

# NANOBIOTECH NEWS

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## Nucryst files IPO to raise \$45M, tests powdered nanocrystalline silver

By Russell A. Jackson

Calgary, Alberta, Canada's Westaim Corp. (NASDAQ:WEDX; TSE:WED) is taking its subsidiary Nucryst Pharmaceuticals Corp. public with an initial public offering (IPO) in hopes of raising US\$45 million.

Company officials are in a quiet period and could not comment, but the firm's Securities and Exchange Commission filings indicate the money will be used for "capital expenditures, research and development and general corporate purposes" -- and to pay back its parent.

After the offering, Westaim will continue to own a majority equity position in Nucryst. Indeed, the prospectus points out, "immediately after completion of [the] offering, Westaim will directly own approximately 75.1% of our outstanding common shares -- or approximately 71.5% if the underwriters' over-allotment option is exercised in full."

In the IPO, Westaim is offering 4,500,000 common shares of its Nucryst at US\$10 a share. Once the deal is done, Nucryst common shares will trade on the Nasdaq National Market as NCST and on the Toronto Stock Exchange, in Canadian dollars, under the trading symbol NCS. The shares are being offered by an underwriting syndicate led by Jefferies & Company Inc. and co-managed by Adams Harkness Inc., GMP Securities LP and SunTrust Robinson Humphrey.

Nucryst has granted those underwriters a 30-day option to buy as many as 675,000 more common shares to cover over-allotments, if any. Net proceeds from the offering are expected to be approximately US\$39.9 million, or US\$46.1 million if the underwriters exercise their over-allotment option in full, after deducting underwriting discounts and commissions and estimated offering expenses.

Nucryst plans to use approximately US\$35 million of the net proceeds for basic business purposes, including an estimated \$5.7 million for the expansion of its Fort Saskatchewan production facility -- a project that began at the end of the third quarter of 2005 -- and an estimated \$2 million to purchase

pharmaceutical development capital equipment in 2006. In addition, the prospectus notes, the company "may use a portion of the net proceeds for acquisitions of intellectual property or companies engaged in the development or production of drugs or devices to combat infection and inflammation."

For now, though, Nucryst "[has] no agreements or understandings regarding any such acquisitions. Any such acquisition may require that [the company] obtain additional financing."

The remainder of the proceeds have been tagged for Nucryst's indebtedness to Westaim. After that, the prospectus points out, "all debt owed to Westaim that is not repaid with the proceeds of [the] offering will be exchanged for common shares that [Nucryst] will issue to Westaim, at the public offering price in [the] offering."

Nucryst originally expected to owe Westaim about \$6.9 million, assuming no exercise of the underwriters' over-allotment option. Under those terms, Nucryst would trade out about \$38.5 million of its debt to Westaim, in the form of about 3,852,200 common shares. If the underwriters were to exercise their over-allotment option in full, the repayment amount would jump to \$13.1 million and the accompanying stock tally would drop to 3,224,450 common shares.

But that was based on a Sept. 30, 2005 total debt of about \$45.4 million. As of Dec. 15, 2005, the aggregate principal amount of debt was closer to \$46.5 million. That means that "to the extent that the amount of our debt to Westaim exceeds \$45.4 million, the actual number of common shares we issue and the percentage of our outstanding common shares to be owned by Westaim -- and the total number of common shares to be outstanding immediately after [the] offering -- will exceed the corresponding numbers of common shares and the corresponding percentages of our outstanding common shares reflected elsewhere in [the] prospectus."

Specifically, the document points out, Westaim would get 112,000 more common shares, assuming the level of debt remains fairly constant until repaid.

Nucryst develops, manufactures and commer-

cializes medical products that fight infection and inflammation based on the nanocrystalline silver technology that, the company says, "enables us to convert silver's microcrystalline structure into an atomically disordered nanocrystalline coating that we believe significantly enhances silver's natural antimicrobial properties."

Advanced wound care products with the company's Silcryst coatings are sold by Smith & Nephew plc under an exclusive license in over 30 countries under its Acticoat trademark.

Now, the company is also looking to "convert the microcrystalline structure of other noble metals, such as gold and platinum, into an atomically disordered nanocrystalline structure," the prospectus reports. "We intend over time to continue our research with the objective of using our technology platform to enhance the recognized therapeutic effects of gold and platinum in the treatment of arthritis and cancer, respectively."

Nucryst is also developing pharmaceutical products to address medical conditions characterized by infection and inflammation. It has, the prospectus explains, developed its nanocrystalline silver in a powder form for use as an active pharmaceutical ingredient, referred to as NPI 32101.

### **Phase II trials of dermatitis drug continue**

"We are currently engaged in phase II clinical trials of a topical cream formulated with NPI 32101 to relieve the symptoms of atopic dermatitis, a form of eczema that has no cure," the com-

pany reports. More than 15 million people in the United States suffer from symptoms of atopic dermatitis, according to information published by the National Institute of Arthritis and Musculoskeletal and Skin Disease. "We believe that a cream containing NPI 32101 may be well-received by physicians and patients because it appears, based on the results of our pre-clinical and clinical trials, to address both inflammation and infection without presenting the potential rare drug-related serious adverse side effects associated with steroids and topical immunomodulators."

In addition, the company says, NPI 32101 "may be useful for treating a wide range of infectious and inflammatory diseases, such as dermatological and gastrointestinal conditions."

Nucryst's SILCRYST coatings "exhibit rapid antimicrobial activity, killing many organisms within 30 minutes of application, which is faster than many other commercially available forms of antimicrobial silver," the company boasts. Those organisms include gram positive and gram negative bacteria, including some antibiotic-resistant strains in both classes, fungi and yeast.

The nanocrystalline silver exhibits its anti-inflammatory properties in three ways, the firm says. It suppresses two naturally occurring inflammatory agents and reduces the level of a naturally occurring enzyme. In addition, it increases the natural cell death of inflammatory cells called polymorphonuclear leukocytes, or PMNs.

*Editor's Note: Contact Westaim's David Wills at (416) 504-8464. ©*