



ASX Release

ASX Code: XCD

Xceed signs binding term sheet for the sale of PolyNovo

18 July 2008

- **PolyNovo Biomaterials Ltd sold to Metabolic Pharmaceuticals Ltd (ASX:MBP)**
- **XCD to receive approximately 158m shares in MBP for its 64% stake in Polynovo and intends to distribute these MBP shares to XCD shareholders**
- **Future MBP will be renamed Polynovo Biomaterials Ltd and will fund and direct the successful PolyNovo biodegradable polymer technology and deals going forward**
- **MBP currently has over \$15m in cash (about 5c/share) and has been seeking a successful biotechnology business to acquire**

Xceed Capital Limited (ASX: XCD) ("Xceed") today is pleased to announce that it has entered into a binding term sheet to sell its 64% shareholding in PolyNovo Biomaterials Ltd ("PolyNovo") to Metabolic Pharmaceuticals Limited (ASX: MBP) ("Metabolic").

As foreshadowed in the Xceed ASX announcement of the 8th July 2008, PolyNovo needs further working capital to expand in order to meet the requirements of the current licensing deals and to develop further applications of its novel NovoSorb™ polymer in other valuable markets including cosmetic surgery. The sale of PolyNovo to Metabolic allows for the development program of PolyNovo to be funded for the next two to three years, and provides Xceed shareholders with continued upside potential in relation to their investment in PolyNovo.

The material terms of the binding term sheet signed with Metabolic are as follows:

1. Subject to satisfaction of relevant conditions precedent, Metabolic will acquire 100% of the issued share capital of PolyNovo from its current shareholders, Xceed and Commonwealth Scientific and Industrial Research Organisation ("CSIRO"), in exchange for new issued shares in Metabolic.

The new shares issued by Metabolic to Xceed and CSIRO will be equal to 45% of the issued shares in Metabolic. The current issued capital including performance rights of Metabolic is around 302 million shares. After the completion of the transaction, Metabolic will issue approximately 158 million shares to Xceed and 89 million shares to CSIRO, with the new issued capital of Metabolic being approximately 549 million shares. Metabolic has around \$15 million in cash equivalent to \$0.05 cents per share.

2. Xceed will, subject to receiving a favourable class ruling from the Australian Taxation Office, distribute in-specie the Metabolic shares it receives by way of a capital reduction to its shareholders. Xceed has agreed that, by no later than 12 months after the completion of the transaction, or 6 months after the release from any escrow conditions (whichever is the later to occur) it will own not more than 10% of the issued capital of Metabolic. Xceed has also entered into an agreement which will restrict its voting power, except in certain customary circumstances, whilst it holds in excess of 10% of Metabolic.
3. Metabolic has agreed to advance PolyNovo up to \$2 million to enable the company to move forward with its business development while the transaction is completed, which is estimated to take 3 months. An initial \$1 million will be paid upon the signing of the binding term sheet, and further payments up to an aggregate of \$1 million may be advanced following satisfactory due diligence and satisfaction of relevant drawdown conditions.

In the event that the transaction does not complete, Metabolic may require repayment of the loan or convert the loan into equity in PolyNovo. In the event Metabolic requires the loan be repaid by PolyNovo, Xceed will subscribe for a minimum of \$2.5 million of additional share capital in PolyNovo on the terms outlined in the ASX Announcement made by Xceed on the 8th July 2008, to enable PolyNovo to repay the loan and continue meeting the milestones under the current licensing deals.
4. Upon completion of the transaction, the Chief Executive Officer of PolyNovo, Dr Ian Griffiths, will be appointed Chief Executive Officer and Managing Director of Metabolic, and he will resign as a Director of Xceed.
5. Dr Stewart Washer will be appointed to the Board of Metabolic as Xceed's representative, and will remain on the Metabolic Board so long as Xceed holds more than 10% of the shares in Metabolic.
6. It is intended that upon completion of the transaction, Metabolic will change its name to PolyNovo Biomaterials Ltd, and PolyNovo, as a subsidiary, will also change its name. The staff of both companies will be retained to ensure the smooth transition to the Company's future direction which will be to focus on the implementation of the PolyNovo business plan.

Shareholder approval and timeline

This transaction is subject to various conditions precedent including the approval of the shareholders of Xceed and Metabolic at General Meetings, and the final stage approval of CSIRO.

The anticipated timeline for the transaction is as follows:

17 July 2008	Binding term sheet signed
Mid August 2008	Due diligence completed
September 2008	Notices of General Meetings sent to shareholders of Xceed and Metabolic
October 2008	General Meetings of Xceed and Metabolic held
Late October 2008	Completion of the transaction

Mr Patrick O'Connor, Chairman of Xceed Capital said "the Xceed Board has always been committed to the development of PolyNovo and the commercialisation of its novel NovoSorb™ products in valuable medical applications. This transaction presents an excellent basis for PolyNovo to continue to move forward with its projects whilst being fully funded and also having direct access to capital markets in future years. The Xceed Board believes this is the best way to create value for Xceed Shareholders in the short and medium term and enable them to have liquidity in their interest in PolyNovo as a well funded company."

ENDS

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Xceed Capital Ltd

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