

GeneNews Limited

Price (Close: April 5, 2012) **\$0.14**
52-Week High-Low **\$0.32 - \$0.10**
Shares O/S **92.9 million**
Market Cap **\$13.0 million**
50-day Average Volume **77,200**
200-day Average Volume **34,600**
Year-End **December 31**
Symbol **TSX: GEN**
Website **<http://www.genenews.com>**

Financial Data

Selected Income/Cash Flow

| C\$000s: 12 months ended | <u>Dec-10</u> | <u>Dec-11</u> |
|--------------------------|---------------|---------------|
| Revenues | 194 | 101 |
| EBITDA | (\$3,471) | (\$3,287) |
| G&A ("Burn") | (\$2,392) | (\$2,250) |
| R&D Expense | (\$1,862) | (\$1,670) |
| Net Income/(Loss) | (\$4,634) | (\$4,481) |
| Cash Flow From Ops | (\$2,356) | (\$2,889) |

| Selected Balance Sheet | <u>At Dec-10</u> | <u>At Dec-11</u> |
|------------------------|------------------|------------------|
| Cash (& Equivalents) | \$1,193 | \$895 |
| Marketable Securities | 1,397 | 1,676 |
| Total Debt | 4,047 | 3,630 |
| Shareholders' Equity | (\$144) | (\$328) |
| Total Assets | \$4,978 | \$4,158 |
| Working Capital | \$1,861 | \$1,943 |
| Working Capital Ratio | 2.66x | 3.15x |

| Key Ratios | <u>At Dec-10</u> | <u>At Dec-11</u> |
|----------------------|------------------|------------------|
| Monthly Burn | (\$199) | (\$188) |
| Monthly (Burn + R&D) | (\$355) | (\$327) |
| Earnings Per Share | (\$0.07) | (\$0.05) |
| Cash Per Share | \$0.02 | \$0.01 |
| Equity Per Share | \$0.00 | \$0.00 |

eResearch Analysts:

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Bob Weir, B.Sc., B.Comm., CFA

Note: Report was prepared with public information only.



THE COMPANY

GeneNews Limited ("GeneNews", or the "Company") is a molecular diagnostics company focused on the development and distribution of blood-based diagnostic tests for disease detection, determining the stage of disease, and monitoring the treatment or recurrence progression.

The Company's assays are based on its Sentinel Principle® technology and are being developed in the areas of cancer, cardiovascular diseases, psychiatric and central nervous system disorders, and arthritis.

GeneNews launched ColonSentry™ in 2008 as the world's first blood-based test for determining the risk for colorectal cancer in humans. The Company's current efforts are primarily focused on the commercialization of ColonSentry.

GeneNews's headquarters, primary research, product development, and clinical laboratory facilities are located in Richmond Hill, Ontario, Canada. Research and development activities are also conducted in research facilities in Penang, Malaysia, and Tianjin, China.

INVESTMENT CONSIDERATIONS

Strengths

- Sentinel Principle: a technology that transforms a routine blood-based assay into a strong diagnostic tool;
- Launch of ColonSentry in Canada and Malaysia as the first patient-friendly, blood-based test for assessing an individual's risk of having colorectal cancer;
- Approval of ColonSentry for distribution in the U.S. market;
- Partnerships with several companies to distribute ColonSentry tests in Canada, the U.S.A., Malaysia, and China, and leverage Sentinel Principle technology for additional applications; and
- Strong blood biomarker database that covers several therapeutic areas with unmet clinical needs such as cancer, arthritis, cardiovascular disease, and neurological disorders;

