

18 January 2012

The Manager  
Company Announcements Office  
ASX Limited  
20 Bridge St  
SYDNEY NSW 2000

Dear Sir,

## **SHAREHOLDER UPDATE**

The Board of Directors of CBio Limited (ASX:CBZ) wishes to provide shareholders with an update on its strategic review of the company and its science.

In recent days the Board has conducted a series of strategic planning and review sessions with the aim of determining the future path for the company and its lead drug candidate, XToll. The Board has undertaken extensive discussions with experts in both CBio's area of scientific focus and with executives who have successful track records in the commercialisation of biotechnology and drug development. The strategic planning sessions included a full review of internal business activity by the CBio staff. External presenters were also invited to discuss with the board the alternative paths forward for the company during the planning sessions.

The Board has considered the XToll project in detail and recognises that in its 10 year development the company has established a strong patent portfolio around Cpn10 and its derivatives. In addition, CBio has completed a number of preclinical studies and clinical trials, in various autoimmune diseases. As a result of information gained from these trials, in particular the 155-patient phase IIa trial in rheumatoid arthritis completed in 2011, a number of initiatives will now commence in order to further strengthen the science and IP position of the company's lead molecule.

The Board is proceeding with an independent review of the science by a leading immunologist as part of a total plan in determining the way forward for the company. This review should be completed over the next few weeks. While the scientific review is ongoing, a number of scientific activities have been agreed to be funded by the Board with the aim of adding further value both to XToll and the company. Activities include:

- The commencement of the statistical analysis of data generated from the long-term follow up RA study;
- The recommencement of mode of action studies on the lead molecule, XToll, which lapsed in 2008;
- The generation and characterisation of specific XToll monoclonal antibodies required for pharmacokinetic assay development in the target patient population;
- Host Cell Protein (HCP) assay development and validation for accurate detection of trace amounts of HCP in XToll;
- A review of potential new molecules which are synergistic with the current targeted therapeutic indications for the purposes of identifying potential new projects for CBio's drug pipeline; and
- Identification of and discussions with potential partners for CBio in its drug development activities

“The Board has undertaken a detailed strategic review of the business and has given the green-light to the projects as listed. These activities will continue to add strength both to the company and to its lead drug candidate, while at the same time obtaining an independent assessment of CBio’s portfolio of science and IP from one of Australia’s leading scientists,” said CBio Acting Managing Director, Ms Helen Cameron.

Once the scientific review is complete, further decisions will be made regarding a way forward for XToll and CBio, including a targeted therapeutic indication and funding requirements.

“An independent review of the science is now underway. I look forward to communicating with shareholders in the near future concerning further decisions which the Board will make once this review has been finalised”, she said.

For and on behalf of the Board of CBio Limited

**ROSLYNN SHAND**  
Company Secretary

----

**Enquiries**

Helen Cameron  
Acting Managing Director  
T: +61 (7)3841 4844 E: [helen.cameron@cbio.com.au](mailto:helen.cameron@cbio.com.au)