

**ATF GROUP (PDF) LIMITED**  
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Under terms of a confidential agreement reached  
with Mr Magee and M/s Page certain parts of  
this newsletter have been taken out.

20 November 2008

Dear Shareholder,

**SHAREHOLDERS LETTER FROM MR SEAN MAGEE**

You may recently have received a letter outlining a series of alleged failings on the part of the present directors of the Company.

The letter was circulated to the shareholders by Mr Sean Magee (a former Director and Executive Officer of the Company).

In large part, the letter is another step in a campaign by Mr Magee, [REDACTED], to regain control of the Board and the business / operational activities of the Company. The facts are that Mr Magee, and his wife Jennifer Page, resigned from their executive positions in the Company in April 2008. At the time of their resignations, the Company was facing imminent insolvency and the loss (by Evivar Medical Pty Ltd) of its principal asset – the licence from Melbourne Health of the SeqHepB database. [REDACTED].

While all shareholders are entitled to express their opinions concerning the Company and its management, the Directors believe that they must respond to the inaccuracies and incorrect statements. Further, the Directors do not believe that it is in the interests of shareholders that there be a return to management of the Company under the guidance of Mr Magee.

Your Directors are asking shareholders to support them and their present plans for the Company by voting for the resolutions at the Annual General Meeting

With kind regards,

Professor Raymond Schinazi, PhD, Hon DSc.

On behalf of all the Directors



responsibilities in the management of the Company. Relevantly, as advised previously to shareholders, the Company has issued legal proceedings against Mr Magee and Ms Page seeking to recover the amounts it believes such persons are not entitled to retain.

## 2. Financial position

A detailed investigation by the Board into the financial position of the Company (which investigation took place in the period from December 2007 to March 2008 (it followed completion of the financial statements of the Company for the year ended 30 June 2007)) revealed the Company [REDACTED] [REDACTED]. It had a critical shortage of working capital.

The investigation revealed the following salient facts:

- the Company was critically short of funding;

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

On assuming control of the Company's management, following the departures of Mr Magee and Ms Page, the Company was facing imminent insolvency and the immediate threat by Melbourne Health to terminate the licence to Evivar of the SeqHepB database. In meetings with Melbourne Health, it also became evident that the [REDACTED] state of the Company's finances had directly impacted Evivar's ability to commercialise its technology and Melbourne Health's willingness to continue its involvement in Evivar.

To address the immediate need for funding, the Company asked the Chairman (Professor Raymond Schinazi) if he would advance a loan to the Company. After approval by the Company's lawyers, Professor Schinazi agreed to advance \$120,000 to the Company. Repayment of the loan was secured against the shares held by the Company in Hunter Immunology Limited. The simple facts are that without those funds the Directors would have been forced to immediately appoint a voluntary administrator to the Company (with a consequent loss of value to all shareholders). The loan was fully disclosed in the Company's financial statements for the period ended 30 June 2008.

Second, the Directors set out on a path to aggressively reduce the Company's monthly cash burn and to recapitalize the Company. The monthly cash burn (which in January 2008 was running at an annualized rate in excess of \$250,000 per month) has been reduced to approximately \$35,000 per month. Your Board has closed the Sydney office and is consolidating all activities in the Melbourne office of Evivar.

The Company has secured an additional \$1.1 million of funds with further pledges of in excess of \$2.0 million. Further additional funds are also being raised to drive the commercial opportunities available to

Evivar. This has been a difficult process, particularly in light of the global financial crisis and the state of the local financial markets [REDACTED] However, the Company is making solid progress and, with the recently raised new capital, the Company is now on a secure financial footing.

### 3. Commercial development of Evivar

Since the departure of Mr Magee, a key priority has been the commercial development of the Evivar business.

The ATF Group Board has worked assiduously with the Evivar Board and Melbourne Health (IP owner) to secure the continuing investment in the intellectual property portfolio which underpins the Evivar asset. This was achieved through the raising of new funds and securing new commercial agreements including arrangements with leading diagnostic industry players.

Over the past 6 months, the following key commercial initiatives have been achieved:

- **Business Plan** - A formal business plan has been completed which includes clear tasks and timeframes. The collective management group of ATF and Evivar have been working diligently implementing that plan.
- **Financial model** - To accompany the Business Plan a robust financial model has been developed and has been regularly updated giving management a key tool to guide it in the implementation process. Based on current information and forecasts, the financial model demonstrates that Evivar will be in a positive cash position in approximately 30 months and, to achieve that position, will require funding not expected to exceed \$4.0m. Your Board is working diligently to further reduce the funding requirement (to minimize shareholder dilution). While future events cannot be guaranteed and events frequently do not occur as expected, the financial model indicates earnings per share of 3.3 cents in 2011 moving to approximately 12 cents per share in 2014.
- **Distribution** – In the world of diagnostics and pharmaceuticals, the global industry is controlled at three levels. First, the clinical laboratories, second the global diagnostic companies and finally the large pharmaceutical companies that create and own the drugs.
  - **Clinics** – Evivar is continuing to rollout its model at the clinical laboratory level in as many countries as it is able and that will continue until it has, in effect, covered the developed as well as the developing world. Agreements are presently in place in:

