

30 July 2010

Calzada agrees to vend Metabolic into ATOS Wellness

The Board of Directors of Calzada Ltd (ASX:CZD) is pleased to announce that it has today signed an agreement with ATOS Wellness Ltd (ASX: ATW) under which Calzada will invest \$500,000 cash and vend into ATOS its 100% owned subsidiary Metabolic Pharmaceuticals Pty Ltd, plus all intellectual property associated with Metabolic's drug development assets, primarily focused on AOD9604.

Under the proposed transaction, Calzada will be issued with 160 million new ATOS shares at a share price of 1.85 cents per share valued at approximately \$3.0 million, and 30 million ATOS options with an exercise price of 2 cents, expiring 3 years from the transaction completion date. Calzada will emerge with a shareholding of 50% in ATOS post completion of the transaction. On completion, the Board of ATOS will comprise Mr Jitto Arulampalam (Chairman), Mr David Kenley (Managing Director) and Mr David Franklyn.

The proposed transaction remains subject to a number of conditions, including completion of satisfactory due diligence enquiries, the suspension in trading of ATOS shares on ASX being lifted and ATOS shareholder approval.

The Executive Chairman of ATOS, Mr Jitto Arulampalam said: "The Board of ATOS are nearing the end of the restructuring of the company and have been pursuing a number of opportunities aimed at restoring value to shareholders. The prospect of acquiring the Metabolic Pharmaceuticals' assets is a very exciting opportunity, providing exposure to a drug which is targeted at providing a treatment for a significant value creating opportunity for our shareholders in an ever growing global obesity market. The drug has been proven through numerous studies to be safe, and our focus will be on evaluating alternative drug delivery mechanisms to test for greater efficacy than previously demonstrated via oral delivery methods".

The Executive Chairman of Calzada, Mr David Franklyn, added: "Metabolic's drug development assets have significant upside potential, with this transaction placing those assets in a focused vehicle with capital dedicated to proving up the commercial potential of the drug. Going forward, Calzada will have a significant shareholding in ATOS thereby retaining upside exposure for its shareholders. This restructuring also provides shareholders with an opportunity to invest further in a more targeted direct exposure to Metabolic's development projects".

About Metabolic

The key asset of Metabolic is the AOD9604 compound. This is a 16 amino acid peptide-based drug which copies the fat metabolic region of human growth hormone. Its major application is a pharmaceutical for the treatment of obesity and obesity related disorders. There is also a potential cosmeceutical application for the treatment of cellulite and sub-cutaneous fat.

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It potentially has a second pharmaceutical application for preventing and treating osteoporosis and bone disorders.

Current patents are held in all major markets for obesity application and patents are pending for the osteoporosis application.

At its peak, the market capitalization of Metabolic exceeded \$550 million, with development expenditure to date of more than \$50 million, reflecting the commercial potential of successfully proving up a safe and effective treatment for obesity.

The last human clinical trial completed in respect of AOD9604 in 2007 adopted an oral delivery formulation. That trial was ultimately unsuccessful in proving the drug's efficacy. Calzada believes that a contributing factor to that outcome may have been that the peptide drug was broken down in the hostile environment of the stomach and gut - a common occurrence for peptide based drugs. A failure to be absorbed may have negated the desired drug effect.

Accordingly, future trials are likely to investigate delivering the drug in alternative ways - such as transdermal, injection, inhaleable, nasal, sub-lingual or implant.

Human Clinical Trial Data and Anecdotal Evidence

Metabolic has previously conducted a total of 6 human clinical trials on AOD9604 on nearly 1,000 patients. Results to date have shown the safety and tolerability of AOD9604 to be excellent.

Preliminary investigations conducted by Calzada indicate that AOD9604 is currently being manufactured in China with anecdotal evidence indicating that it may be being sold to bodybuilders in the USA, UK and Australia to reduce body fat. Calzada is currently undertaking further investigations into these matters.

Other Value Drivers

- Metabolic has previously announced a Collaborative Research and Option Agreement with the ASX listed Phosphagenics Ltd aimed at developing a transdermally delivered AOD9604 for the treatment of cellulite and sub cutaneous fat.
- Metabolic is in ongoing discussions with a large Asian group regarding the direct funding of the development of alternative delivery forms of AOD9604 and possibly new human clinical trials.
- Encouraging animal results to date indicate that AOD9604 has potential application to both the prevention and treatment of osteoporosis and as a biologic aimed at improving bone quality in medical device procedures.

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