



BELL IXL INVESTMENTS LIMITED

ACN 113 669 908
ABN 80 113 669 908

ANNOUNCEMENT

Update re: Life Therapeutics Limited (ASX: LFE)
31 August 2008

The company is pleased to provide for the benefit of shareholders and other interested parties the following summary of recent developments involving both the company and Life Therapeutics Limited (ACN 001 001 045) ("LFE"). This announcement can now be made following the lifting on 25 August 2008 of orders made by the Federal Court of Australia that prevented the company from directly or indirectly communicating with LFE shareholders. Any public announcement by the company may have resulted in a contravention of those orders.

On 23 May 2008 the company and its associates requisitioned a meeting of LFE shareholders for the purpose of voting on the removal of all the directors of LFE and the appointment in their stead of three persons nominated by the company. Subsequent to being served with the requisition, the directors of LFE agreed to place shares equal to 15% of the issued capital of LFE to Aegis Partners Limited which is a company incorporated in the British Virgin Islands (a well known tax haven which does not provide public information as to the directors or shareholders of companies incorporated there). The placement represented the maximum number of shares that LFE could issue without first obtaining shareholder approval under the ASX Listing Rules. Subsequently it was announced by LFE that the placement had been taken up by Bell Potter Nominees Limited in lieu of Aegis Partners Limited. **The placement diluted the interests of all LFE shareholders.**

The company was very concerned about the placement and issued legal proceedings in the Federal Court of Australia to stop the placement from occurring. An interim injunction was granted but was later lifted.

A judgment was subsequently delivered by the Federal Court of Australia in which it was held that the placement had been carried out for the ulterior purpose of assisting the directors to keep control of LFE. An injunction was granted to prevent Bell Potter Nominees Limited from exercising the voting rights attached to the placement shares and the matter was listed for a further hearing on the questions of final relief and costs. Due to the filing of an appeal by LFE (discussed below) no orders were made regarding final relief or costs. A copy of the judgment (*Bell IXL Investments Ltd v Life Therapeutics Ltd* [2008] FCA 1081) is available on the following link:

<http://www.austlii.edu.au/au/cases/cth/FCA/2008/1081.html>

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Level 2, 651-653 Doncaster Road
Doncaster, Victoria 3108
PO Box 111
Doncaster, Victoria 3108
AUSTRALIA



Tel: (03) 9840 8788
Fax: (03) 9840 0088
E-mail: info@bellixl.com
WWW: <http://www.bellixl.com/>
Ticker Symbols: BXL and BXL A

In the judgment an email message is referred to which had been sent by a stockbroker acting for LFE to a representative of Aegis Partners Limited. The key text of the email is as follows:

"AW, Suggest you have a look @ LFE, listing in OZ, I know the fellow well there, same situation sort of as Acclaim, Big Pile of Cash and liquids, Capped at 9 million, with 18 in cash, sitting at St George cash mgmt, **The directors have few shares and want to do a placement to hold on**, 15%, They have a group who has bought 7% and obviously want the shell We could do this 15%, they said board seat no problem and change of activity no problem, **they don't want to lose their shell**, Call me at home <NUMBER DELETED> TB"

(emphasis added)

LFE subsequently appealed to the Full Federal Court of Australia and the original decision was overturned on, what the company believes, are principally technical grounds, namely that the Judge at first instance failed to adequately explain the reasoning behind his decision and did not make necessary intermediate findings of fact. A copy of the judgment (*Life Therapeutics Ltd v Bell IXL Investments Ltd* [2008] FCAFC 144) is available on the following link:

<http://www.austlii.edu.au/au/cases/cth/FCAFC/2008/144.html>

Paragraph 35 of the judgment of the Full Federal Court of Australia contains the following statement that is of considerable importance:

"There was evidence led at trial from which it was open to the primary judge to infer that the allotment of shares was made not to benefit LFE but to support the directors and keep them in office ..."

The Full Federal Court of Australia has ordered that the company pay the costs incurred by LFE in bringing the appeal. It is not possible for the company to quantify those costs at this time.

The company is satisfied that any such costs are adequately covered by the value of the investment held in LFE which was acquired by the company at prices, that the company believes, were at a significant discount to the ultimate underlying value of the investment.

As a result of the appeal the entire matter will proceed to a new trial in the Federal Court of Australia commencing on 2 September.

Issued on 31 August 2008.



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MASSIMO LIVIO CELLANTE

EXECUTIVE CHAIRMAN AND MANAGING DIRECTOR

Tel: (03) 9840 8710

Email: massimo@bellixl.com