

**From: BLIS Technologies Ltd (NZX:BLT)**

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## BLIS Technologies achieves momentum in key markets

Improving sales and expansion of its customer base are just some of the reasons why Dunedin based biotech and health products manufacturer, BLIS Technologies Ltd (NZX:BLT) believe their turnaround strategy, which started in 2007, remains firmly on track.

At last years 2008 Annual General Meeting, the Chief Executive Officer, Dr Barry Richardson explained to shareholders that the company had embarked on a strategy, which would see it expand its ingredient business into the United States. Shareholders noted with interest that the company also planned to maintain its effort within the New Zealand retail market. A year later, the company is pleased to report that it has doubled its retail sales in New Zealand for the six calendar months to 30 June, compared to the same period last year, while generating significant sales momentum in the United States. It achieved this momentum by, not only developing new customers in the US, but also in obtaining repeat business from its existing customers.

The company is now able to announce the first sale of its new probiotic; BLIS M18. This new BLIS probiotic specifically protects against tooth decay and is the first time the company has commercialised a new probiotic since 2002, when it launched its flagship probiotic; BLIS K12 (found in all BLIS Technologies' retail products in NZ). Sales of the new BLIS M18 occurred in June of this year, to one of the company's major US customers. Dr Richardson said "this is further evidence that the market

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strategy of focusing on the US dietary supplement market is working. The new BLIS M18 product is targeted at the prevention of tooth decay and we expect to see finished product launched into the US retail market later this year.” Dr Richardson also announced that a giant US retailer is to take up BLIS K12 probiotic in a dietary supplement format for a 50–store trial, which is scheduled for Q4 2009. This company is one of the largest membership warehouse club chains in the world and is the fifth largest general retailer in the United States.

As well as the launch of its new Probiotic BLIS M18, the company also achieved further major international success. In addition to its existing relationship with Nestle Nutrition, BLIS Technologies entered into a contract with another major international consumer products company in June 2009. While the details of this relationship remains confidential at this time, BLIS Technologies is able to inform shareholders that the agreement resulted in a payment to the company of a substantial sum to enable BLIS to undertake specific work over coming months with a view to eventually bringing further BLIS probiotic products to the retail market in specific applications.

Late in 2008, after success with the US dietary supplements industry, the decision was made to further unlock the US market potential by pursuing the US food manufacturing industry. After completing a favourable initial feasibility assessment, BLIS Technologies is now starting the process of GRAS regulatory approval with the US Food and Drug Administration (FDA) as an ingredient for food in the United States. The GRAS (Generally Recognised As Safe) process is a requirement for the inclusion of any ingredient into a food product in the United States. The GRAS status, although desirable, is not a requirement for the US dietary supplement industry. It is expected however; that achieving the GRAS status will widen the appeal for the BLIS K12 ingredient as it could then be included in a variety of mainstream foods.

With the success in the United States, the company has also attracted the attention of Canadian Natural Health Product (NHP) manufacturers, so that BLIS Technologies has also started the regulatory approval process with Health Canada for inclusion of BLIS K12 as an approved ingredient in the dietary supplement or NHP market. This is expected to be completed before Dec 2009. Surveys show that 71% percent of Canadians have used a Natural Health Product with over a quarter of all Canadians using these products daily. The Canadian Health Food Association suggest the retail market is expected to grow to \$NZ3.83 billion by 2010.

Dr Richardson advised shareholders that the Company had been granted a US patent for its BLIS K12 probiotic for the treatment of halitosis (chronic bad breath). “We have been waiting a long time for the US patent office to grant us this property right around BLIS K12 and halitosis” Dr Richardson said “This means that we have a clear advantage in the world’s largest market for those keenly interested in maintaining fresh breath and good oral hygiene”.

In addition to developments in North America, BLIS Technologies Ltd also recently achieved the first sales of its probiotic BLIS K12 lozenges into Japan. The BLIS K12 lozenges have been purchased by a leading Japanese health supplement marketing company and will be distributed in Japan over the coming months. Dr Richardson indicated that both BLIS Technologies and its global distribution partner Frutarom, have been working on business development activities in Asia and were now able to announce to shareholders that an Asia-wide business development strategy is in place and follows a similar commercial template as that used for North America.

While BLIS Technologies has been committed to building commercial relationships and achieving sales revenues, it has also been working on product innovation and development, which it believes, will fuel the future growth of the business. The Company’s product development group has recently completed extensive quality testing of the BLIS K12 probiotic and has a high level of confidence in both the shelf-

life stability and the colonisation of the organism under a wide variety of conditions. Additionally, in June 2009 the company embarked on a significant development project with a highly regarded US product research and development organisation to better protect the BLIS probiotic organism across a wider range of product applications and harsh physical conditions such as toothpaste and functional beverages. This has been a limiting factor for the company's product applications in the past, but if successful would now enable the company to put its advanced BLIS probiotics into many new product applications and allow the company to access new market opportunities. The research has been undertaken with funding assistance from the NZ Foundation for Research, Science and Technology (FRST).

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