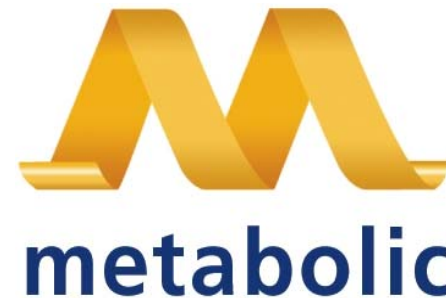


**POLYNOVO**  
BIOMATERIALS PTY LTD



# Acquisition of PolyNovo

Mr Rob Stewart and Dr Ian Griffiths

Melbourne, 18 July 2008

# Risks and forward-looking statement

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## Inherent Risks of Investment in Biotechnology Companies

There are many inherent risks associated with the development of products to a marketable stage. The clinical trial process is designed to assess the safety and efficacy of products prior to commercialisation and a significant proportion fail one or both of these criteria. Other risks include uncertainty of patent protection and proprietary rights. Thus investment in companies such as Metabolic, must be regarded as highly speculative. Metabolic strongly recommends that professional investment advice be sought prior to such investments.

## Forward-looking statement

Certain statements in this presentation contain forward-looking statements regarding the Company's business and the therapeutic and commercial potential of its technologies and products in development. Such statements are subject to certain risks and uncertainties inherent in the process of developing products that can be proven to be safe and effective. Metabolic undertakes no obligation to publicly update any forward looking statement, whether as a result of new information, future events, or otherwise. Actual results could differ materially from those discussed in this presentation.

# Who is PolyNovo?

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PolyNovo is developing and commercialising its novel biodegradable polymer technology NovoSorb™ for use in medical devices

- PolyNovo has signed three partnering deals with major international medical device companies (Medtronic, Biomet and Smith & Nephew) and its business objective is to continue tailoring the properties of NovoSorb™ for further partnerships
- PolyNovo is based in Melbourne within the CSIRO Molecular and Health Technologies campus, and plans to relocate to a leased facility in Port Melbourne by late 2008
- PolyNovo employs 14 staff mainly across scientific and manufacturing disciplines

# Strategic rationale for acquiring PolyNovo

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- Metabolic considered a wide range of M&A opportunities over the past 12–18 months, before determining that PolyNovo presented the greatest opportunity for building shareholder value in the medium-term
- PolyNovo is an exciting company with excellent technology – with further funding the development of its products can be accelerated
- PolyNovo has a diverse portfolio of high potential products and has already signed three deals with major international medical device companies
- Typically, the path to commercialisation for medical devices is faster and lower in risk than drug development
- Metabolic's cash reserves will permit the effective execution of PolyNovo's current business plan

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# Transaction summary and name change

