Interviewer: Hi. This is Toby Smith. We're talking about the next big thing. You may not know, but one of the revolutions that's going on in healthcare these days is in immune therapy. In other words, taking therapies that will take chronic diseases and not cure them, but sort of stop them in their tracks.

So imagine if you had rheumatoid arthritis, which millions and millions of people in North America, hundreds of millions around the world, very expensive to get at. Maybe even something like cancer, like breast cancer where as opposed to radical treatment, there would be a way to stop it in its path. That's the magic of this.

But what you don't know and what Darrell Rubenstein's gonna tell us from Stellar Biotechnologies is there's a little sea creature that's part of all this. You gotta tell us.

Interviewee: Well, there's a mollusk that lives only off the coast of central California between Monterey and Northern Baja called a giant California keyhole limpid. It looks something like an abalone and the blood of that keyhole limpid is blue because it's copper-based and an element that's in it is the KLH itself, this incredible molecule.

Interviewer: So first off, how did somebody discover this? I know it's a long story, but the animals wouldn't eat this, it was horrible so therefore, they thought if you put it in the human body.

Interviewee: That's exactly right. Back 50 years ago when they were looking for immunogenic things to help enhance vaccines, a scientist walking along the coast of California said, and "Well, this has never been in a human being." Especially because it's inedible.

They started testing it, of course, early day, pre-clinical –

Interviewer: It's so inedible you can't even find it on a Chinese menu in China, right?

Interviewee: That's right.

Interviewer: That's my definition of inedible. So, talk about immunogenics. In other words, the concept.

Interviewee: So, something that's powerfully immunogenic is something that goes into the human body and makes the immune system – again, I'm not a scientist or physician –

Interviewer: Lights on fire.

Interviewee: Lights on fire. Lights it up and goes, we have to attack that thing and anything that's attached to it. In the case of the KLH molecule, you might wanna attach little pieces of the surface of a cancer cell, for example. Then you're telling the body, "Attack me and whatever's attached to me."

Interviewer: The stronger that your body attacks that, the stronger the immunity that would come or the stronger the reaction.

Interviewee: Exactly.

Interviewer: So these guys, I call them sort of the arms dealer of this. Now you have 25 different drugs being developed using this KLH as the delivery agent, right?

Interviewee: Well, there's more than 100 in clinical trials right now. Twenty-two are currently recruiting. So they're in that immune-therapy, vaccine camp for the most part and they all involve KLH and are dependent upon GMP grade or pharmaceutical KLH –

Interviewer: _____. So guys walking out in the ocean and he decides, well, let's go out for that mollusk. Now you guys, as I understand it, grow these mollusks, right?

Interviewee: Yeah, exactly. Above ground aqua culture that's been developed over 30 years by our CEO Frank Oates, who's a famous commercial aqua-culturist.

Interviewer: Exactly. Now you harvest this and it's of the purest grade. In other words, it's at the level that –

Interviewee: Well, we actually have intellectual property that allows us to get to a level of purity that we believe is unsurpassed in the industry.

Interviewer: The companies you're talking about are gigantic. The opportunities here are really amazing. This is about a $12 million market cap company. This is public venture capital.

Interviewee: Exactly.

Interviewer: You're maybe 12 to 18 months away from revenue, but ya' know what? We love about this, we'll get this into the next segment, they got 25 at bats for 10 million, 100 million type revenue businesses and with some of the biggest names in pharmaceuticals.

We're talking about the next big thing in biopharma and it's immune therapy. I'll get that right one time. We're coming right back.

[End Stellar Biotechnologies (SBOTF) 1; begin Stellar Biotechnologies (SBOTF) 2]

Interviewer: Alright. We're back with Stellar Biotechnologies, Executive Vice President David Brookstein. Did I get it right?

Interviewee: Darrell –

Interviewer: Darrell, right. I've only messed it up twice. In the third segment I know we'll get it.

Here's the up side here that I love. Whenever you're making an investment in public venture capital, you gotta look at down side and upside.

