing investors are re-investing.

Novacta is a UK-based company developing novel, naturally-derived products known as ‘lantibiotics’ as potential drugs. Lantibiotics have potent anti-infective properties but have historically been underexploited owing to a lack of research tools, a challenge that Novacta has successfully addressed through its proprietary technology platform. The most advanced programme will enter the clinic next year to treat infections caused by *Clostridium difficile* (“*C. difficile*”). The Wellcome Trust has provided in the order of £4m of translational funding to Novacta since 2004 for the development of the platform technology and more recently the *C. difficile* programme.

New anti-infective drugs are needed to target *C. difficile* without depleting other beneficial bacteria in the gut and preclinical data show that Novacta’s lead lantibiotics selectively kill *C. difficile* with less disturbance of normal gut bacteria than seen with existing drugs. *C. difficile* infections (CDIs) are a serious problem: the number of cases grew by 22 percent in the UK last year, accounting for twice as many deaths as MRSA.

Novacta’s pipeline also includes programmes targeting other areas of unmet medical need in bacterial infection. These include novel promising lantibiotic candidates in pre-clinical testing for the treatment of Gram-positive infections including MRSA and novel broad spectrum bacteriocins for the treatment of both Gram-positive and Gram-negative infections.

Following the completion of the investment, Novacta will appoint Dr. Richard Garraway and Dr. Bob Milsted, both partners of CPHA, to its Board of Directors. In a further Board change, the Chairman Dr. Andrew Sandham will retire from the Board on completion and will be replaced by Dr. Andy Richards. The new directors bring significant drug development, financial and corporate development experience to Novacta.

Commenting on the investment, John Mayo, Managing Partner of CP2 said: “The urgent need for new antibiotics is well known, Novacta represents a real opportunity to meet this significant unmet medical need in *C. difficile* infection, MRSA and related Gram-positive infections and Gram-negative infections, such as *E. coli* and *Salmonella*. Our investment in Novacta fits our model of taking a majority position in high quality companies with well differentiated technologies and bringing both funding and additional commercial, regulatory, drug development and manufacturing experience to increase both the probability of success and the value of the products. We are looking forward to working with the dynamic management team at Novacta under Tony Sedgwick, producing important new antibiotics and a great return for existing Novacta shareholders and Celtic Pharma investors alike.”

Stephen Parker, a Partner in CP2 added: “This is the second in a series of major investments in high-quality UK biotech companies. We were delighted to see the announcement from the UK Government this week of the creation of the Innovation Investment Fund-of-funds to invest in technology-based businesses and we look forward to helping the Government fulfil its ambitions in the UK life science sector as we continue to invest. CP2 is currently assessing several further opportunities to invest in attractive, high-growth potential UK companies.”

Dr. Tony Sedgwick, Chief Executive Officer of Novacta said: "We have worked closely with CP2 to consummate this investment, one of the largest in Europe this year. We have made great progress with our technology platform and pipeline and now have the funds to accelerate development. In particular, access to the expertise at CP2 will ensure that we develop drugs to the standards looked for by big pharma and maximise their commercial value. I would like to thank Andy Sandham for his leadership and wise counsel as our outgoing Chairman and welcome Andy Richards to the role. We are also pleased that Richard and Bob are joining the Board from CP2."

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NOTES TO EDITORS:

About Celtic Pharma Holdings Advisors LLP

Celtic Pharma Holdings Advisors is a global private equity fund management partnership focused on the biotechnology and pharmaceutical industries. Our second fund, Celtic Pharma Holdings II LP, invests in companies which own proven technology platforms and early clinical development-stage pharmaceutical programmes and directs the management of these programmes through their development prior to sale at proof of concept with appropriate efficacy and safety data (usually at end of Phase II clinical trials).

CP2 has already attracted investment from sovereign wealth funds, pension funds and high net worth individuals from many countries and continues to raise further capital. For further information, please visit our website at www.celticpharmaholdings.com.

About Novacta Biosystems Limited

Novacta is a UK-based biotechnology company that specialises in the discovery and development of potential treatments for infectious diseases. Novacta's lead programmes are centred around a class of small peptide molecules called lantibiotics, a drug class that, until now, has been underexploited due to the lack of adequate research tools. Novacta's lantibiotic platform has given rise to a number of potential drug candidates, including those in the *C. difficile* programme. Other programmes include one targeting methicillin-resistant *Staphylococcus aureus* (MRSA) infection and others targeting Gram-negative infections. For further information, please visit our website at www.novactabio.com.

About Lantibiotics

Lantibiotics are a naturally occurring class of antibiotic peptide compounds found in a large number of bacteria. They take their name from the lanthionine amino acids found within their structure (lanthionine-containing antibiotics). Lantibiotics have demonstrated potential to treat infections caused by agents such as *C. difficile* and MRSA. Conventional medicinal chemistry has been unable to manipulate the structure of the naturally occurring compounds into the optimised forms that have the potential to treat human disease. However, Novacta's proprietary technologies allow the structural manipulation and optimisation of activity which is necessary to unlock the potential of this novel and under-exploited class of compounds.