



Dear Shareholders,

In October, I joined Sirona Biochem as the new CEO. From my first introduction to the company, it was clear to me that there was winning potential in our platform technology. To have the opportunity to lead our talented teams in Canada and France is an honour.

We've had a significant 2012 and have made major advances in the development of our programs. I'm excited to share with you the vision we have moving forward into 2013.

### **A New Strategic Direction to Leverage Our Winning Technology**

Shifting to a project-oriented strategy has allowed us to maximize resources and accelerate the programs with near-term transaction potential. It also allows us to achieve milestones while maintaining a lean and effective infrastructure. Having a platform technology has given us several opportunities to pursue, but a clear winner will be our skin depigmenting agent program. With a \$1.9 million French government grant already in place, we have funding to support this program to a commercial-ready stage.

### **Depigmenting Agent has Potential to Become the Gold Standard for Skin Lightening**

The skin lightening market is estimated to be more than \$9 billion per year and is growing rapidly, particularly in Asia where the desire for lighter skin is culturally driven by perception of higher economic status.

Our goal has always been to develop a skin lightener that is safer and more effective than current leading treatments. This past quarter, we achieved several important developmental milestones towards this goal. We are very pleased with our results demonstrating that we have a significant advantage over competitors in both efficacy and safety; the two most critical challenges with current skin lighteners. Our compounds were shown to be 14 and 7 times more effective than beta and alpha arbutin, two of the most popular skin lighteners on the market. Another crucial test showed that our compounds did not release hydroquinone; an issue with other skin lighteners. Hydroquinone is banned in the European Union and is highly restricted in the U.S. as a result of its associated cancer risk.

Most skin lightening agents on the market are either safe and ineffective, or effective and toxic. Hydroquinone and arbutin are examples of leading skin lightening agents that are effective but are also linked to safety concerns. Our skin lightening agents have shown excellent efficacy and safety and we feel confident based on all of our study results to date that we will have a skin lightening compound that will become the leading safe AND effective active ingredient for cosmetic skin lightening. We are pleased with the response from potential partners and are confident that we will be able to finalize a partnership agreement for this program.

### **Diabetes Drug Candidate Outperforms Johnson and Johnson's SGLT2 Inhibitor**

In the last quarter, we released results from a study comparing our SGLT2 inhibitor head to head against Johnson & Johnson's canagliflozin. At 1 mg/kg, six hours after administration, Sirona Biochem's SGLT Inhibitor SBM-TFC-039 reduced blood glucose by 44% compared to canagliflozin at 26%. At 36 and 48 hours after dosing, SBM-TFC-039 was still effective whereas canagliflozin lost its effect after 36 hours. Canagliflozin, under the market name Invokana™, is a Phase 3 SGLT2 Inhibitor that is being considered by the U.S. Food and Drug Administration for

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market approval. Only a few weeks ago, Invokana™ received a positive recommendation by an FDA advisory panel, potentially paving the way for this compound to be the first marketed SGLT2 Inhibitor for diabetes in the U.S.

The results of Sirona Biochem's recent head-to-head study demonstrating superiority over Johnson & Johnson's SGLT2 inhibitor have set the stage for partnering discussions worldwide. Companies with and without diabetes treatments in their portfolio are evaluating the potential value of SBM-TFC-039. We are in active partnering discussions and are pleased with how these meetings are progressing.

### **Aggressive Patent Strategy**

Our proprietary technology has given us the opportunity to be involved in several programs offering both short and long term revenue potential. An aggressive patent strategy has been implemented to ensure we protect the compounds, processes, structure and technology. Several patents have been filed in Europe, Asia and North America. Most recently, Sirona Biochem was granted a European patent for its chemistry technology.

### **Innovative Science Garners Prestigious Science Award in France**

The innovation and complex level of chemistry being conducted by our scientific team in France has once again been hailed by an influential industry group. In November, TFChem was named winner of the INPI Trophy for Innovation. Dr. Geraldine Deliencourt-Godefroy, our Chief Scientific Officer and inventor of the company's carbohydrate technology, is an acclaimed scientist who has made scientific discoveries and advances in the field of fluorinated carbohydrates. The most recent INPI Trophy from France is one of several national awards she has received in her illustrious career.

### **Expanding Investor Reach in the United States**

Recently, Sirona Biochem earned an OTCQX listing to support buying and trading of our company's stock in the United States. To support our listing on the OTCQX we enlisted experienced New York-based investor relations firm Consulting for Strategic Growth 1 (CFSG1), to raise awareness of Sirona Biochem in the U.S. marketplace. CGSG1 has a strong network of retail brokers and investors throughout the U.S.

### **Website Expanded with Detailed Program Information**

To help investors understand the value of our technology, market potential and progress, we expanded our website to give more detailed information about our programs. We believe our website reflects our goal to promote transparent communication. With increased interest from investors and partners worldwide, we are utilizing different means of communications such as social media and email marketing to expand our reach.

### **2013 Plans**

We have several research and development milestones scheduled for 2013. Our skin lightener program is on track and we expect to release additional safety test results within the upcoming months. It is our goal to partner our SGLT Inhibitor and skin lightener programs and we are evaluating all options to ensure we select the best deal for stakeholders. Also in 2013, we will explore new programs to which our platform technology can be applied and consider new

partners to build these programs. We invite shareholders to come to our company's annual general meeting to be held Friday, April 5th at 2:30pm at 789 West Pender, 11th floor. Contact Julie Jang (jjang@sironabiochem) if you would like further information.

We appreciate the support of our shareholders who, from the beginning, could see the potential of Sirona Biochem's programs. We are now seeing results and are several major steps closer to partnering and commercialization. We have a big year ahead of us and I'm looking forward to sharing our progress with you.

Sincerely,

Neil Belenkie  
Chief Executive Officer