

CHAIRMAN'S ADDRESS TO SHAREHOLDERS OF CBIO LIMITED

AT THE ANNUAL GENERAL MEETING OF MEMBERS

CONVENED AT BRISBANE ON 16 NOVEMBER 2005

Good Morning Ladies and Gentlemen and welcome to this Annual General Meeting of your company.

Let me at the outset inform you unequivocally that CBio has produced a drug in its Cpn10 programme, now named XTOLL, which has proven beyond contest that it treats Rheumatoid Arthritis, which has now been proven in Phase II(a) clinical trials at two independent trial centres.

Further, we have seen evidence of its potential as a treatment for Psoriasis and there is anecdotal (at this stage) data that it may also become a treatment for Multiple Sclerosis and pre-clinical indications it may have utility in hyperallergic conditions as well as other inflammatory conditions.

XTOLL is the first of its type of drug in the world known as an endogenous regulator of the innate immune system.

At the recent 2005 World Congress on Inflammation in Melbourne, renowned immunologist Dr Luke O'Neil mentioned that "the next blockbuster drug of the innate immune response is likely to come from the discovery of an endogenous regulator".

CBio's data shows that XTOLL is one of the endogenous regulators of the innate immune system and the first of these in the world to show clinical utility.

It is this prologue to my address that explains Dr Wolf Hanisch and Dr Dennis Feeney's absence from this meeting today. They and other key CBio scientific and clinical staff are in the USA meeting with drug companies who have expressed a desire to partner with CBio. Accompanying them is the Company's corporate adviser and fund raiser Mr Stephen Streeter.

I will now summarise where we are in relation to the clinical trial studies we have undertaken thus far. Each is known as a Phase II(a) clinical trial and each is seeing XTOLL injected into patient populations to observe if there is any clinical effect and to also seek adverse reactions. Thus far XTOLL has been administered to 50 plus patients with no drug related serious adverse side effects recorded. It appears very safe.

The Phase II(a) trials are being conducted in patient cohorts afflicted with:

- Rheumatoid Arthritis (RA)
- Multiple Sclerosis (MS) and
- Psoriasis

The Rheumatoid Arthritis and Psoriasis trials are known as open label studies meaning that all patients receive XTOLL (although dosage may vary). There is no placebo used in an open label trial.

The MS trial is a double blinded placebo trial which means the investigators and patients do not know whether they are administering /receiving XTOLL or placebo.

Rheumatoid Arthritis - the clinician conducting this study is astonished with the results in RA, these results are compelling and beyond contestation.

Psoriasis - the clinician has observed very pleasing clinical response to XTOLL.

Multiple Sclerosis - this is a double blind placebo randomised trial so that results of that trial will not be known until it is unblinded and reported on in early 2006. There are however some anecdotal observations that give rise to optimism in XTOLL assisting in the treatment of MS. All studies are being done with un-optimised dose levels and dosing regime. Further Phase II(b) studies will be entered into in order to optimise these parameters prior to entering definitive registration trials.

The first of these Phase II(b) trials will commence early next year and will include dose ranging and optimisation studies and different methods of administration of the drug.

The Company's Executive and senior science and clinical development staff are currently overseas in commercialising discussions with major Pharmas. The nature and quality of the data generated from the RA studies has generated intense interest by many of these companies because it is essentially a new class of drug, its safety profile is very good and presents a compelling opportunity in the USD10 billion per annum RA market.

The initial results are so compelling that urgency has been introduced into the discussions by some of the largest Pharma companies in the world.

Of necessity, and along with RA, the deal/s that is/are concluded will include but not contain full value for CBio, at least at the outset, for the other inflammatory and auto immune diseases currently undergoing study ergo MS and Psoriasis and at pre-clinical in other auto-immune and hypersensitive allergic diseases.

So a deal structure which will take account of future applications is very important.

It is hard to overstate the impressive scientific efforts of our staff. We have a brilliant group which have taken us to the very lead of the understanding of and clinical utility presented by the treatment of disease at the innate level. Toll Like Receptors aka TLR's are the responsible keys which control or mediate innate immune system reactions to challenge.

At present 10 of these TLR's have been described, XTOLL mediates 7 out of the 10 and we think it possible that it mediates 10 out of 10, we just haven't completed the science just yet.

I want to single out some individuals for special mention today as having made tremendous contributions to this wonderful effort. Dr Wolf Hanisch our MD/CEO Dr's Dennis Feeney, Andy Gearing, Dean Naylor, Barbra Johnson, our COO Jason Yeates and especially Mr Stephen Streeter who has raised the funding to support our business.

Such has become CBio's stature world wide in the area of innate immunity and its regulation and the clinical effects of XTOLL so profound that Dr Eicke Latz, MD, PhD, from the University of Massachusetts who is one of the very top researchers into TLRs has now joined our SAB along with Dr Goran Ando out of Europe, ex Chief Scientific Officer of Pharmacia and ex CEO of Celltech.

These eminent and well connected fellows travel regularly to Australia for SAB meetings to help our researchers in planning scientific experimentation. These two scientists are by any standards and in the Kant of the day "world's best".

We are spending at a rate of about \$1.2 million per month at present and this will escalate in the coming year.

Our subsidiary BresaGen is performing well. The results can be best viewed in the Company's first quarter performance. I report that the Company had reduced its losses to an operating loss of \$63,000 (unaudited) for the 3 months ended 30 September 2005 but significantly became operating cash positive when depreciation charges were added back to the tune of around \$100,000 for the quarter. A significant milestone.

Though this is a pleasing trend, it is just that at the moment being only 3 months into the year. I am pleased with the Company's performance and I am of the view that the Company's forecast made in May 2005 of a loss of around \$160,000 for the year ended 30 June 2006 is still in prospect. At this level of loss making, the Company will have been cash flow positive.

Although it must be said that it is early days and Company's financial results, emerging from Voluntary Administration and in the process of turning around fluctuate in their quest to achieve maintainable sustainable earnings, though BresaGen is performing very well.

As at the time of writing, the Companies investment in BresaGen of \$2.9 million is now worth in excess of \$6 million based on current share pricing.

BresaGen provides CBio with a secure source of its burgeoning production needs of XTOLL and the fact that we have this capacity effectively in-house has been very favourably received by our prospective Pharma partners.

This time next year CBio will be in the hands of a multi-national drug company and we will all be financially rewarded for your investment in a substantial manner.

It is hard to overlook the fact that concomitant with what the Board considers will be substantial enrichment of shareholders will go the knowledge that along with our venial

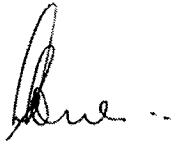
instincts we will have accommodated and contributed to the health and well being of our fellow humans.

To arrive at where the Company is positioned has taken 5 years and around \$16 million which though a large amount of money has staggered our potential partners in its relative minuteness when compared with other companies around the world.

This money has been raised as Private Equity and on a fully diluted basis issued share capital is less than 30 million shares. So there has been a minimum dilution along the way.

CBio is the real thing. The Board is confident that in the next few months we will settle a term sheet with a multi-national. Due to the potential applications of this drug it is not possible to determine the true value of our IP at this point in time. We believe however that a sale value of at least \$2 billion dollars could be achieved. We anticipate that the Company will not be in the hands of its current shareholders by the end of next year, or if it is, it will be quite a different corporate body.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Stephen Jones", with a small flourish at the end.

Stephen Jones
Chairman