Italy	2
Germany	1
Spain	1
Hong Kong	1
Australia	1

- **USA Clinical Reference Laboratories** - An agreement with LabCorp USA is in place. It has a nationwide network of laboratories and is now processing patients on a daily basis. Negotiations have commenced with another major North American clinical reference laboratory which has now indicated a willingness and desire to work with ATF/Evivar on a royalty agreement moving forward. Together with LabCorp, these organisations account for in excess of 80% of the North American molecular diagnostics business.
- **Clinics under negotiations** – currently in discussion with the leading clinic in Switzerland and a major clinical center in Beijing.
- **Global Diagnostic and Pharmaceutical Companies** – Evivar has now commenced negotiating with the global diagnostic companies and has concluded a heads of agreement with one of the four global diagnostic companies. The licence agreement is expected to be concluded shortly and contains substantial upfront payments and a double digit royalty. Negotiations have now commenced with other companies in this group. The four global diagnostic companies are Johnson & Johnson, Abbott Molecular, Roche and Siemens.

In Q1 2009 we will initiate our discussions with the other global pharmaceutical companies

- **Advanced Biological Laboratories SA (ABL)** – The discussions instituted in 2007 by Mr Magee for the purchase of a 25% share of ABL have been deferred. With the global financial crisis, it became clear to your Board that such a goal was unachievable in the immediate future. Negotiations are continuing with ABL, but on a significantly different basis. Your Board sees ABL as another channel to market and, therefore, as a first stage, has been discussing a cross-licensing deal between the two companies. However, the opportunity for a later equity transaction between the two companies has been left open. The Company will have the final commercial arrangements proposed with ABL independently evaluated. Shareholders should note that the Chairman, Professor Schinazi, by reason of his interest in ABL, has taken no part in any of the discussions with ABL or any Board discussions pertaining to ABL.
- **Intellectual Property** – Evivar has instituted the first of its regular reviews of its IP. This has given Evivar a very clear focus on the future development of both drugs and how we can best build our intellectual property base. During the past three months we have had two significant patents granted in the USA. These cover up to four of the commercially released drugs giving Evivar 85% coverage of all diagnostic possibilities. Secondly, we have IP covering China which we perceive as one of our most significant future opportunities and we have also achieved coverage in South Africa which will go to assist our joint developments with ABL.

#### 4. **Other matters**

In his letter, Mr Magee makes various other assertions. To the extent these are not otherwise dealt with above, please refer to the following:

*Proposed Extraordinary General Meeting*

Any shareholder holding in excess of 5% of the shares of a company is entitled (at its expense) to convene a meeting of shareholders. This right is granted under the Corporations Act. If such a meeting is convened by Mr Magee, shareholders should fully understand it is not a meeting endorsed by the Company or the Directors and, to the extent that resolutions may be proposed at that meeting to appoint Mr Magee and colleagues to the Board of the Company, those resolutions are strongly opposed by the current Directors.

*The Company's tax exempt status is threatened*

No change has been made to the Company's status as pooled development fund nor has the Company received any letter or other indication from the PDF Board to suggest that is the case. [REDACTED]

*The Financial Report for the year ended 30 June 2008 contains numerous inconsistencies and several inaccuracies.*

The Financial Report for the year ended 30 June 2008 (and all earlier years) was audited. If indeed there are inconsistencies and inaccuracies in the Financial Report (none of which are highlighted in the letter), Mr Magee will have the opportunity to raise them at the Annual General Meeting (which is the forum for discussion of such matters).

In addition, one of the first actions of your Board has been to set about achieving transparency in its business and financial management. It is on the path to do so.

*Professor Schinazi*

Professor Schinazi is a significant shareholder of the Company. In addition to his loan to the Company, he has committed both US\$300,000 to acquire shares in the Company and his time to the management of the Company. There can be no doubt about his commitment.

*Bernard Romanin*

First, the Board has full confidence in Mr Romanin and his capacity to manage and grow the Evivar business. [REDACTED]

[REDACTED] Mr Romanin did not commit the Company to any legal or financial obligations at that meeting, which meeting was in fact also attended by two of the four Evivar directors, Professor Stephen Locarnini and Mr Magee. Professor Locarnini fully concurs and supports Mr Romanin's position in regard to this claim.

*Company documents and equipment*

[REDACTED]