



Conquering hepatitis C in our time

## **XTLbio Signs License and Asset Purchase Agreement with VivoQuest Inc. Strengthens Hepatitis C Small Molecule Pipeline and Discovery Capabilities**

**Rehovot, Israel, 22 August 2005:** XTL Biopharmaceuticals Ltd. (LSE:XTL) ("XTLbio") announced today that it signed a license (the "license") and asset purchase agreement with VivoQuest Inc. ("VivoQuest"), a privately held venture-backed biotechnology company based in the U.S.

VivoQuest's lead program focuses on development of compounds for the treatment of Hepatitis C virus (HCV) infection, and has identified multiple lead candidates in this disease area that have shown significant activity in preclinical model systems, which is equal to or greater than the most promising molecules in clinical development today.

These HCV compounds emerged from VivoQuest's proprietary compound library, which was developed using a breakthrough small molecule chemistry technology known as Diversity Oriented Synthesis (DOS). Originally developed at the Harvard Institute of Chemistry and Cell Biology, DOS is the first practical approach to synthesizing large numbers of chemical compounds that share the complexity of natural product molecules. Since the vast majority of drugs in the market today are derived from natural product molecules, DOS generates compounds that are expected to have a higher probability of being successful drugs.

VivoQuest was formed by a team that includes internationally recognized pioneers in DOS from the Harvard Institute of Chemistry and Cell Biology. VivoQuest is one of two companies founded based on DOS technology; the other being Infinity Pharmaceuticals Inc. For Infinity, DOS was the basis for recent significant collaborative deals with Amgen, Novartis and Johnson & Johnson.

Under the license, XTLbio has the exclusive worldwide rights to VivoQuest's intellectual property and technology, including its HCV compounds and compound library. XTLbio will be responsible for the further development and commercialization of VivoQuest's HCV program.

The terms of the license include an upfront fee of \$940,000 to be paid in XTLbio's ordinary shares at the time of closing. The agreement also provides for additional regulatory and sales milestone payments to be paid in cash or XTLbio shares, at XTLbio's discretion. These payments total \$34.6 million, \$25.0 million of which will be due upon or following regulatory approval or actual product sales. In addition, the license agreement will require that XTLbio make royalty payments on product sales.

In addition to the license, XTLbio has signed an asset purchase agreement, under which XTLbio will acquire from VivoQuest certain assets, including laboratory equipment, and will assume VivoQuest's lease of its laboratory space. In consideration, XTLbio will pay \$450,000 to VivoQuest in XTLbio's ordinary shares.

Closing of the license and the asset purchase agreement is dependent on meeting certain closing conditions. Between signing and closing of these agreements, which will take place no later than September 22, 2005, XTLbio will provide VivoQuest with up to \$400,000 in exclusivity payments.

Michael Weiss, Chairman of XTLbio, commented: "We are very excited to bolster our HCV pipeline by bringing in the VivoQuest program, which has already identified a large number of candidates that pre-clinically compare very favorably with the most promising anti-HCV compounds presently in clinical development. XTLbio has traditionally been focused on biology with our Trimera model and has relied on others for chemistry expertise to identify drug candidates. The VivoQuest program provides us with an exciting complementary, chemistry-based technology with which to pursue our proprietary drug development efforts".

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**Notes to Editors**

XTL Biopharmaceuticals Ltd. (XTLbio) is a biopharmaceutical company developing drugs against hepatitis. Established in 1993, XTLbio became a public company in 2000 and its ordinary shares are listed on the Official List of the UK Listing Authority and are traded on the London Stock Exchange under the symbol XTL and on the Tel Aviv Stock Exchange, Israel.