

## Investor Update April 2007

Harrington Group Limited (ASX: HGR) is an investment company currently progressing two major commercialisation opportunities through the development and marketing of:

- Rapid in situ diagnostics for; illicit drugs, certain disease states and also bio-defense applications.
- ShockRounds piezoceramic (electrically charged) lethal and non-lethal munitions

### Progress of the Sun Biomedical rapid diagnostics since acquisition by Harrington Group in September '06

Harrington Group acquired Sun Biomedical Laboratories Inc. to provide the Company with an existing cash flow business based upon rapid diagnostics for illicit drugs. Importantly, the technology platform will provide additional commercialisation opportunities with the development of diagnostic products for certain diseases such as cancers, TB and diabetes as well as for major virus and bio-terrorism threats.

**Illicit Drug Testing:** The immediate HGR opportunity is the global expansion of the existing Sun Biomedical business of illicit drug testing, concentrating mainly on workplace applications and law enforcement requirements.

This focus extends to the continued commercialisation of the Company's premier oral fluid (saliva) drug testing product OraLine as well as its range of urine testing products.

OraLine is globally recognised as the most sensitive oral fluid illicit drug testing product and is sold by the Company directly and through a number of OEM and reseller networks.

The major existing application for illicit drug testing is in the workplace where in the US alone there is an established and growing market estimated at USD\$1.3 billion. This market is predominantly based on the use of urine tests with major service providers using product manufactured in Asia.

The Harrington Group opportunity is centered on the significant problems associated with urine testing – invasion of privacy, potential for adulteration, lack of relevance to recent use/potential impairment and the overall cost to employers. Saliva is increasingly being pursued as an alternative testing medium and a number of manufacturers are developing saliva based tests. In response to this demand and as a consequence of the difficulties in using a viscous serum like saliva; the majority of the industry has developed devices based on foam collector pads that are then diluted in a buffer solution that is subsequently assayed. This approach has been found to be deficient, reducing sensitivity and effectiveness of the test and is one of the key points of differentiation that Harrington Group is exploiting in the commercialisation of OraLine.

The patented OraLine product uses whole saliva samples that are gathered directly into the single step screening device providing a more sensitive and accurate test than competitor products. This is particularly relevant with respect to THC, the active hallucinogen in cannabis, the most commonly used illicit drug wherein OraLine has achieved a benchmark 4ng/ml cut off drug detection level.

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### Harrington Group and Roadside drug testing.

With Australian police forces taking a global lead in the implementation of roadside drug screening programs many investors have asked if OraLine is being adopted for this application?

Roadside drug testing is an application of global proportions and of significant potential for the Company's saliva platform. The screening programs implemented in Victoria and other Australian States predated the Company's acquisition of Sun Biomedical Laboratories and OraLine is not used by Australian police forces at this time. However Sun Biomedical is currently participating in "ESTHER" a research program involving the police forces of nine European countries who have previously evaluated the testing products presently in use in Australian roadside screening programs.

Another major study "ROSITA-2" evaluated the usability and analytical reliability of the onsite oral fluid (saliva) testing devices including OraLine. The evaluators from the US and Europe concluded that:

"the experience in the state of Victoria in Australia shows that random roadside oral fluid testing of drivers for methamphetamine and cannabis (using the Securetec Drugwipe followed by the Cozart RapiScan and chromatographic analysis in the lab) has a deterrent effect.

Government officials should carefully weigh the pros (deterrent effect) and the cons (risk that drivers will realise that they often test negative after having used drugs due to the limited sensitivity of the test) of introducing random drug testing with the currently available devices".

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### OraLine drug test receives approval for sale in China – a potentially massive market

In July 2006 Harrington Group advised that OraLine had been certified for use by the Ministry for Public Security "MPS" in China. This advice was followed in November by an initial order of 10,000 units for evaluation by regional police agencies.

The evaluation has been completed and Harrington Group is now expecting to formalise a rolling quarterly order. The Company is confident that the China market will deliver sales in excess of 1,000,000 OraLine tests per annum.

In addition to the present OraLine format which tests for Cannabis, Cocaine, Opiates and Methamphetamines, the Company has also developed a test for Ketamine, the most commonly used illicit drug in China. The OraLine Ketamine test is more sensitive than any current alternatives with a detection threshold of 150ng/ml as compared to urine tests that have a sensitivity of approximately 1,000ng/ml and are unsuitable for policing purposes.

## ShockRounds Piezoelectric Projectile Progress.

Following over a year of development Harrington Group, in September 2006 announced the issue of a U.S. patent for the Company's Piezoelectric Incapacitation Projectile ("electric" bullets). The Company also advised of the finalisation and settlement of the acquisition of the ShockRounds IP enabling the company to move forward with the commercialisation of this novel technology.

