

ASX / Media Release

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Alchemia Announces solid progress over the past 12 months

BRISBANE, AUSTRALIA: Alchemia Limited (ASX:ACL) today announced its audited financial results for the full year to 30 June 2008.

Alchemia has made substantial progress with its generic fondaparinux, cancer drug targeting (HyACT®) and drug discovery (VAST®) programs. Alchemia's CEO, Dr Peter Smith said "The impending commercialisation of generic fondaparinux and anticipated revenues in calendar year 2009 will form a strong financial base for Alchemia. This will enable the Company to advance its drug targeting and drug discovery technologies to further build a sustainable pipeline of opportunities for future commercialisation."

The company reported a net loss of \$10.9 million for the 2008 financial year, down from \$12.9 million in 2007.

Grant revenue for the period of \$1.3 million was \$0.2 million lower than the previous year, due to the timing of expenditures eligible for grant assistance.

Operating expenditure of \$14 million was lower than the corresponding period of \$16.6 million, principally because of the reduction in R&D expenditure for the period to \$3.2 million compared with the previous period of \$5.7 million. This is mainly due to the assumption of fondaparinux manufacturing costs by Dr Reddy's (DRLL).

In July 2007, the company successfully completed a private capital placement which raised \$14.7 million (19 million shares) principally to fund the clinical and commercial development of Alchemia's various research and development programs. Cash and cash equivalents on hand at 30 June 2008 totalled \$15.6 million.

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Operational performance and highlights for the year

The key highlights for the financial year included:

generic fondaparinux;

- Successful technology transfer to Dr Reddy's with no significant technical hurdles remaining;
- Progress on target for approval in the first half of calendar 2009
- Receipt of Arixtra® sales data, with sales up 87% for calendar year 2007

cancer drug targeting (HyACT®);

- Receipt of the final, Phase II clinical trial report for HA-irinotecan confirming a 116% in progression-free survival compared with irinotecan alone.
- Successful meetings with the US FDA and two European regulatory authorities on a potential pivotal clinical trial design for HA-irinotecan
- Establishment of a Clinical Advisory Board (CAB)
- Granting of a key HyACT® patent in Europe

drug discovery (VAST®);

- Progress in completing the VAST drug-discovery system, applicable to a broad range of therapeutic targets, due for completion early in 2009
- Advancing drug "hits to leads" in the drug discovery collaboration with Euroscreen s.a.
- Establishment of a Scientific Advisory Board (SAB)
- Progress with the Pain Research Group of the University of Queensland aiming to develop new opioid targeting drugs without the side-effects of traditional analgesics

and in ***Board news***

- Appointment of a new non executive director, Mr. Carlo Montagner

Generic Fondaparinux

Alchemia and Dr Reddy's have been working hand-in-hand to complete the first commercial scale manufacture of generic fondaparinux together with the required documentation for the ANDA filing. Fondaparinux's complex synthesis has inevitably presented challenges at commercial scale, however, these challenges have now been overcome. Generic fondaparinux approval and launch is expected in the first half of 2009, depending on review time at the FDA.

Given the complexity of the synthesis, Alchemia continues to believe that its generic fondaparinux will be the only generic brought to market, restricting competition to two drugs, Alchemia's fondaparinux and GSK's Arixtra®. Typically a first generic will take 40-50% of the prescription share, and with Alchemia's fondaparinux expected to be the sole generic, a modest level of price discounting is anticipated. The Company therefore expects generic fondaparinux to be a highly profitable product. Alchemia also believes the complexity of the chemistry, and associated IP, required for fondaparinux scale-up presents a significant barrier to entry to competitors considering the manufacture other generic versions of Arixtra® and is unaware of any potential generic competition.

Global sales of Arixtra® were up from \$US 155 million in the year to June 2007 to \$US 250 million in the year to June 2008 (+61%). Based on the trend in Arixtra® sales, the Company expects to receive at a minimum a 50% profit share from the sale of generic fondaparinux and, at a maximum, a 60% profit share.

In the heparin-drug market Arixtra® is the only drug not derived from biological sources – i.e. it is a fully synthetic molecule. For this reason it was not affected by the recent recall of unfractionated heparins and some low molecular weight heparins from the market, after the raw material used in their manufacture was found to be contaminated. Being a fully synthetic generic, it will be approved through the ANDA (505(j)) route at the FDA.

