



ASX Release

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New Investment into PolyNovo

8 July 2008

Xceed Capital Limited (ASX: XCD) ("Xceed Capital") today is pleased to announce that it has entered into a subscription agreement to make a further investment in its 64% owned subsidiary PolyNovo Biomaterials Ltd ("PolyNovo").

PolyNovo has signed three international deals with major companies since 2006 and is expanding its NovoSorb™ polymer production capacity to supply material to these companies for product development.

PolyNovo's three main deals are as follows:

1. Medtronic, Inc. (~US\$58bn market capitalisation) – to develop NovoSorb™ for the use in biodegradable stents;
2. Biomet, Inc. (~US\$10bn market capitalisation) – to develop NovoSorb™ for the use in cartilage repair and cranial repair; and
3. Smith & Nephew plc (~US\$12bn market capitalisation) – to develop NovoSorb™ for the use in bone void filler and fracture fixation.

PolyNovo needs further working capital to expand in order to meet the requirements of these current deals and to develop applications of NovoSorb™ polymer in other valuable markets including cosmetic surgery.

Since the Xceed Capital Shareholder Update released on the 6th May 2008, PolyNovo has been actively pursuing alternative funding avenues to fund its next phase of growth including via direct investment of private equity. The previous proposal of a demerger and IPO of PolyNovo is no longer being actively pursued due to the changes in equity markets since the time of the original announcement of that proposal in July 2007.

A number of incomplete proposals are being considered by PolyNovo and these have not yet reached the stage of binding agreements or term sheets. The proposed equity subscription by Xceed allows for these negotiations to continue, but given there is no certainty of a timely successful conclusion, this subscription agreement will enable the appropriate funding and continued growth of PolyNovo.

Xceed will await the outcome of current negotiations between PolyNovo and third parties before proceeding with any further investment in PolyNovo.

A summary of the material terms of the subscription agreement with PolyNovo are as follows:

1. Xceed Capital can invest up to a further \$5,000,000 increasing its shareholding in PolyNovo from 64% to a maximum of 76%.
2. The three current directors of PolyNovo will remain on the Board being Dr Ian Griffiths (Chief Executive Officer), Mr Bruce Rathie (Chairman) and Mr Peter Francis (Non-executive Director). In addition, Xceed Capital will appoint two Non-executive Directors, being Mr George Cameron-Dow and Dr Stewart Washer.
3. A condition precedent to the new investment in PolyNovo is that the Shareholders Agreement in place between the two current shareholders of PolyNovo, being the Commonwealth Scientific and Industrial Research Organisation (“CSIRO”) and Xceed Capital, will be terminated and replaced. Further, the CSIRO must also provide a written waiver to Xceed of any rights it holds that would prevent or qualify the issue of shares and options under the subscription agreement.
4. Xceed Capital can initially subscribe for 3,458,333 new shares in PolyNovo for a total of \$2.5m with settlement to occur within 75 days of the conditions precedent outlined above in 3 being satisfied. Xceed Capital has the right to procure third party subscribers to take up the subscription of PolyNovo shares and options.
5. Subject to settlement occurring in 4, Xceed Capital will also be granted options in PolyNovo as follows:
 - 2,500,000 unlisted options with an exercise price of \$1.00. These options may be exercised at any time or times in one or more tranches from the date of issue until 18 months from that date;
 - 2,083,333 unlisted options with an exercise price of \$1.20. These options may be exercised at any time or times in one or more tranches from the date of issue until 30 months from that date.
6. Xceed Capital will also have the right to subscribe for an additional 3,458,333 new shares in PolyNovo for a total of \$2.5m exercisable within 60 days of the initial \$2.5m investment being made and will be granted a second tranche of options on the same number and terms as the initial tranche of options outlined in 5 above.

Mr Patrick O'Connor, Chairman of Xceed Capital said "the Xceed Capital Board welcomes this opportunity to further invest into PolyNovo at this exciting stage of growth, with NovoSorb™ products being developed in valuable medical applications with leading international companies. We look forward to working with PolyNovo to build shareholder value as these products are commercialised".

ENDS

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Xceed Capital Limited

Xceed Capital Limited is an investment company based in Perth, Australia and is listed on the Australian Securities Exchange (ASX: XCD). Historically, Xceed has worked closely with CSIRO to successfully spin-off two companies. These companies, Boron Molecular Pty Ltd (100% owned) and PolyNovo Biomaterials Ltd (owned 64% by Xceed with the remaining 36% interest owned by CSIRO) both commenced with exclusively licensed or assigned core technologies developed by CSIRO.

For more information, please visit the company's website at www.xceedcapital.com