

This document is important and requires your immediate attention. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your bank manager, stockbroker, solicitor or other authorised professional adviser.

If you have sold or transferred all of your registered holding of Ordinary Shares in AGI Therapeutics plc, please forward this document and the accompanying Form of Proxy to the purchaser or transferee or to the stockbroker, bank or other agent through or by whom the sale or transfer was effected, for delivery to the purchaser or transferee.

## **AGI THERAPEUTICS PLC**

### **ANNUAL GENERAL MEETING THURSDAY, 7 JUNE, 2007**

Notice of the Annual General Meeting of AGI Therapeutics plc to be held Adelaide Chambers, Peter Street, Dublin 8 on 7 June, 2007 at 10.30 a.m. is set out in this document, accompanying which is a Form of Proxy for use in connection with the resolutions at the meeting. To be valid, Forms of Proxy must be received by the Company's Registrars, ComputerShare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18 at least 48 hours before the time appointed for the meeting.

**AGI Therapeutics plc.  
Adelaide Chambers  
Peter Street  
Dublin 8.  
Ireland**

14th May, 2007

**Annual General Meeting**

Dear Shareholder

I am writing to you to outline the background to the items of business to be proposed at the forthcoming AGM of the Company.

Your attention is drawn to the notice of the AGM of the Company which will be held at Adelaide Chambers, Peter Street, Dublin 8 at 10.30 a.m. on Thursday, the 7<sup>th</sup> of June, 2007, which is attached hereto.

The usual business to be transacted at the AGM is set out in Resolutions 1 to 3 in the Notice of the AGM. Please note that during the year, RSM Robson Rhodes resigned as auditors of the Company and KPMG were appointed as auditors in their place.

In addition to the usual business set out in Resolutions 1-3, your board proposes additional business, which is summarised below:

**Resolution 4 - Increased Option Pool**

The Company established a Share Option Scheme on 27 January, 2006 (the "Scheme"). Under the Scheme, the number of Ordinary Shares in respect of which options may be granted is limited to 3,548,042 and the directors have the authority to grant options over and allot such number of Ordinary Shares. It is proposed that the limit be increased from 3,548,042 Ordinary Shares to 11,038,351, which if fully issued would represent 14% of the issued share capital of the Company.

This increase is to allow the Company to incentivise new and existing employees by providing them with an equity interest in the Company, thus aligning their interests with those of other shareholders. The Company at this stage needs to be able to attract high-calibre and experienced personnel and share options are a common incentive in our industry, particularly in the United States, the market at which we are targeting our products and expanding our presence. Your board believes this increase in the size of the option pool will serve our needs for at least the next three years.

**Resolutions 5 and 6**

At Resolution 5, you are being asked to authorise the directors to grant options over and allot up to the increased number of 11,038,351 Ordinary Shares in connection with the Scheme, such authority to expire after five years; and at Resolution 6, to disapply statutory pre-emption rights in relation to any such allotment(s).

**Resolution 7**

At Resolution 7, you are being asked to authorise the increase in the authorised share capital of the Company to €1,500,000.

**Resolutions 8 and 9**

At Resolution 8, you are being asked to authorise the directors to allot and issue new shares up to an aggregate nominal amount equal to 15% of the nominal value of the current issued share capital of the Company. This is in addition to any shares which may be allotted under the Scheme. At Resolution 9, you are being asked to authorise the directors to disapply statutory pre-emption rights in relation to any such allotment of new shares. Such authorities will expire at the earlier of the conclusion of the next AGM or the close of business on 8 December, 2008, whichever is the earlier.

**Recommendation**

Your Directors believe that the Resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole and, therefore, recommend that you vote in favour of the Resolutions. Your Directors intend to vote in favour of the Resolutions in respect of their own beneficial shareholdings.

**Form of Proxy**

A Form of Proxy for use at the AGM is enclosed. You are requested to complete, sign and return the Form of Proxy as soon as possible, whether or not you propose to attend the meeting in person. To be valid the Form of Proxy must be deposited at the Company's Registrars:- Computershare Investor Services (Ireland) Limited, PO Box 954, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18 no later than 48 hours before the time appointed for the meeting. The completion and lodging of the Form of Proxy will not prevent you from attending and voting in person at the AGM should you so wish.

