



Company Announcement

14 February 2007

Agenix to Acquire Chinese Bio-Pharmaceutical Group

Strong Revenue Flows Expected This Calendar Year

Agenix has announced that it has signed a binding heads of agreement to acquire a private Chinese bio-pharmaceutical company, which has a pipeline of products in development, for RMB49 million (A\$8.1 million) in cash and up to RMB51 million (A\$8.4 million) in the form of Agenix shares over the next two or more years if performance milestones are achieved.

A share and options grant will also be made to the vendor shareholders.

The most developed of the product pipeline is an anti-hepatitis B virus ("HBV") drug which has successfully completed Phase III clinical trials. The product is expected to be market launched later this calendar year subject to final approval being received from the State Food and Drug Administration of the People's Republic of China ("SFDA").

The HBV drug is the result of a collaboration by the company with one of the major medical universities in China and support from one of the major infectious disease hospitals in China. The company Agenix is seeking to acquire holds all commercialization rights in relation to this product. The market for the drug in China alone is large, with over 35 million people infected with the disease. The hospital collaborating on this project has 7,000 outpatients per day with the disease.

The Chinese company is projecting revenue from China in the first 12 months of sale of the HBV drug post market launch in excess of RMB50 million (A\$8.3 million), rising to RMB240 million (A\$40.0 million) within 5 years. This is not a generic product and gross profit margins are high, with net profit from product sales in China projected by the company to generate RMB30 million (A\$5 million) in the second year after launch, rising to over RMB72 million (A\$12 million) in the fifth year after launch.

Mr Ravi Govindan, Chairman of Agenix, stated: "The Agenix Board and advisers have considerable familiarity with and expertise in doing deals and running businesses in China. There are significant opportunities there. The Agenix Board believes we have the ability to build on the platform established by this transaction to

look for other products in development in China which have short lead times to market launch and commencement of revenue generation.”

As a result of the deal, which is subject to shareholder approval at an extraordinary general meeting to be called on 11 April 2007, Agenix gets access to:

- The anti-hepatitis B drug referred to above which is patent-protected and has Chinese government support.
- The potential to market the drug in Indonesia, Korea and Vietnam.
- An existing product pipeline of other proprietary products in pre-clinical development, including:
 - An additional hepatitis B virus drug
 - A drug showing efficacy against HIV
 - A drug showing efficacy against colon cancer
 - A drug showing efficacy against liver cancer
- A research collaboration agreement with one of the major medical universities in China, giving the company access to future research on gastrointestinal diseases.
- A GMP manufacturing facility licensed to manufacture tablets, drugs, granules, aerosols and oral solutions. This facility has capacity to manufacture 50 million tablets per annum, well above manufacturing requirements for the HBV drug. The under-utilised capacity could be used for other projects.
- A distribution agreement with a Chinese medical distributor which has access to over 6,000 Chinese hospitals.
- A management team which has more than 50 years’ accumulated biopharmaceutical drug development and marketing expertise gained in global pharmaceutical companies.
- An existing scientific advisory board with enormous expertise in infectious and gastrointestinal conditions.

Mr. Neil Leggett, CEO and Managing Director of Agenix, stated: “We have negotiated a deal which we believe will generate considerable value to the company. The full extent of that value will be made clear as we work with the existing strong China management team on product launch and product development initiatives over the coming months.”

Full details of the consideration for the acquisition are:

- Cash of RMB49 million (A\$8.1 million).
- Options over Agenix shares will also be issued over the following 2 or more years if performance milestones are reached. Milestones relate to achievement of revenue, profit and clinical development targets. The total value of the milestones is RMB51 million (A\$8.4 million). The number of options to be issued if a milestone is achieved will be based on the Agenix share price for the 10 trading days prior to the achievement of the milestone, but shall not be less than A\$0.16.
- The granting of the equivalent of RMB35 million (A\$5.8 million) in shares in Agenix to the vendor shareholders to be fully financed by a loan from Agenix at 8% interest per annum. The price per Agenix share will be A\$0.16 for the first RMB20 million (A\$3.3 million). The price per share for the remaining RMB15 million (A\$2.5 million) will be the weighted average share price for

the 10 trading days prior to the date of approval by Agenix shareholders and shall be a minimum of A\$0.16 per share and a maximum of A\$0.30 per share.

- The granting of 15 million options over shares in Agenix with 3 year vesting periods and 6 years to expiry with exercise prices ranging from A\$0.30 to A\$0.70.

Further and more detailed information will be provided in the documents to be forwarded to shareholders prior to the extraordinary general meeting.

Agenix will be seeking shareholder approval as required by the ASX Listing Rules to raise capital to fund both the acquisition and ongoing working capital or as may otherwise be required by ASX. The amount of and structure of the capital raising is still being evaluated. However, as a guide, the capital raising is likely to consist of a rights issue, shareholder purchase plan and placement. The amount to be raised is likely to be approximately A\$15 million to A\$20 million.

The level of share ownership by the vendor shareholders immediately after the settlement of the acquisition and the capital raising depends on the Agenix share price for the 10 trading days prior to the date of the extraordinary general meeting. The higher the Agenix share price (up to a maximum A\$0.30) the lower the percentage of the company owned by the vendor shareholders. The ownership percentage of Agenix by the vendor shareholders immediately after settlement, taking into account this consideration, is likely to be between 7.3% and 10.0%.

On the achievement of milestones over the next three years, the ownership percentage of Agenix by the vendor shareholders taking into account additional equity consideration but ignoring any new capital raising during that period, would be between 13.5% and 20.0%.

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Agenix Limited [ASX: AGX, OTC (NASDAQ): AGXLY] is a biotechnology company based in Brisbane, Australia. Through its wholly owned subsidiary, Agen Biomedical Ltd, the company has a strategic goal of building and developing a pipeline of therapeutic protein/monoclonal antibody-based products.

Agen Biomedical's lead candidate is its high-technology blood clot-imaging agent, ThromboView[®], which has been undergoing human clinical trials in the United States, Canada and Australia. ThromboView[®] uses radio-labelled antibodies to locate blood clots in the body, and could revolutionise the global clot diagnostic imaging market. ThromboView[®] is being developed with the assistance of the Australian Federal Government through its START scheme. ThromboView[®] is a registered trademark of Agen Biomedical Ltd.

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