With the potential for configurations that deliver high voltage discharge in either non-lethal or lethal munitions, Harrington Group has developed and progressed ShockRounds to test firing stage using a commercially available smooth bore projectile launcher used by law enforcement agencies to fire the ShockRounds prototype 37mm rounds.

Having completed this critical proof of concept phase and conducted successful test firings, the Company recognised the need for specialist munitions expertise. The Company continues in its progress to identify a suitable partner with appropriate organisational capacity and industry alignment to take the ShockRounds technology through the final phases of development to commercialisation.

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## 2007 Major Milestones.

**Regulatory Approval for OraLine:** A significant undertaking for the Company in 2007 will be to attain US Food & Drug Administration "FDA" 510K Point of Sale certification for OraLine to support professional use of the product. At present there are no saliva based screening devices that have 510K certification for all of the drugs tested on the device. Achievement of this milestone will significantly impact the Company's ability to switch customers from urine to saliva based testing and will further enhance OraLine's differentiation relative to competitor saliva tests.

All laboratory tests required for 510K filing have been completed and the Company is now preparing for point of care evaluations which are targeted to commence in April 2007. The completion of testing and filing is targeted to occur in June 2007. While the FDA assessment time cannot be reliably predicted, the Company is optimistic that 510K certification can be achieved in 2007.

A second major milestone that will follow the initial Point of Care 510K will be to undertake evaluations required for OTC filing to support distribution through "over the counter" sales by pharmacies and other retail outlets direct to consumers. The OTC market parallels the workplace testing market in the US where consumers purchase to self test prior to submitting to workplace tests. The value of this market segment is estimated at USD\$300 million per annum and is experiencing significant growth largely arising from parents concerned that their teenagers may be using drugs.

**Collaborative support for 510K filing:** The Company has recently appointed two US distribution partners that are also providing collaborative support for the OraLine 510K filing. Distribution partner Edward Andrew LLC has strong relationships in key OTC outlets such as Walgreens and are also contributing to the attainment of OTC 510K certification for OraLine.

Conducting over 100 million promotional mailings per annum, distribution partner BioScreens, will increase the Company's reach into the OTC market particularly to parents and others who may be hesitant to purchase drug testing products through their local pharmacy or other retail outlets.

**Re-launch of Urine Products:** Whilst the Company's major focus is on exploiting the potential of its illicit drug screening products and the development of oral fluid diagnostics, the Company's product portfolio also includes patented urine products. Urine is currently the predominant medium for drug testing and penetration of this market provides significant opportunity to improve the Company's revenue stream. To take advantage of this opportunity a multi panel urine testing format is being reviewed and is proposed to be re-launched in the current quarter. The format of this product enables customisation for specific drug combinations based on customer requirements which can vary between industries and different user groups such as workplace, correctional and law enforcement users.

**China Sales:** As Ketamine is the most commonly used illicit substance in China, the Company anticipates that this test will substantially increase the market potential for OraLine in China and other Asian markets. The Company's target is to realise Ministry for Public Security certification for an OraLine Ketamine test by June 2007.

**Research & Development:** The OraLine product platform is significantly more sensitive and accurate than systems employing foam collector pads and sample dilution, however the Company recognises that there is room for further optimisation to deal with viscous saliva samples. The Company has an optimisation program in place with a specific emphasis on meeting the needs of law enforcement agencies for application in roadside screening programs.

The Company's oral fluids platform for illicit drug screening is unique in design, function and sensitivity with ongoing development focused on the optimisation of this platform. The platform also represents significant potential for application to a broader range of diagnostic assays for certain diseases such as cancer, TB and diabetes as well as for major virus and bio-terrorism threats.

Harrington Group has a lean structure with ambitious but, achievable strategies and milestones. The Company is strongly positioned to commercialise the under exploited intellectual property and proprietary technologies that it has acquired and to become a significant player in the emerging field of oral fluid diagnostics.

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## Summary

Harrington Group has successfully completed the consolidation of its investments, the acquisition of Sun Biomedical Laboratories Inc., completion of the acquisition of the ShockRounds technology, the realisation of the ShockRounds patent and the divestiture of minor non-core investments.

Over the next six months the Company will focus on the expansion of sales initiatives on its full range of drug testing products in the US and other countries. In order to achieve short term sales objectives the Company's portfolio of urine based testing products will be marketed along side the flagship OraLine product. The value of the US market for both urine and saliva drug testing products is estimated at USD\$1.3 billion. The Company's penetration of this market promises to deliver revenues that will support the further optimisation and commercialisation of the oral fluids platform.

Sales from emerging markets such as China will further enhance the Company's cash flows and the first rolling quarterly order is expected in the current quarter. The expected volume potential in the China market will allow for further realisation of the Company's production efficiencies that will contribute to profitability across all markets.

For further information see [www.hgrltd.com](http://www.hgrltd.com)

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