



## **FOR IMMEDIATE RELEASE**

### **ChemGenex Announces Convertible Note Issue and Welcomes Cephalon, Inc. as a Substantial Investor**

- *Substantial Shareholders Sign Option Agreements with Subsidiary of Cephalon, Inc over 19.9% of ChemGenex Shares at A\$0.70 per Share*

**MELBOURNE, Australia, and MENLO PARK, California U.S.A. (22 October 2010)** – ChemGenex Pharmaceuticals Limited (ASX: CXS) (**ChemGenex**) today welcomes leading global biopharmaceutical company Cephalon, Inc. (**Cephalon**) (Nasdaq: CEPH) as a significant investor.

ChemGenex has finalised a convertible note subscription agreement with Cephalon (through its wholly-owned subsidiary Cephalon International Holdings, Inc.) under which Cephalon has agreed to subscribe for up to A\$15 million of convertible notes. The notes are convertible at A\$0.50 per share, representing a premium of 13% to the volume weighted average price of ChemGenex shares for the one month period to 15 October 2010.

ChemGenex will use funding provided under the convertible notes to fund the operations of the company into the next financial year, including its collection and analysis of patient data which is necessary to progress the planned NDA submission to the U.S. FDA for omacetaxine for the treatment of chronic myelogenous leukemia (**CML**) patients who have failed two or more tyrosine kinase inhibitor (**TKIs**).

Cephalon has also today entered into option agreements with two of ChemGenex's major shareholders, Stragen International N.V. (**Stragen**) and Merck Santé S.A.S (**Merck**). Under the option agreements, Cephalon has the right to acquire up to 19.9% of the outstanding ChemGenex shares. The options are exercisable by Cephalon at any time before the later of 31 March 2011 and one (1) week after the completion of the abovementioned data collection and analysis. The option exercise price is \$0.70 per share, however, shareholders should note that Cephalon has indicated no present intention to exercise the options as its decision will depend on the progress of the patient data collection and analysis process referred to above and Cephalon's assessment of the prospects of ChemGenex following completion of that process. Stragen and Merck have received no fee or other consideration from Cephalon for the grant of these options apart from an undertaking to pay an option fee of \$10.00.

The options have the effect of giving Cephalon an immediate "relevant interest" under the Corporations Act in 19.9% of ChemGenex shares, notwithstanding that they may not be exercised. Accordingly, ChemGenex will seek shareholder approval in accordance with the Corporations Act to allow Cephalon to increase its relevant interest in ChemGenex beyond 20% by conversion of the convertible notes as soon as practicable and in any event prior to 31 December 2010.

Each of Alta Partners, Stragen, Merck and GBS Venture Partners (which as of 22 October 2010 hold in aggregate a total of 44.4% of ChemGenex shares) has indicated to ChemGenex's Board that it supports the issue of convertible notes to Cephalon and that it intends to vote in favour of a resolution that would allow the immediate conversion of the notes. Provided that shareholder approval is obtained, ChemGenex expects that the notes will be converted to ordinary shares during the first quarter of 2011.

Greg Collier Ph.D., Managing Director and Chief Executive Officer of ChemGenex said: "We are delighted that Cephalon has indicated its interest in ChemGenex and omacetaxine by becoming a substantial investor. The company is at a pivotal stage in its development, pending the collection of data to allow it to proceed with its new NDA to the U.S. FDA for omacetaxine for the treatment of CML patients who have failed two or more TKIs."

### **Details of the convertible notes**

The key terms of the convertible notes are as follows:

- (a) The facility comprises up to A\$15 million in two (2) separate tranches, \$10 million will be drawn down immediately and a further \$5 million can be drawn down if the shareholder approval referred to above is obtained;
- (b) Notes will bear interest at 10% per annum. There are no fees or expenses payable to Cephalon in connection with the establishment of the convertible notes;
- (c) The notes may be converted into ordinary shares in ChemGenex in accordance with their terms at a conversion price of A\$0.50 per share which is a premium of 13% to the VWAP of ChemGenex shares for the one month period to 15 October 2010;
- (d) Cephalon will take a charge over the assets of ChemGenex as security for performance of ChemGenex's obligations under the convertible notes;
- (e) In accordance with item 7 of section 611 of the Corporations Act, shareholder approval will be sought to enable Cephalon to increase its voting power in ChemGenex above 19.9% on conversion of the notes;
- (f) If shareholder approval is not obtained by 31 December 2010, Cephalon may redeem the first \$10 million tranche of notes and will not be obliged to subscribe for the second \$5 million tranche of notes;
- (g) If shareholder approval is obtained by 31 December 2010 no interest will be payable on the notes and if the patient data collection and analysis process is completed by 31 March 2011, the charge referred to in paragraph (d) will be released and no interest will be payable on the notes;
- (h) Cephalon will be entitled to redeem the notes if the patient data collection and analysis process is not completed in accordance with milestones agreed with Cephalon.

## About ChemGenex Pharmaceuticals Limited

ChemGenex is an oncology focused biopharmaceutical company developing small molecules with new mechanisms of action to treat malignancies with significant unmet medical needs. A New Drug Application is under review by the U.S. Food and Drug Administration and a Marketing Authorisation Application is under review by the European Medicines Agency for CML patients who have failed imatinib therapy and have the Bcr-Abl T315I mutation. An additional New Drug Application is in preparation for CML patients who have failed two or more currently approved tyrosine kinase inhibitors. ChemGenex has established a corporate alliance with Hospira to develop and commercialize omacetaxine in Europe, the Middle East and parts of Africa, and is seeking to establish commercial partnerships in the rest of the world. ChemGenex plans to commercialize omacetaxine itself in North America. ChemGenex trades on the Australian Stock Exchange under the symbol "CXS". For additional information on ChemGenex Pharmaceuticals, please visit the company's website at <http://www.chemgenex.com>.

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Certain statements made herein (including for this purpose sites to which a hyperlink has been provided) that use the words “estimate”, “project”, “intend”, “expect”, “believe” and similar expressions are intended to identify forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995. These forward-looking statements involve known and unknown risks and uncertainties which could cause the actual results, performance or achievements of the company to be materially different from those which may be expressed or implied by such statements, including, among others, risks or uncertainties associated with the development of the company's technology, the ability to successfully market products in the clinical pipeline, the ability to advance promising therapeutics through clinical trials, the ability to establish our fully integrated technologies, the ability to enter into additional collaborations and strategic alliances and expand current

collaborations and obtain milestone payments, the suitability of internally discovered genes for drug development, the ability of the company to meet its financial requirements, the ability of the company to protect its proprietary technology, potential limitations on the company's technology, the market for the company's products, government regulation in Australia and the United States, changes in tax and other laws, changes in competition and the loss of key personnel. These statements are based on our management's current expectations and are subject to a number of uncertainties that could change the results described in the forward-looking statements. Investors should be aware that there are no assurances that results will not differ from those projected.