



CBio Limited Shareholder Newsletter: June 2008

Message from the Executive Chairman and Managing Director

CBio Limited is an Australian unlisted public biopharmaceutical company established in 2001 to develop technologies for the treatment of autoimmune and inflammatory diseases. CBio's lead product is XToll®. XToll®, or recombinant chaperonin 10 (Cpn10), is a modified version of the naturally occurring protein chaperonin 10.

In 2004, CBio in partnership with the University of New South Wales and the University of Queensland was awarded two Australian Federal Government Linkage Grants to fund collaborative research. In 2005 CBio was granted \$6 million in funding under the Federal Government Pharmaceutical Partnerships Program (P3). In 2007, CBio welcomed to its Board of Directors: Dr Göran Ando, Vice Chairman Novo Nordisk; Dr Peter Corr, General Partner Celtic Therapeutics; and Professor John Funder, Professor of Medicine at Monash University.

CBio's Board is supported by scientific advisors with international reputations in the autoimmune field including: Professor Peter Brooks, Executive Dean of Health Sciences at the University of Queensland; Dr Andreas Suhrbier, Head of the Queensland Institute of Medical Research Immunovirology Laboratory; Dr Eicke Latz, Assistant Professor at the Department of Infectious Diseases and Immunology, University of Massachusetts; and Dr Pam McCombe, Senior Research Fellow - Neuroimmunology Research Unit, Department of Medicine, University of Queensland.

In our commitment to provide effective communications to you, our shareholders, we will continue to utilise our website, www.cbio.com.au, as a means of providing information and updates. We would encourage shareholders who have not recently visited the site to do so – and would highlight for you the opportunity to subscribe to electronic updates there.

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Dear Shareholder,

This newsletter provides an update on your company and includes details on the commencement of the clinical trial, preclinical studies, commercialisation and business development, the continued strengthening of our patent portfolio, publications, linkage grants, and capital raising.

CBio's focus for the coming months will be directed to maximising recruitment for the clinical trial, further consolidating its IP position, and investigating expanded uses for the XToll® technology.

CBio's business goal is to become a pre-eminent early-stage developer of clinical therapeutics. To achieve this, your company will continue to develop and protect its current technologies, will leverage its technology platform to in-license and develop new therapeutic candidates, and will complete commercial partnerships at the optimal stage of development. Your company will also continue to engage and build partnerships with research and educational institutions to identify and harness breakthrough research and technologies.

The Economist Intelligence Unit ranked Australia first in the world as a location to conduct clinical trials, and with its rheumatoid arthritis clinical trial now underway, CBio is ideally placed to benefit from this favourable environment. This combined with leading members of the international medical research and pharmaceutical communities comprising its Board and Scientific Advisors, stands your company in a strong position to achieve its business goals.

Sincerely



Stephen Jones
Executive Chairman



Jason Yeates
Managing Director

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Commencement of Clinical Trial

On 28 May 2008, CBio announced that it had commenced the 150 patient Phase IIa clinical trial in rheumatoid arthritis (RA) for the company's lead product, XToll®. This is CBio's first subcutaneous clinical trial in patients with RA, and follows from the intravenous dosing clinical trial completed in 2006.

The study is designed to evaluate the safety and efficacy of XToll® delivered subcutaneously, using a randomised, double-blind, placebo-controlled design. The study is the largest undertaken by CBio to date, and will be conducted throughout Australia and New Zealand. The Principal Investigator for the study is Dr Peter Nash of the University of Queensland.

Patient recruitment and screening has begun and dosing of the first patient is expected shortly.

Further information about the clinical trial can be found via the Australia New Zealand Clinical Trials Registry (Ref: 12608000208303). Information for patients about clinical trial sites and participation in the trial can be obtained by phoning 1800-889-566 (Australia) or 0800-550-405 (New Zealand).

Preclinical Studies

The company has successfully completed six toxicological studies to appropriate regulatory standards in order to support the clinical trial programme.

Commercialisation and Business Development

Further to the commercialisation update provided in the half-yearly accounts and the Disclosure Announcement dated 30 April 2008, CBio has concluded discussions with a global pharmaceutical company and a US-based specialist medical fund. CBio has subsequently signed an agreement with the global pharmaceutical company, Novo Nordisk A/S, in connection with its Cpn10 intellectual property asset. Details of the agreement are governed by confidentiality provisions and cannot be released at this time.

Intellectual Property

CBio continues to be very active in strengthening the intellectual property position around its innate immune modulation technology. CBio has filed a significant number of new patents in recent months, and expects to file further patents in the near future in all key markets. CBio now has 39 patents in four patent families registered or accepted, 65 patents in six patent families pending and currently being examined in the national phase, two PCT applications and one provisional application in relation to Cpn10, derivatives of Cpn10, and its antagonists.

Linkage Grant

CBio, in partnership with the Australian Institute for Bioengineering & Nanotechnology and research organisation TetraQ, has been awarded a further Federal Government Linkage Grant for collaborative research.

Using the recently elucidated crystal structure of Cpn10, this research will look to develop second generation therapeutics and test them for efficacy in models of inflammation - enabling the further strengthening of CBio's development program. CBio has previously been awarded two Linkage Grants for collaborative research:- one with the University of New South Wales, the other with the University of Queensland.

Publications

CBio continues to instigate peer-review of its findings. In May, Archives of Dermatology published a research letter discussing the therapeutic benefits of XToll® in patients with moderate to severe plaque psoriasis ([Arch Dermatol, 2008; 144: 683-685](#)). This exploratory study shows preliminary evidence of short-term efficacy and safety and decreased release of TNF-α and IL-1β, significant in inflammation. The results raise the possibility that XToll® may modulate inflammation in a range of therapeutic areas.

Also in May, Current Opinion in Investigational Drugs published an Evaluation of XToll® ([Current Opinion in Investigational Drugs, 2008 9:523-533](#)).

These follow the publication in 2006 of data generated from the completed intravenous dosing Phase IIa rheumatoid arthritis clinical trial, which was accepted for publication in the international medical journal The Lancet ([Vanags et al, Lancet 2006; 368: 855-63](#)).

Australian Rheumatology Association Conference

CBio was represented at the Australian Rheumatology Conference, in Adelaide from 17-21 May. Data was presented to attendees generating interest in the company and XToll®.

Capital Raising and Debt/Equity

The Company continues with capital raising initiatives, and has raised in excess of \$3.5 million since 31 December. This equity does not include the injection of debt funding of \$3.7 million through the issue and subsequent retirement of Convertible Notes, also since 31 December. This action of debt conversion to equity underpins the confidence the directors hold in the company's ability to fund its ongoing activities.

Total new funds raised since 31 December 2007 is \$7.2 million.

CBio Board

The significant changes to the composition of the CBio Board, being the appointments of Dr Göran Ando, Dr Peter Corr and Professor John Funder, have provided CBio with additional international drug development experience and credibility. These strengths have been recognised by CBio's collaborators.