

ASX ANNOUNCEMENT

2 October 2009

Business update and sale of Sydney Breast Clinic

Board renewal

The Fermiscalan board has a policy on renewal to ensure the board remains open to new ideas and independent thinking and to make sure the skills sets and experience are consistent with the commercial and other circumstances of Fermiscalan, both currently and into the foreseeable future.

In the last two weeks ASX have been advised of the appointment of Ian Chalmers and Mark Fordree and the retirement of Leon Carr and Gary Garton. The changes to the board contribute to the renewal process and strengthen the capabilities and expertise of the board.

In the meantime, Mark Fordree has taken on the role of Acting CEO at the request of the board and Leon Carr no longer has an executive position within Fermiscalan. The new Board is reviewing strategy delivery and evaluating the most effective ways to create shareholder value with the presently limited cash resources.

Going concern and funding

The directors advised in the half yearly financial statements that the business and economic outlook presents significant challenges for funding the development of the business and directors commented on measures to preserve cash and secure additional finance. The directors noted that in these circumstances material uncertainties existed over future profitability and cash flows.

The directors went on to state that the ability of Fermiscalan to continue as a going concern and to pay its debts as and when they fall due is dependent on the following:

- The ability of Fermiscalan to secure additional funding through capital raising
The company has had discussions with institutional and professional investors to secure additional equity funding. It is likely that these discussions may not be completed for some time and directors have not yet secured commitments
- The continued and profitable commercialisation of the Fermiscalan Test in Australia in addition to commercialisation with existing Fermiscalan Test licensees
- The reduction in the overall cost of the business
The directors have adopted a program of cost reductions in Australia and overseas, taking into account the potential availability of suitable funding
- The ability to successfully and profitably license the Fermiscalan technologies through existing and new markets
- The sale of Sydney Breast Clinic.

Sale of Sydney Breast Clinic

As noted in the half yearly financial statements, after balance date the directors were approached to consider an offer to sell Sydney Breast Clinic Pty Limited and entered into negotiations with potential purchasers. The directors advised in the half yearly report that they anticipated that the sale proceeds would realise significantly less than the carrying value of the goodwill. The business of Sydney Breast Clinic has now been sold for \$1.0 million in a management buyout.

In the half-year financial statements, the carrying value of the goodwill relating to the business Sydney Breast Clinic was \$4.7 million and, in addition, Fermiscan had advanced \$2.7 million to Sydney Breast Clinic Pty Limited to retire liabilities and cover operating expenses, which will be written off.

Cash flow from operations

The Fermiscan Holdings Limited consolidated entity will be reporting to ASX the Appendix 4C quarterly consolidated statement of cash flows to 30 September 2009 at the end of October 2009.

Mark Fordree
Director
Visit Fermiscan's website at www.fermiscan.com.au

About Fermiscan

Fermiscan's principal interest is the commercialisation of an innovative non-invasive diagnostic test for the detection of breast cancer.

The Fermiscan Breast Cancer Test is based on the discovery by an Australian scientist that a change can be detected in the molecular structure of hair from women with breast cancer and this change can be identified by using diffraction of X-rays generated in a synchrotron.

Fermiscan completed a major clinical trial of the Fermiscan Test in May 2008, with sensitivity (ability to accurately detect cancer) of 74% in women under 70, and with a higher sensitivity for younger women; and specificity (ability to accurately detect the absence of cancer - negative predictive value) of 99.5%.

Fermiscan is developing opportunities to licence and sell the Fermiscan Test internationally, particularly in Australia, Europe, Japan, South East Asia, and the United States.

Recent announcements

- Ian Chalmers and Mark Fordree appointed to the board. Leon Carr and Gary Garton resigned from the board
- Fermiscan announced in July 2009 the commencement of a pre-commercialisation pilot for the Fermiscan Breast Cancer Test in Australia, aimed at gathering information on the use of the test in the clinical setting of General Practice
- Patents granted in Japan and European Community countries
- Exclusive option agreement to licence the Fermiscan Test to Hitachi Chemical in Japan and South Korea granted in March 2009
- Italian independent study with sensitivity (ability to accurately detect cancer) of 83% and specificity (ability to accurately detect the absence of cancer) of 76%
- Independent European multi-centre trial of the Fermiscan Test is underway and these should support commercialisation in Italy and Europe
- European CE Mark registration of the Fermiscan Test completed in July 2009
- Australian Synchrotron agreement signed in February 2009 securing beamline access for two years
- Named 2008 'Australian Innovator of the year' at the Austrade sponsored annual 'Innovation Day Shoot Out' competition in New York

Fermiscan is a member of the Australian Technology Showcase, a national program aimed at promoting and developing export markets for innovative technology based products. Fermiscan has received support from the NSW Department of State and Regional Development through its various programs such as BioBusiness and BioFirst

Visit Fermiscan's website at www.fermiscan.com.au