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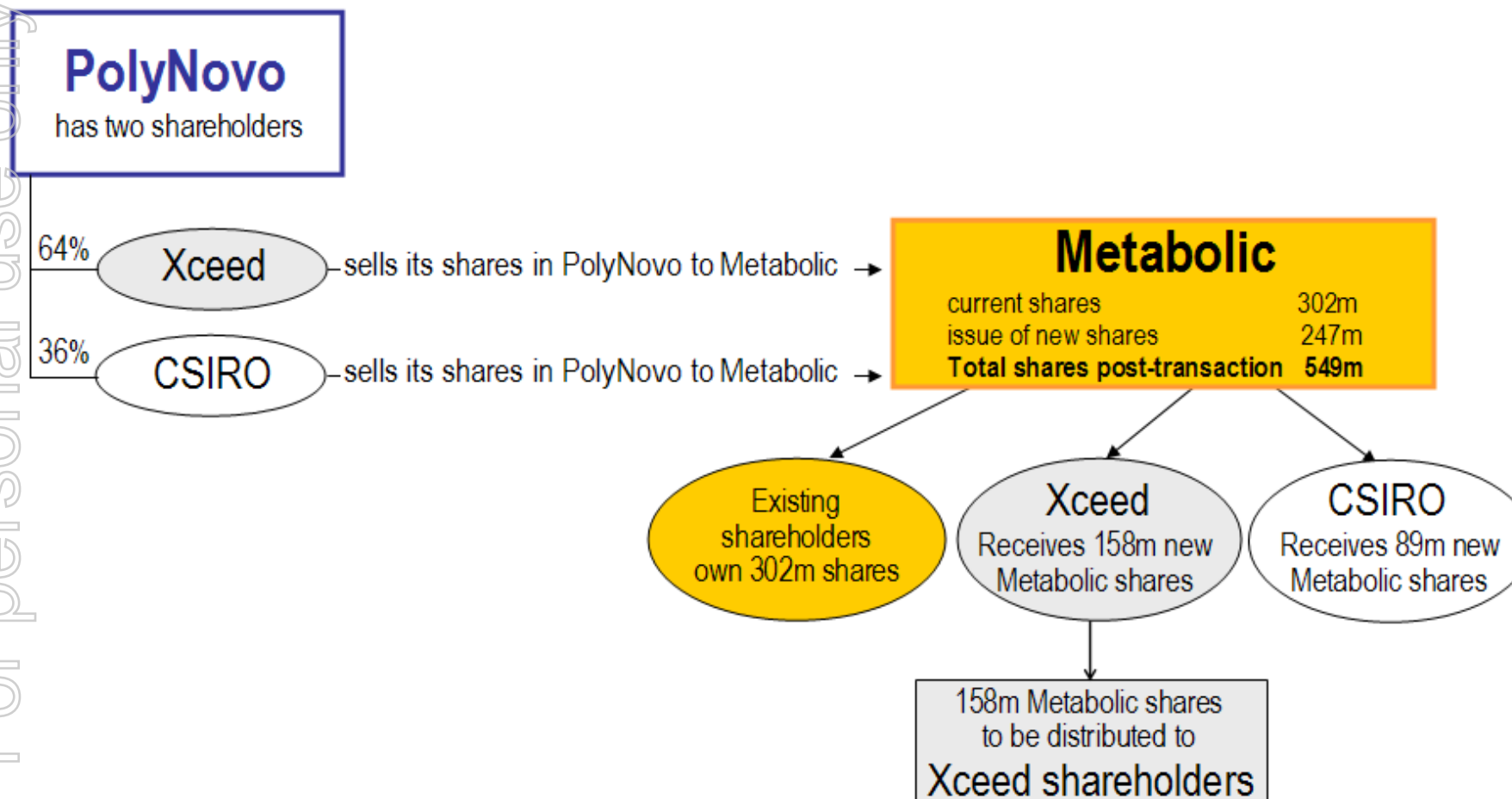
- Metabolic has agreed to acquire 100% of PolyNovo securities from its two shareholders, Xceed and CSIRO, in exchange for new issued shares in Metabolic
- Xceed and CSIRO will be issued new shares in Metabolic on a pro-rata basis, equivalent to 45 per cent of Metabolic's current issued capital
- After the transaction is completed, Metabolic's issued capital will increase from approx. 302 million to 549 million, with approximately 247 million new shares to be distributed to Xceed and CSIRO
- Subject to a favourable ATO ruling, Xceed to distribute their portion of Metabolic shares to Xceed shareholders
- The transaction is expected to take three months to complete
- Metabolic will loan PolyNovo up to \$2 million prior to the completion of the transaction to enable PolyNovo to move forward with its business development
- Metabolic will change its name to PolyNovo Biomaterials Ltd

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# Deal structure

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# Board and staff post transaction

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- Dr Ian Griffiths will be appointed as Chief Executive Officer & Managing Director
- There will be several Board changes upon completion of the acquisition to ensure that Metabolic has the appropriate mix of skills and experience to take the Company forward through the next stage of development
  - Rob Stewart to continue as Chairman
  - Franklyn Brazil and Paul Lappin to continue as directors
  - Don Clarke and Iain Kirkwood to resign
  - Bruce Rathie, a current PolyNovo director, to be appointed
  - Stewart Washer, an Xceed Director, will be appointed
- 14 PolyNovo staff and 4 Metabolic staff will relocate to a leased facility in Port Melbourne

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# Transaction timeline (estimate)

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17 July	Binding term sheet signed
Mid August	Due diligence completed
September	Notices of General Meetings sent to shareholders of Metabolic and Xceed
October	Shareholder Meeting of Metabolic and Xceed
Late October	Completion of transaction

