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CEO INTERVIEW WITH AEGIS EQUITIES RESEARCH

Agenix Limited is please to release the attached transcript of an interview given by Chief Executive Officer, Mr Neil Leggett, to John Kessell, Healthcare Analyst, Aegis Equities Research.

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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.

Agenix is in the process of acquiring two associated Chinese life sciences companies. One, Shanghai Rui Guang Bio-Pharma Development Co., Ltd, is a bio-pharmaceutical company which has a pipeline of anti-viral products in development. Its lead product candidate, a hepatitis B virus drug, has successfully completed Phase III clinical trials in China and is awaiting China State Food and Drug Administration approval for market launch in China. The second, Shanghai Yi Sheng Yuan Pharmaceutical Co., Ltd, has a GMP certified manufacturing facility which has the capacity to produce 50 million tablets per annum.

Aegis Corporate Insights

Agenix Limited

ASX	AGX
Bloomberg	AGX AU
Reuters	AGX.AX

30 April 2007

Sector: Health Care

The following is a transcript of an interview conducted by Dr John Kessell, Healthcare Analyst at Aegis. For more on Agenix Limited (AGX) see our Health & Life Science Blue Book at www.aer.com.au or go to the AGX website at www.agenix.com

John Kessell – Healthcare Analyst

Agenix has recently announced plans to acquire for up to A$16.5M a private Chinese biopharmaceutical company, SHRG, which has a lead anti-hepatitis B drug called YHD, which has completed phase III trials in China. How did this transaction come about, and aside from capital, how will Agenix add value to a small Chinese drug development company?

AGX CEO – Neil Leggett

The Agenix board was mindful of announcements that had been made in the past about our Thromboview product being likely to attract a licensing deal from an overseas company by as early as December 2005. It became clear to us that potential partners were looking for more data from us in relation to the primary indication of Thromboview, our blood clot imaging agent. To get that additional data, we needed to conduct a phase II pulmonary embolism (PE) clinical trial in the United States.

The board was conscious that we needed to have more in our armoury than just the Thromboview project, and we were actively looking for alternative programs, moving forward. We searched quite extensively for an additional project, and we came across the SHRG opportunity. We've carried out extensive due diligence and believe this opportunity has a lot of potential. We have also obtained an independent valuation of YHD and the GMP manufacturing facility of A$56M. Financially, this is a great deal for Agenix.

In terms of how we can add value to a Chinese drug company, Agenix has a history of commercialising medical diagnostic products. We've been marketing these products in over 60 countries for many years now. We saw in SHRG a very young drug development company with enormous potential and felt that we could bring management expertise as well as our experience in sales and marketing to assist with the launch of the product.

John Kessell – Healthcare Analyst

How will you manage the risks of developing drugs and doing business in China?

AGX CEO – Neil Leggett

I believe it will depend on both what we can bring to the company and the inherent characteristics of the company itself. The CEO of SHRG, Jonathan Zhang, is a returnee, in the sense that he was born and bred in Shanghai, went to the United States at an early age and studied there. Then after a career with international drug development companies, both overseas and in China, he launched SHRG in conjunction with Richard Wang, a Chinese national who has experience in the quality and regulatory areas.

We believe that besides these two individuals, the second tier management also has skills and experience of working with international companies. SHRG also has a strong group of reputable collaborators and consultants. In addition, Shanghai

Venture Capital, a small business development arm of the Chinese government, which has a 5% shareholding in the company, saw a lot of potential in SHRG and gave it some assistance. So, the structure of SHRG was attractive in itself.

In addition, we will appoint key individuals in key positions and there'll be regular visits to China from people like myself to ensure that the strategy that has been laid out for SHRG is implemented.

John Kessell – Healthcare Analyst

Anti-hepatitis B drug YHD is expected to be launched in the Chinese market later in calendar year 2007, following expected approval by the Chinese regulator, SFDA. How will this drug be commercialised in China?

AGX CEO – Neil Leggett

There are two levels of this commercialisation strategy. SHRG has developed a comprehensive sales and marketing plan, which has identified five key regional areas in China. These areas will be served by a direct sales force. We intend to immediately appoint approximately 40 sales and marketing staff, who will visit the relevant hospitals in these areas and market our product directly to the key opinion leaders, purchasing officers and other decision makers within those hospitals.

In addition, we have a signed letter of intent from Sinopharm, the pharmaceutical distribution arm of China National Health, stating its intention to assist us with the distribution of YouHeDing (YHD) in areas not covered by our direct sales force.

John Kessell – Healthcare Analyst

What is the likely market potential for this drug over the next five years?

AGX CEO – Neil Leggett

The market potential we believe is quite significant. We are conservatively forecasting in Australian dollar equivalent terms for calendar year 2011 that we'll generate sales of approximately A$52M and an EBITDA of around A$25M.

John Kessell – Healthcare Analyst

What is the intellectual property position for YHD? How will you prevent cheap copies appearing on the market?

AGX CEO – Neil Leggett

YHD has been categorised in China as a category one drug, which entitles it to five years' protection from competition. Also, we believe that the characteristics of the drug itself—a Chinese-developed drug with strong efficacy and specificity—will make it attractive in the marketplace.

We also have a patented manufacturing process, which we believe provides us an ongoing competitive advantage. However, it is likely that after the end of that five-year category one freedom-from-competition period, we may be listed on the Chinese government's national pharmaceutical list. We feel that although the selling price of the drug may decrease slightly at that time, it will be accompanied by an enormous volume increase. So, we're confident that YHD has a long future.

