

30 April 2015

PolyNovo Divests AOD9604

PolyNovo Limited (PolyNovo or Company) has signed a contract for the sale of its interest in AOD9604 Intellectual Property to Lateral Pharma Pty Ltd (Lateral).

After completing the previously announced sales process the Company concluded that Lateral, a fully funded vehicle with a single focus, would provide the best opportunity to add value to the AOD9604 Intellectual Property.

There is a significant unfulfilled need for a new, safe and effective treatment for Osteoarthritis (OA) that research previously undertaken by Metabolic has shown may be addressed by AOD9604. Lateral's primary mission will be to focus its funding and research on the further development of AOD9604 to address this need.

The key terms of the agreement include:

- Upfront cash payment of \$1,500,000;
- Licensing revenues which includes 15% of Lateral's revenues in the form of upfront payments, milestone payments and other licensing payments;
- Royalties of 3.5% of Lateral's sales of AOD9604 manufactured, marketed and distributed products;
- Upon any future IPO by the Purchaser, PolyNovo's interest may convert, at the option of either PolyNovo or the Purchaser into securities in the IPO at valuation; or upon a partial or full trade sale PolyNovo is to be paid 20% of the consideration received by the Purchaser less deduction for all expenses incurred by the Purchaser in its development, protection and commercialisation of the AOD assets to the date of sale, subject to a minimum payment of at least 15% of the consideration; and
- Within 4 months the purchaser must outline its development plan for gaining regulatory approval for AOD9604 to be used as a treatment for OA or OA pain. Within 15 months Lateral must spend or commit to spend at least \$1,000,000 in the pursuit of that plan.

Lateral is associated with the former Metabolic CEO, David Kenley.

Paul Brennan, the Chief Executive Officer of PolyNovo said, "The sale of the AOD9604 Intellectual Property is consistent with the Company's strategy to direct resources on commercialising its patented NovoSorb™ technology for use in reconstructive surgery and tissue repair."

For further information please contact:

David Williams
Chairman
Mobile: + 61 414 383 593

Paul Brennan
Chief Executive Officer
Mobile: + 61 427 662 317