## Approval required

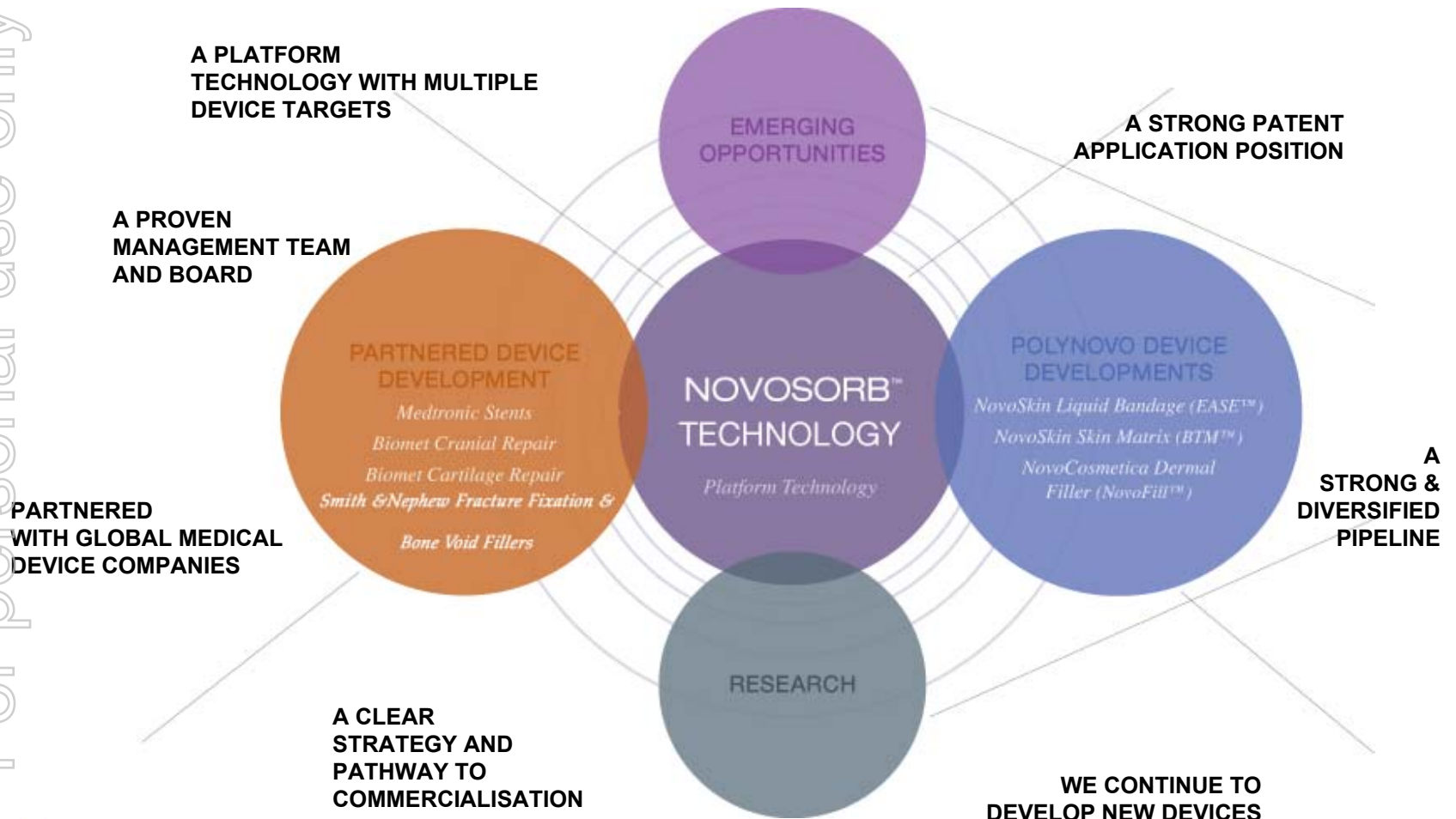
- Satisfactory due diligence, shareholder approval and final stage approval of CSIRO
- The transaction must be approved at a General Meeting of shareholders

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# PolyNovo business model

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# What is NovoSorb™?

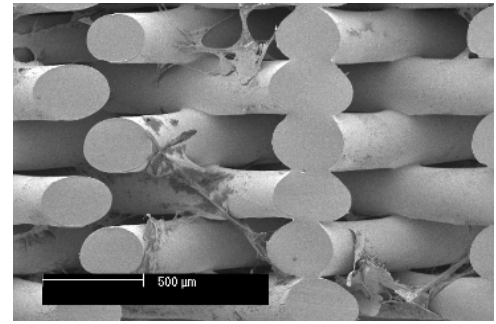
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## **NovoSorb™ is a novel and versatile biodegradable polymer technology**

- Medical devices made from NovoSorb™ can be used on human tissue in a variety of different applications
- Broad range of applications for this technology - less reliance on single product success
- Key advantage of NovoSorb™ is that the medical device harmlessly dissolves after it has performed its role, that is, once the health benefits have been delivered
- NovoSorb™ can be tailored to large world markets with potential applications in areas as diverse as orthopaedics, orthodontics, drug delivery, wound care, tissue engineering, nerve regeneration and cartilage repair
- Global markets in which medical devices made from NovoSorb™ may be used are estimated to be worth US\$16 billion a year