In this case, tell us how much money you've raised. You have grants, et cetera, from the federal government, but you're within 12 to 18 months of 1 or more doubles or singles here, but most of the work's been done at this point, right?

Interviewee: Yeah, exactly. We've raised over $7 million from prestigious government grant agencies, like National Cancer Institute, National Institute of Health, National Science Foundation.

Interviewer: All back in Bethesda, my neighborhood –

Interviewee: That's right. Back in suburban Washington D.C. We've also raised $9.5 million through private placements for our public company.

Interviewer: So you've done a lot of the work here. You're in Phase3.

Interviewee: Well, we're not in Phase 3 –

Interviewer: But I mean your partners –

Interviewee: -- but we have customers and potential customers that are in Phase 3 with vaccines, multiple ones in Phase 2. So these are a lot of different swings of the bat.

Interviewer: Right. Now you have some big ones you've just announced, right? You have some big partners that you've announced?

Interviewee: Well, we've previously announced a relationship with Byer, the big German pharmaceutical company and Neovax, which is a French publicly traded company, but there are multiple others and we supply another KLH company that also supplies other major companies, including one with a $20 billion indication.

Interviewer: Twenty billion dollar indication. That's the amazing thing about this new revolution in immune therapy that these are talking about worldwide markets, worldwide needs and the cost effectiveness of this versus the existing therapies, it makes it relevant in any, whether you're in Britain or Canada or the United States.

Interviewee: Exactly

Interviewer: So paint us a little bit of the blue picture over the next 12-18 months. You have a number of these, as I say, irons in the fire. In the next 12-18 months you expect to have 1 or 2 of these things go through?

Interviewee: Toby, the most interesting thing in the next 12-18 months is that over the last 6 months only we've signed non-disclosure agreements with 7 of the 15 largest biopharma companies in the world, one of which, for example we did some joint research with under their auspices. That research is peer reviewed and is coming public in March at a prestigious conference and being co-presented by our scientists as well as their scientist. It's a household name in biotech.

Interviewer: Your ingredient, do you have to use it? I thought it was only just for actually doing the testing but this is gonna be the delivery mechanism. It's part of me getting this injection?

Interviewee: Exactly.

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Interviewer: Okay.

Interviewee: These vaccines are using KLH typically as a carrier of protein so they're in human beings right now.

Interviewer: Eleven million dollar market cap, just paint a little blue sky for me. You're part of a public company, but if you hit a single here, a single or a double, it gets approved, it's used. Are these a million dollar year events? Are these $10 million events or what do you think?

Interviewee: If there's an approved product that is a KLH based vaccine, it would be exponential in terms of what it means for Stellar because we would be going from grams and tens of grams to kilograms and multi-kilograms and this stuff costs $35,000.00 to $900,000.00 a gram.

Interviewer: I thought truffles were expensive and I thought abalone was expensive. Thirty-five thousand to 900,000?

Interviewee: A gram. We're talking about going from a few grams a year while they're in the clinic to approved products where it can be –

Interviewer: Hundreds of grams or thousands of grams.

Interviewee: It can be even multi-kilograms or multi-thousands of grams.

Interviewer: Alright. So here's our story. Stellar Biotechnologies, it's the arms dealer, if you will, for all these immune therapy companies all over the world and obviously seven of the ten largest in the world, they sell a product that only comes from one little animal that you guys – can you imagine trying to get a permit from the United States today to be able to do what you're doing?

Interviewee: Exactly. We're right on the California coast. We take thousands of gallons of sea water in, put it back out totally under permitting. That would be hard enough to get.

Interviewer: You have the intellectual property. You have the core secret ingredient, if you will, for this, and they go from a few grams to thousands or essentially tens and millions of grams. This turns you into to me what we would call the lottery ticket of the biotechnology world and the great thing is as these are used, there's more and approved, then you get a cycle of more approvals. Once you break through the damn.

Interviewee: Exactly. We believe that. Good point.

Interviewer: Guys, $11 million market cap. We're gonna try to put these guys on our list as soon as possible because this is the next big thing in healthcare. I'm Toby Smith.

[End of Audio]