John Kessell – Healthcare Analyst

Why has the company stated that YHD has Chinese government support?

AGX CEO – Neil Leggett

As I said earlier, Shanghai Venture Capital, which is a business support arm of the Chinese government, has a 5% shareholding in the company and SHRG has already received some government grants.

Also, the letter of intent we have received from Sinopharm shows that there is a considerable interest in and support for our drug from the Chinese government to help us launch it in the market.

John Kessell – Healthcare Analyst

What competition will you face in the Chinese hepatitis B treatment market?

AGX CEO – Neil Leggett

Treatments for hepatitis B virus do exist in the market, such as GlaxoSmithKline's Hepsera, which is in the same chemical family as YHD. Other drugs are also coming through, such as Baraclude, from Bristol-Myers Squibb, and Heptodin, another GlaxoSmithKline product.

However, the difference lies in YHD's chemical family, Dipivoxil, which is the growth segment of the hepatitis B virus treatment market. Hepsera, for example, had growth of approximately 225% in 2006. We believe that the characteristics of our product are as good as those of Hepsera. In addition, we are likely to have a slight pricing advantage because of our patented manufacturing process, which will enable us to move further down the income curve in China and reach more people, as the percentage of population currently being treated using these drugs is extremely small.

John Kessell – Healthcare Analyst

What is the market potential for YHD outside of China, and how long do you expect it will be before YHD is available for sale in other countries?

AGX CEO – Neil Leggett

We're currently exploring this area and getting some precise data on it. We believe there is potential in Indonesia, Vietnam and Korea, in particular. Presently, we're focused primarily on getting the registration through in China and then we will investigate precisely what the opportunities are in other countries.

The deal that we struck in acquiring SHRG did not contain any element in the purchase price relating to potential sales in other countries. So, if any such development takes place, it would be in the countries I mentioned earlier and would provide an upside to the financial forecasts on which the acquisition was based.

Furthermore, the GMP-approved manufacturing facility that we have obtained as part of the SHRG deal will have unused capacity. We can use this extra capacity to manufacture other products.

John Kessell – Healthcare Analyst

SHRG also has a pipeline of additional drug candidates, including another anti-hepatitis B drug and drugs targeting HIV and colon and liver cancer. Which drugs are next likely to enter the clinic, and when?

AGX CEO – Neil Leggett

The drugs that are most likely to receive our immediate support and are showing enormous potential are a second generation hepatitis B virus drug, which we're actively working on, and an anti-colon cancer drug. According to our estimates, both these drugs are likely to enter the clinic as early as calendar year 2008. All products in development have enormous potential. Under the financial terms of the SHRG deal, we effectively paid very little for this pipeline.

John Kessell – Healthcare Analyst

Turning to Thromboview, the priority for the company is to conduct a phase II pulmonary embolus trial. Can you tell us about this trial?

AGX CEO – Neil Leggett

The trial is being conducted after discussions with potential partners for a Thromboview licensing deal as well as discussions with the FDA. We conducted a phase Ib PE trial in Australia, from which we obtained 14 images of patients with PE. Discussions with potential partners indicated that they would like to see a bigger pool of images before moving to the next step.

As a result, we are planning to conduct a PE trial in the United States, with the aim of studying 50 evaluable patients, which means that we may need to recruit between 60 and 65 patients. Recruitment is likely to start in June-July 2007 and is likely to move into the second quarter of 2008 before it is completed.

The cost of this particular trial is in the order of A$2.5M, and we expect to have at least 50 images of patients who potentially have PE. In addition, we're attempting to do some image quality enhancements during the trial and trying to identify if we can acquire an image earlier than the current time of three to four hours. There is still strong interest in Thromboview from potential partners.

John Kessell – Healthcare Analyst

When are results expected from this trial?

AGX CEO – Neil Leggett

The patient recruitment phase, as I said, is expected to complete by the end of the second quarter of 2008. This will be followed by a formal review and preparation of reports, which will take the process to the second half of 2008. However, from a partnering perspective, we are likely to have information that will assist potential partners from early calendar year 2008.

John Kessell – Healthcare Analyst

Finally, in terms of the company's cash position, Agenix had A$7.5M in cash in early March 2007 after receiving the initial payment for the human health point of care diagnostic product sale. Agenix has since realised A$3.5M from a placement, and a further A$6.7M is being raised in the non-renounceable rights issue, although this is earmarked for the sales and marketing launch of YHD.

Can you tell us what is the company's average cash burn rate expected to be going forward, and when YHD is likely to break even? Also, when is the company likely to need to raise additional cash?

AGX CEO – Neil Leggett

The recent extraordinary general meeting of shareholders approved both the A$6.7M rights issue, which is fully underwritten, and the raising of up to an additional A$10M, should we need it. We are currently assessing the SHRG pipeline, outside YHD. Once we have assessed which products will move forward, we may need around A$3M to A$5M to assist with commercialising and taking those products through clinical trials.

The funds for the Thromboview PE trial, which will be around A$2.5M, have already been set aside. In addition, we are currently supporting some activities within AGEN Biomedical. We are still involved in product transfer processes for recent business dispositions that we carried out, and our cash burn rate, outside Thromboview, is around A$300,000 a month.

However, this will taper off and we're looking at other strategies to reduce that amount quite significantly. Also, besides the funds that have been recently approved by the shareholders, we don't think we will need to raise any more funds for the programs that we have in hand at the moment.

END OF INTERVIEW