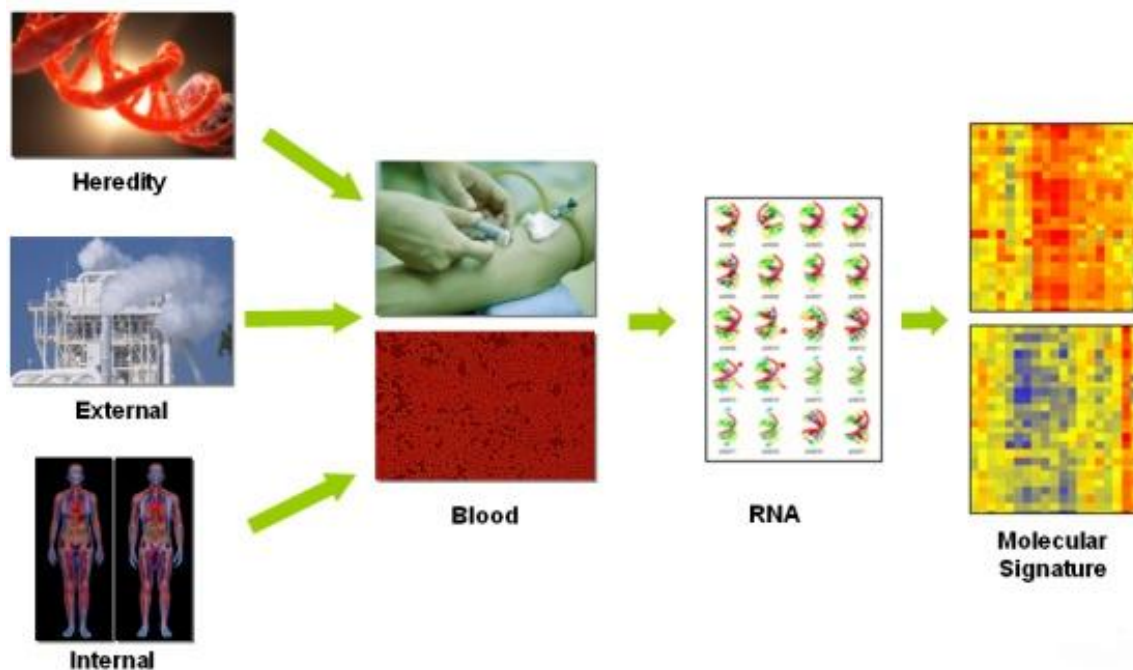
Challenges

- Unproven ability of GeneNews to generate meaningful revenue from product sales;
- Need to demonstrate the ability to develop other assays on the base of its technology and blood-biomarker's catalog.
- Limited financial resources and potential dilution due to significant equity issuances; and
- History of losses due to lack of revenue and limited product distribution.

Technology

GeneNews has developed an innovative approach to Ribonucleic acid (RNA)¹ blood expression profiling, the Sentinel Principle, which has the power to identify biomarkers of body state and, as a result, to detect and stage virtually any medical condition from a routine blood sample. The technology was proposed by GeneNews founder and Chief Scientific Officer, Dr. C.C. Liew in 1990. The approach is based on the scientific observation that circulating blood reflects what is occurring throughout the body. The Company is able to detect and profile these changes to identify disease-specific blood biomarkers in a cost effective manner.

Sentinel Principle® Approach



Source: The Company

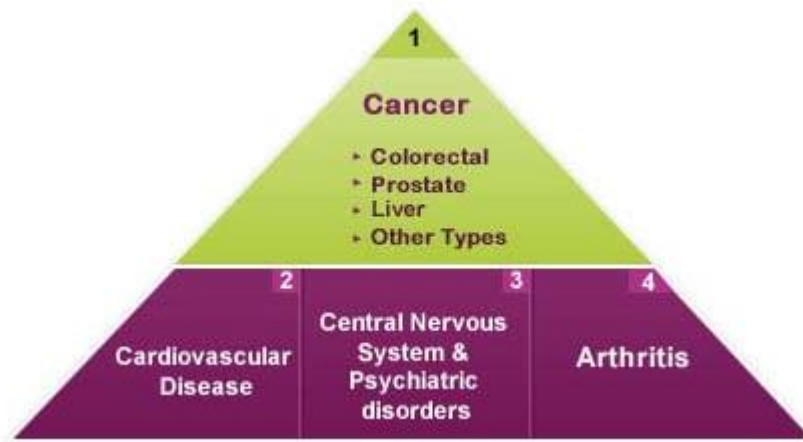
The Company's assays target to replace and augment current diagnostic technology providing a number of advantages, such as lower cost, patient friendliness, and ability to detect disease conditions at an early stage. GeneNews is promoting a simple blood testing that can be used to detect previously difficult to diagnose conditions, often at an early stage when diseases, like cancer, are most curable.

The Company has been granted several patents covering the application of Sentinel Principle technology protecting all aspects of personalized health management from early detection to determining response to treatment, and also protecting the use of biomarkers derived from the application of the Sentinel Principle to specific clinical applications.

GeneNews' intellectual property portfolio consists of 29 issued patents, including 17 in the USA, and over 50 pending patent applications as well as 17 registered and pending trademarks.

GeneNews has developed an extensive database of blood biomarkers that cover several therapeutic areas with significant market potential such as cancer, arthritis, cardiovascular disease, and neurological disorders.

Target Therapeutic Areas



Source: The Company

Products

1. ColonSentry™

GeneNews launched its first product, ColonSentry, in 2008 in Canada. The product leverages the Sentinel Principle technology and is a blood-based test for colorectal cancer. ColonSentry is also used as a pre-screening tool to schedule patients for invasive screening colonoscopy.

The Company's current efforts are primarily focused on the commercialization of the test through the establishment of a global marketing and distribution network with several partner companies. ColonSentry is currently available in Canada, the U.S.A., Malaysia, and China.

The Company's U.S. partner, Enzo Clinical Labs, a division of Enzo Biochem, Inc., has recently announced that New York State's Department of Health approved the use of ColonSentry to assess the colorectal cancer risk in humans. Enzo has exclusive rights to market the test in the states of New York and New Jersey.

COMMENT: The approval of ColonSentry by New York State's Department of Health opens a huge market to the Company. Each year approximately 140,000 individuals are diagnosed with colorectal cancer in the U.S.A. Every year approximately 14 million colonoscopies are required, and this number is increasing at high single-digit rates, since the population is aging.