Cancer drug targeting technology (HyACT®)

One of the primary objectives of Alchemia's clinical team during 2008 was to develop and pursue a clear path to market for HA-irinotecan, preferably via a single and final pivotal trial. To achieve this, Alchemia's clinical team met with US and European regulatory authorities in April of 2008. After speaking with these authorities the Company believes that a single clinical development program may be designed and implemented that will satisfy the needs of both agencies. Furthermore, the FDA agreed that in the US, Alchemia could file for approval through the 505(b)(2) NDA regulatory route, as HA-irinotecan is a new formulation of a currently approved drug, irinotecan. This regulatory process will save time and money, compared to a new drug application. Alchemia is currently planning to submit for a Special Protocol Assessment with the FDA, which would provide further confidence that the clinical trial design, endpoints, and statistical analyses for a Phase III study of HA-irinotecan will be acceptable to the FDA.

In November 2007, Alchemia announced the formation of the Clinical Advisory Board (CAB). The Board consists of leading colorectal clinical oncologists from Australia, the US, UK and Europe. The CAB is charged with guiding the development of the Company's oncology products and technology (HyACT®). The board's input is expected to maximise the company's ability to deliver results that are clinically and commercially significant. The CAB will be chaired by Dr Peter Gibbs, who has been the Principal Investigator for the two successful HA-irinotecan trials run in Australia to date.

The past year also saw the Company granted a key HyACT® patent in Europe, further consolidating Alchemia's claim to future revenues from the product.

Alchemia continues to investigate the applicability of the HyACT® technology platform to enhance the safety and efficacy of other anti-cancer drugs. Based on results from preclinical studies, the Company remains confident that the technology is suitable for the formulation of many drugs, including therapeutic proteins such as monoclonal antibodies.

Drug Discovery (VAST® Technology)

VAST® is an innovative drug discovery technology used to identify, and refine, lead compounds active against biological targets of unknown structure. The technology is applicable to a very broad range of targets, especially G-protein coupled receptors (GPCR's) and other targets where the structure of the active site is unknown.

VAST® represents a novel way of discovering new drugs by first mapping the three dimensional structure of the target and then designing molecules that have the right activity and properties. Thus far, Alchemia has completed only a portion of the VAST® drug discovery system which is suited to a small proportion of potential drug targets. A strategic objective of the company is to complete the synthesis of a much larger number of molecules that will be able to be used to identify hits against a broad range of targets.

Alchemia expects to complete this phase in the second half of the current financial year. VAST® compounds to date have performed as expected and have been shown to be very successful against numerous targets.

During the year Alchemia has also utilised its existing VAST® technology to further its research collaboration with Euroscreen. The companies chose to pursue research against two undisclosed targets in the metabolic and respiratory therapeutic areas. Alchemia is now in the "hit to lead" phase of the project, in which active compounds found in the primary biological screen are refined for activity and selectivity. Under the terms of the collaboration Alchemia and Euroscreen will jointly invest in drug candidates and share in future revenues.

In October 2007 Alchemia established a Scientific Advisory Board (SAB). This body was established to review and recommend development options for the Company's drug discovery technology VAST®. The SAB comprises international authorities in the field of GPCR (G protein-coupled receptor) research from academia and industry.

Alchemia's collaboration with the Pain Research Group at the University of Queensland progressed further during the year with active molecules identified against opioid receptors. The object of the program is to identify new pain relief drugs that do not possess the side effect profiles of current opioid therapeutics.

Alchemia's over arching strategy is to complete the construction of the Universal Library, obtain more information from each of the VAST® programs and to ultimately turn VAST® molecules into high value drug candidates. In order to fulfill this objective and prepare for further collaborations, the company has invested in automated drug discovery equipment and implemented a detailed project management system.

Alchemia's board and management remain confident the Company will deliver commercial outcomes from its R&D programs to ultimately enhance shareholder value.

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For further information:

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About Alchemia Limited – www.alchemia.com.au

Position in the Life-Science Industry

Alchemia is an Australian Company employing innovative technologies for the synthesis of complex carbohydrates, the targeting of cancer drugs and the discovery of medicinal drugs for human use.

Generic Fondaparinux

Alchemia's expertise in complex synthesis has enabled the *cost effective manufacture* of fondaparinux. Expected to be marketed next year, this therapeutic is expected to deliver substantial revenues to the Company.

Drug Targeting

Alchemia's Hyaluronic Acid Chemotransport Technology (HyACT®) is designed to *improve the safety and effectiveness* of existing anti-cancer drugs. The most advanced product derived from this technology is HA-Irinotecan.

Drug Discovery

Alchemia's Versatile Assembly on Stable Templates (VAST®) technology is designed to *accelerate the discovery and optimisation* of new drugs.

Strategy

Alchemia will use its innovative technologies to develop a sustainable pipeline of patented products with which to target large and growing pharmaceutical markets.