



ASX RELEASE

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Update on Demerger and IPO of PolyNovo

31 August, 2007

On 19 July 2007, Xceed Biotechnology Limited ('Xceed') announced that it would seek shareholder approval for the demerger of its 64% owned subsidiary company, PolyNovo Biomaterials Pty Ltd ('PolyNovo') and that this was planned to occur in conjunction with an IPO of PolyNovo on ASX. Xceed also advised that this would be subject to shareholder approval of resolutions to be put to a general meeting of Xceed shareholders, likely to be held in late August or early September 2007.

Significant preparatory work for both the Xceed Notice of Meeting and PolyNovo Prospectus has already been completed and this work remains ongoing. However, an IPO will not be completed within the timeframe announced in July 2007 due to the stock market volatility experienced over recent weeks. PolyNovo is currently actively exploring several means by which an IPO can be completed within an appropriate timeframe.

A further update will be provided to the market as soon as the company is in a position to do so.

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PolyNovo Biomaterials Pty Ltd

PolyNovo's technology is titled NovoSorb™ and is based on novel composition of matter and process patents developed within CSIRO's Division of Molecular and Health Technologies.

PolyNovo is focused on commercialising NovoSorb™ to produce a range of medical products that can be safely broken down and excreted (biodegradable) and utilised (bioresorbable) by the human body. NovoSorb™ offers flexibility which allows it to be formulated either as an injectable gel that can be cured in-situ or on demand or as a solid form product with the compressive strength similar to bone. Degradation time can be pre-set according to use and can range from as little as a few days to multiple years.

NovoSorb™ can be tailored to large world markets with potential applications in the areas as diverse as orthopaedics, orthodontics, drug delivery, wound care, tissue engineering, nerve regeneration and cartilage repair. For more information, please visit the company's website at www.polynovo.com

Xceed Biotechnology Ltd

Xceed Biotechnology Limited is a biotechnology company based in Melbourne, Australia and is listed on the Australian Securities Exchange (ASX: XBL). Historically, Xceed has worked closely with CSIRO to successfully spin-off two companies. These companies, Boron Molecular Pty Ltd (100% owned) and PolyNovo Biomaterials Pty Ltd (owned 64% by Xceed with the remaining 36% interest owned by CSIRO) both commenced with exclusively licensed or assigned core technologies developed by CSIRO. Xceed's primary focus is to provide PolyNovo and Boron with the resources necessary to ensure their technologies are successfully commercialised.

For more information, please visit the company's website at www.xceedbiotech.com

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