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**Metabolic Pharmaceuticals Update:
Independent Research Quantifies Large
'Black Market' in Sales of AOD9604 from China**

- AOD9604 Black Market sales from the Shanghai region of China estimated at approximately 85 grams per month with an estimated value of between US\$1.5m and more than US\$20m.
- Calzada currently looking at the potential of AOD9604 going forward as a regulated drug or as a cosmetic / nutraceutical.

Calzada Limited's (ASX:CZD) wholly owned subsidiary, Metabolic Pharmaceuticals Pty Ltd ("Metabolic") is currently relooking at the potential of AOD9604 in the obesity and bone health markets.

Between 1998 and 2007, Metabolic invested approximately \$50 million in attempting to develop AOD9604 as an obesity treatment. While AOD9604 showed early promise in treating obesity in clinical trials it failed to reach the chosen efficacy end point in a large Phase II trial in February 2007. This may have been due to ineffective administration of the drug as an oral tablet formulation.

As part of the Calzada review of AOD9604 opportunities, the company announced in March this year that it was investigating the apparent manufacture of AOD9604 in China and its possible sale into other countries including the US and Australia in contravention of the company's patent position.

As part of this investigation Calzada contracted the international corporate investigations, business intelligence and intellectual property protection firm Global Insight Ltd (globalinsight-group.com) based in Hong Kong to conduct research into this matter. Global Insight conducted significant desk and on-site market research at the premises of five of the largest manufacturers of AOD9604 in the Shanghai region of China.

Global Insight's key research findings:

- Sales of AOD9604 occur to distributors, gymnasiums, weight control centres, private clinics and individuals (athletes, bodybuilders and the obese);
- Purchasers reside mainly in USA, Canada, Australia, Russia, UK and Germany;
- Sales of AOD9604 from China commenced over 2 years ago;
- Dosing method is by way of injection (usually sub-cutaneous);
- The 5 major manufacturers of AOD9604 in the Shanghai region of China sell approximately 85 grams of AOD9604 per month; and
- Global Insight found that pricing varied according to purity. They obtained quotes on high purity (bulk size) 1 gram batches in the range US\$540 to US\$2,625.

Estimated Current Market Size

Metabolic's review of many of the Chinese websites offering AOD9604 for sale indicates they usually offer milligram, injection ready, quantities in 2mg vials. Pricing varies amongst suppliers but is in the range US\$3,000 to >US\$30,000 per gram.

Based on the above information the estimated value of sales of AOD9604 from the Shanghai region is calculated to be between US\$1.5m per annum (if all sales were at the bulk rate) and >US\$20m per annum (if sales were at milligram quantities). Calzada believes the mid-point of this range is a conservative estimate.

By adding the remainder of the Chinese market and at least 4 US based manufacturers which have appeared with websites in the last 4 months, the total world market is likely to be much larger.

Implications for Calzada

Calzada does not condone this large Black Market use as it involves the sale of AOD9604 of highly questionable purity. The drug has not been approved by any regulator for human use and Calzada does not plan to engage with this market. Independent legal advice has determined that enforcing our patent position over these manufacturers may be possible, but the cost of doing so is prohibitively high at this time.

The emergence of this Black Market for AOD9604 demonstrates that there is a high demand for this as yet unproven Calzada product. While an approved product is likely to have a significantly greater market potential, it would require progressing the product through the regulatory approval process, a process that has potentially long timeframes and high capital requirements.

Future plans

Calzada continues to investigate ways to maximise the value of the AOD9604 drug. There are two main paths forward:

- taking it forward as a regulated drug for either obesity or osteoporosis through the traditional pharmaceutical development process. Key considerations would be patent life; cost of development; development timelines and partner interest. Given the enormously high development costs to get a product to market, Calzada would not spend further significant additional investment on a product without strong partner interest from a major pharmaceutical group.

The major focus then is to attract a pharmaceutical company that either has an interest in partnering on the development of AOD9604 as an injectable drug or one that has a complementary drug delivery technology that could mitigate previous delivery problems.

- developing it as a cosmetic or nutraceutical. This strategy enables us to get products to market in a more timely manner and with substantially lower development costs.

The Phosphagenics licence agreement announced on 19 October 2010 is an example of this strategy, with product launch planned for the first half of calendar 2011. Calzada is investigating further opportunities in the nutraceutical and dietary supplement markets.

We will keep shareholders updated of significant progress with these activities.

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About Calzada Ltd

Calzada has 100% ownership of PolyNovo Biomaterials Pty Ltd and Metabolic Pharmaceuticals Pty Ltd, and retains approximately \$8.5 million in cash. The company is listed on the Australian Securities Exchange (ASX Code CZD).

About PolyNovo Biomaterials Pty Ltd

PolyNovo owns and develops a suite of highly prospective biodegradable polymers that have potential applications across numerous medical fields. The group has licence agreements and alliances with a number of the world's leading medical device companies and also has joint venture arrangements with local experts in the areas of skin repair and cosmetic dermal fillers.

About Metabolic Pharmaceuticals Pty Ltd

Metabolic's major asset is the AOD9604 drug which has potential applications in the treatment of obesity and osteoporosis.

AOD9604 is a small 16 amino acid peptide modeled on one segment of the human growth hormone molecule. Growth hormone occurs naturally in the body and has profound stimulatory effects on fat metabolism. Levels of the hormone are typically suppressed in the obese state and with increasing age. Counteraction of this imbalance by daily dosing with AOD9604 is believed to normalize suppressed fat metabolism in obese individuals, while avoiding unwanted effects of the whole growth hormone molecule.