Yours sincerely

Dr. Ronan Lambe  
Chairman

## Notice of Annual General Meeting

Of

### AGI Therapeutics Public Limited Company (the "Company")

Notice is hereby given that the Annual General Meeting of the Company will be held at Adelaide Chambers, Peter Street, Dublin 8 on the 7<sup>th</sup> of June, 2007, at 10.30 a.m. for the following purposes:

#### As Ordinary Business

1. To receive and consider the Company's financial statements and the Directors' and Auditor's Reports for the year ended 31 December, 2006;
2. To authorise the Directors to fix the remuneration of the Auditors;
3. To re-elect as Directors the following Directors who retire in accordance with the Articles of Association of the Company and, being eligible, offer themselves for re-election:

John Devane  
Mary Martin  
Peter Sandys  
Frank Kenny

#### As Special Business

##### **4. Increase in Limit of Share Option Scheme**

To consider and if thought fit to pass as an ordinary resolution

that the limit on the number of Ordinary Shares in respect of which options may be granted under the Company's Share Option Scheme as adopted on 27 January, 2006 ("**Share Option Scheme**") be increased from 3,548,042 Ordinary Shares to 11,038,351 Ordinary Shares;

##### **5. Directors authority to allot shares under the Share Option Scheme**

To consider and if thought fit pass as an ordinary resolution

that the Directors be generally and unconditionally authorised pursuant to Section 20 of the Companies (Amendment) Act, 1983 (the "1983 Act"), to grant options over and allot Ordinary Shares in the capital of the Company up to an aggregate nominal amount of €110,383.51 in connection with the Share Option Scheme, such authority to expire five years after the date of the passing of this resolution, save the Company may before such expiry make an offer or agreement or grant any right which would or might require Ordinary Shares to be allotted after such expiry and the directors may allot Ordinary Shares in

pursuance of such offer or agreement or rights as if the power conferred by such resolution had not expired;

#### **6. Disapplication of Pre-Emption Rights in relation to the Share Option Scheme**

to consider and if thought fit pass as a special resolution

that the directors be and are hereby empowered, pursuant to Section 24 of the 1983 Act, to grant options over and/or allot Ordinary Shares for cash in connection with the Share Option Scheme pursuant to the authority conferred by the resolution passed by the members of the Company at 5 above as if section 23 (1) of the 1983 Act did not apply to any such allotment;

#### **7. Increase in authorised share capital**

to consider and if thought fit pass as an ordinary resolution

that the authorised share capital of the Company be and is hereby increased from €1,000,000 divided into 100,000,000 Ordinary Shares of €0.01 each to €1,500,000 divided into 150,000,000 Ordinary Shares of €0.01 each;

#### **8. Directors' authority to allot shares generally**

to consider and if thought fit pass as an ordinary resolution

that, in addition to the authority to grant options over and allot Ordinary Shares under the Share Option Scheme pursuant to the resolution at 5 above, the Directors be generally and unconditionally authorised pursuant to Section 20 of the 1983 Act, to allot relevant securities (as defined in section 20 (10) of the 1983 Act) up to an aggregate nominal amount equal to 15% of the nominal value of the issued share capital of the Company as at the date of passing of this resolution, provided that such authority shall expire on the earlier of the conclusion of the Annual General Meeting in 2008 or the 8 December, 2008, save the Company may before such expiry make an offer or agreement or grant any right which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement or rights as if the power conferred by such resolution had not expired;

#### **9. Disapplication of statutory pre-emption rights**

to consider and if thought fit pass as a special resolution

that the directors be and are hereby empowered, pursuant to Section 24 of the 1983 Act, to allot equity securities (as defined in section 23 (13) of the 1983 Act) for cash pursuant to the authority conferred by the resolution passed by the members of the Company at 8 above as if section 23 (1) of the 1983 Act did not apply to any such allotment provided however that such authority shall expire on whichever is the earlier of the conclusion of the annual general

meeting of the Company in 2008 and 8 December, 2008 save that the Company may before such expiry make an offer or agreement or grant any right which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement or rights as if the power conferred by such resolution had not expired.

**Notes:**

1. Any shareholder entitled to attend and vote at the AGM is entitled to appoint a proxy to attend, speak or vote on his behalf who need not be a member of the Company.
2. The appointment of a proxy shall be in writing in the form attached hereto.
3. The Company, pursuant to Regulation 14 of the Companies Act, 1990 (Uncertificated Securities) Regulations 1996, specifies that only those shareholders registered in the register of members of the Company 48 hours before the Annual General Meeting (or in the case of an adjournment as at 48 hours before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their names at the time. Changes to entries in the register after that time will be disregarded in determining the right of any person to attend and/or vote at the meeting.



