

## **ATF GROUP SHAREHOLDERS LETTER**

**SEPTEMBER, 2008**

Under terms of a confidential agreement reached with Mr Magee and M/s Page certain parts of this newsletter have been taken out.

Dear Shareholder

Since our last update, the focus of the ATF Directors has continued to be on the key priorities established in May 2008 - implementing the recapitalisation programme, cash management and further development/commercialisation of the Company's primary asset, the SeqHepB Intellectual property (IP) licensed by Evivar Medical Pty Ltd.

### **Recapitalisation**

There are two parts to the Company's recapitalisation strategy.

Initially, the goal was to secure short term funding sufficient to maintain the momentum in the development of the SeqHepB IP. To date, this has been achieved by the sale of part of the Company's investment in Hunter Immunology Limited. The sale proceeds have provided the Company with the funds required to meet its ongoing obligations, and particularly, its commitment to the funding of Evivar. The Company has further shares in Hunter Immunology Limited available for sale (if required).

The second phase of the recapitalisation strategy is to secure sufficient funding to enable the Company to meet all costs of the full commercialisation of the SeqHepB IP (within Evivar). The Company is currently in discussions with a number of high net worth individuals and institutional investors in regard to this goal. Expressions of interest have been secured from three major equity groups, with each investor giving consideration to funding the entire commercialisation process (including, if considered by the Company to be appropriate, a merger of the intellectual property of Evivar with that of ABL and the undertaking of a liquidity event (trade sale, licensing arrangement or an IPO) of the merged entity.

Discussions (and negotiations) between the Company and ABL continue with the aim of bringing together the assets of Evivar and ABL. It is expected that a merger of these companies would provide material advantages (and operational synergies) to the Company. Recent discussions with ABL have considered several potential options including a share transaction which removes the need for upfront capital.

### **Capital Management**

The Board has focussed the Company's activities on the core strategy of commercialisation of the SeqHepB IP. All other activities of the Company have either been discontinued permanently or deferred. For example, the Company has resolved not to provide any further financial support to the Medcina group of companies

(Chinese natural medicines). It has closed its Sydney office and terminated all unnecessary employment, consulting and other agreements.

The Company continues to ensure the intellectual property of Evivar is protected to the maximum extent practicable and has provided the funds required to progress the patent portfolio development and registration. These registrations underpin Evivar's commercialisation strategy and the enhanced commercial value that is becoming increasingly evident in the SeqHepB IP platform.

Recently, a further important patent has been granted by the US Patent Office. This patent, and a separate patent granted in March 2008, relate to two drugs widely prescribed in the treatment of Hepatitis B. These developments have substantially strengthened Evivar's IP portfolio.

In August Evivar conducted an IP Strategy Review and some key conclusions were that in addition to the new patents granted in the USA, the Company expects critical patents to imminently grant in other countries including Europe, Sth Africa and China thus further leveraging their position in discussions with both diagnostics and pharmaceutical companies.

In addition to the new patents, Evivar's commercialisation activities have made solid progress in the second quarter of this calendar year. The business growth focus is on USA with LabCorp now routinely processing patients with numbers expected to grow quickly in coming months.

The Company is in advanced licensing negotiations with two major US groups. If discussions progress as expected, the Company expects both licences will include an upfront cash payment and an on-going royalty (per test). If these licence negotiations are successful, the receipt of the licence fees, in addition to the cashflow being generated from the existing licensed centres in Europe, Asia and USA, will have Evivar on track to achieve its revenue targets for FY 2009.

## **General**

Of a general nature, the audited accounts for the Company for the year ended 30 June 2008 and the notice of the 2008 Annual General Meeting will be circulated shortly. The audited accounts for the six months to December 31, 2007 are now available on the ATF website. The Directors regret the delay in their release, but as a result of the issues encountered with the previous Directors reported in May, it was necessary and prudent to conduct a complete review and verification.

[REDACTED]

The Board continues its commitment to the refocussing and recapitalisation of the Company and to maximise the return to its shareholders.

We thank you for your ongoing support.

Raymond F. Schinazi, Ph.D, D.Sc.  
Chairman, on behalf of the Directors of  
ATF Group (PDF) Limited.