# NovoSorb™ key features

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- Range of mechanical properties
- Tailored degradation profile
- Degrades to known products that have a history of clinical use
- Versatility for devices
  - Injectable - mix and cure
  - Injectable - light cure
  - Preformed devices - mass production version



**POLYNOVO**  
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# Development of partnered devices

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- Rationale
  - Route to large complex markets
  - Leverage partners skills and resources
- Typical Deal Structure
  - Licence of IP for specific field of use
  - Sign-on payment
  - PolyNovo develops polymer to meet partner specification
  - Milestone payments during product development
  - Partner pays for clinical trials
  - PolyNovo manufactures and supplies NovoSorb to partner
  - Partner manufactures devices from NovoSorb
  - Partner provides sales, marketing and distribution
  - Royalty on net sales

# Three deals with major international companies

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## **Medtronic** – biodegradable stents (signed 2006)

- World leader in medical devices with a market cap of US\$60 billion and annual sales of US\$12 billion
- Stents are mesh-like tubes (currently made from metals) used to open blood vessels and keep them open during healing
- Stents made using NovoSorb™ will be minimally invasive and biodegrade after healing

## **Biomet** – for cartilage repair and cranial & facial bone repair (signed 2007)

- World leader in orthopaedic devices with sales of US\$2.5 billion (acquired by a private equity consortium in Sep 2007)
- Assist cartilage repair and safer devices to assist bone healing

## **Smith & Nephew** – for fracture fixation and bone void fillers (signed 2008)

- World leader in orthopaedic devices with a market cap of US\$10 billion and sales of US\$3 billion
- Bone void filler replaced damaged or diseased bone
- Strong biodegradable plates and screws for fixing fractures

# PolyNovo device development

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## • Rationale

- Simple device concepts
- Significant future value creation
- Conduct pilot human trials (cost effective)
- Mature these products in-house and increase value proposition

## • Future Commercialisation Options

- Trade sale of device
- Licence for higher values
- Fund and run separately as a device company

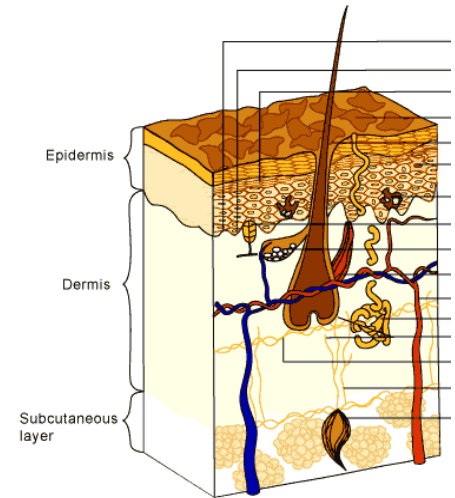
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# NovoSkin joint venture

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## Joint Venture

- 80% PolyNovo
- 20% Dr John Greenwood AM
  - Director Royal Adelaide Hospital Burns Unit
  - Key opinion leader in wounds management
  - Founder of TGA approved skin engineering lab
  - Regulatory and clinical expertise
- Adding significant value by taking two device concepts through early clinical trials before partnering
  - Liquid bandage
  - Full thickness wounds (Biodegradable matrix)





# NovoSkin product opportunities

- Catheter 'entry-point' sealant
- Orthopaedic external fixation sealant
- Ophthalmic surgery sealant
- Temporary sealant for orthopaedic trauma
- Post minor surgical dressing
- Full skin thickness temporising matrix



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## Joint Venture

- 80% PolyNovo
- 20% Dr Tim Edwards and Dr Tony Moore
- Principals of Australian Plastic Surgery Associates
  - Registered Sculptra™ in Australia
  - Sold rights to sanofi-aventis
  - Regulatory and clinical expertise
  - Access to patients in Australia and overseas
- Adding significant value by taking dermal fillers (NovoFill™) through early clinical trials before partnering

Before



After



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# Summary

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- Metabolic will issue 247 million new Metabolic shares to Xceed and CSIRO in exchange for 100% ownership of PolyNovo
- Xceed to distribute its shares in Metabolic to Xceed shareholders
- The transaction requires satisfactory due diligence, shareholder approval and final stage CSIRO approval
- The transaction is expected to take around three months to complete
- Metabolic to be renamed 'PolyNovo Biomaterials Ltd'
- This transaction will combine the cash, intellectual property, research and people of both companies, and will enable Metabolic shareholders to participate in the benefits expected from PolyNovo's exciting and diversified portfolio of products

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# For further information, contact

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