The Company's distribution partners in Malaysia and China are also focused on launch activities and could report initial revenue from the sale of ColonSentry in the first half of 2012.

2. SentinelGx™

GeneNews is also leveraging its technology to discover blood-based biomarkers for other diseases. In Q4/2010, the Company launched SentinelGx, a suite of pharmacogenomic and diagnostic services for drug development and personalized health management applications. The SentinelGx services provide complete whole blood analysis for RNA expression profiling of inflammatory pathways, immune system response, and cell-signaling. To date, a catalog of over 2,200 profiles has been developed and contains pathway-specific, disease-specific, and drug-specific gene signature panels for numerous types of cancer, autoimmune, cardiovascular, infectious, and neurological diseases.

GeneNews's pharmacogenomic services include biomarkers for discovery, pharmacodynamics markers for optimal dosage, drug response for patient stratification, disease prognosis for enrichment of trials and surrogate markers, prediction of adverse effects, and integration of DNA and RNA (definitions below) profiling for targeted therapies. The collaborative companion diagnostics services include biomarker development, assay design and analytical validation, clinical validation, and data analysis.

In 2010 GeneNews secured a \$1.7 million grant from the Malaysian Ministry of Health to apply Sentinel Principle technology for development of biomarkers for liver cancer and hepatitis B. The Company has also recently reported that it has used its technology to discover new blood based biomarkers for Nasopharyngeal Carcinoma, a common cancer in certain parts of northern Africa and southern China.

In February 2012, the Company announced the execution of a memorandum of understanding with Shanghai Biochip Co. Ltd. to establish the first Sentinel Centre for Personalized Medicine in China. GeneNews has also discussed the opportunity to grant the non-exclusive rights to Shanghai Biochip to distribute the ColonSentry test in China.

Wikipedia Definitions:

Ribonucleic acid or RNA, is one of the three major macromolecules that are essential for all known forms of life. RNA is made up of a long chain of components called nucleotides which encode genetic information.

Deoxyribonucleic acid (DNA) is a nucleic acid containing the genetic instructions used in the development and functioning of all known living organisms.

FINANCIAL DATA

FY 2011 Results

Revenue declined to \$101,000 in 2011 from \$194,000 in 2010 due to lower milestone and grant revenue. Revenue from the sale of the ColonSentry test in 2011 was \$25,017 as compared to \$15,263 in 2010 based on sales solely in Canada. Milestone revenue in 2011 was \$75,789 as compared to \$172,383 in 2010.

GeneNews reported a consolidated net loss of \$4.5 million, or 5 cents per share, in 2011, as compared to a net loss of \$4.6 million, or 7 cents per share, in 2010. This decrease in loss resulted from a decline in research and development costs and in general and administrative expenses.

The Company began the year with approximately \$2.6 million in cash, cash equivalents and short-term investments. During 2011, GeneNews raised \$2.9 million of cash in its Early Warrant Exercise program, used \$2.9 million in operating activities, and closed the period with approximately \$2.6 million in cash, cash equivalents and short-term investments.

| | | |
|---------------------------------------|----------------|----------------|
| <u>\$000s: Annual to December 31:</u> | <u>2011</u> | <u>2010</u> |
| Revenues | 101 | 194 |
| G&A expense | (2,250) | (2,392) |
| R&D expense | <u>(1,670)</u> | <u>(1,862)</u> |
| Operating income | (3,819) | (4,060) |
| Other income/(expense) | <u>(662)</u> | <u>(574)</u> |
| Net Income | (4,481) | (4,634) |
| EPS | (\$0.05) | (\$0.07) |
| | | |
| Cash/Equivalents/Investments | 2,571 | 2,590 |
| Net Working Capital | 1,943 | 1,861 |
| Liabilities | 4,486 | 5,122 |
| Shareholders' Equity | (328) | (144) |

Source: The Company

Outlook

The Company's current efforts are primarily focused on aggressive promotion and introduction of ColonSentry test in the market of the U.S., Canada, China and Malaysia. The product has been available in Canada since 2008, and was recently launched in Malaysia and approved for marketing in the USA in February 2012. As a result, GeneNews could start reporting stronger revenue and visibility of its offering, which in turn could expose the company to additional opportunities concerning its Sentinel Principle technology.

However, the Company is still in the early stages of commercialization and there are doubts about the marketing success of its offering.

MANAGEMENT and DIRECTORS

| | |
|----------------------------------|--|
| Heiner Dreismann, PhD | Lead Director and Interim CEO |
| Gailina J. Liew, LLB, MBA | President and Chief Operating Officer |
| Leslie Auld, MBA, CA | Chief Financial Officer and Treasurer |
| Choong-Chin Liew, PhD | Chief Scientist and Co-Founder |
| Karl Wassmann, | Executive Vice President, U.S. Corporate Development |

CORPORATE INFORMATION

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Analyst Affirmation: I, Victor Sula, and I, Bob Weir, hereby state that, at the time of issuance of this research report, I do not own, directly or indirectly, any shares of GeneNews Limited.

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