

Chairman's address to Shareholders at the 2006 AGM for CBio

Ladies and Gentlemen Good Morning.

Welcome to this Annual General Meeting of members of CBio Limited for the first time in Sydney.

I will cut straight to the chase.

The burning issues I am sure for you all are:

- are we going to a deal and
- if so who with
- and when will it be completed
- and will it support the valuation of \$2 billion that the Board advised you of in your 2005 shareholders address to members

I will now address those questions in the order I present.

Are we going to do a deal ?

Based on information to hand progress is very positive and the answer is most probably yes.

Who with ?

The preferred contender is completing due diligence and will be in Australia for completion of due diligence and final contract negotiations from 30.11.06 to 6.12.06.

At this time their exhaustive examination of every facet of the Company has proceeded very well.

I have in fact to hand a Draft Terms Sheet which sets out the deal structure as firstly a license agreement and separately (but linked) a research collaboration Agreement.

Other than what I have said I will not further discuss the proposed agreement. The negotiations and transaction are covered by a Confidentiality Agreement.

When will it be completed?

If Cbio elects to proceed with this transaction and the other party also decides to proceed and providing it completes and signs a term sheet by early December (the date agreed by both parties) then, the Company involved has stated that they want to complete and bank the deal by early 2007.

If for any reason this transaction does not proceed then the Board believes a deal will be completed by the end of April 2007. The Company is funded up to and beyond that time.

How much money is in the deal?

The deal value will not be disclosed as is the practice in deals of this type nor will the details of the deal. If completed we will advise who the partner is. I will say though that the proposed transaction is average for this type of deal in a US or European context both in cash content and royalties.

Will the deal support the value the Company as previously advised?

Assuming the deal proposal on the table today in relation to commercial terms proposed in that deal then the answer is yes.

The valuation is dependent upon, time to market and sales of product and represents the aggregate of anticipated Cash Payments pre royalty receipts plus all royalties for the term of the agreement.

I will now turn to the evaluation process followed by the Board in considering competing bids.

The first evaluation measure is how many companies are at the table. If there is but one then the process becomes quite simple.

However in this case there has been more than one so the primary criteria are:

- (a) Has the relevant Company demonstrable experience in the clinical development and registration of biologics and in particular the production and sales of recombinant proteins
- (b) Does the Company have in-house integrated production facilities for Recombinant proteins?
- (c) Speed to market.
- (d) the type of Collaboration on offer with Cbio.

If effectuated what does this deal mean to Cbio

The value of Cbio is and always has been dependent upon completing a commercial transaction with a major international pharma because this first deal will be a company maker.

It will provide the necessary working capital until royalties are paid, so there will be no call on members for further funding; it will value the Company from the stand point as an annuity generator.

It is the case that a Biotech-Pharma alliance (of the type we are seeking to conclude) is an international signal of Asset and Company quality particularly when the pharma partner is a blue chip multi-national. This fact sends positive signals to both investors and the pharma community worldwide.

Further, studies have shown that a jointly developed drug is more likely to advance to clinical trials at a faster pace than if the biotech tries to go it alone.

Finally the elements of the first deal which relate to cash payments being the sum of upfront, milestone and collaboration payments do not properly reflect on the drugs subsequent performance through milestones and eventually the market.

The changing present value of the annuity through the different development stages of the drug is the drugs real value and if it gets to market, then the royalties value themselves as risk is reduced or eliminated.

Now to the past year .

The Past Year

The year under review saw the Company :

- . sell its entire investment in Bresagen for \$7.8 mills ie at a profit of about \$4.9 mills,
- . complete 3 Phase 2(a) clinical trials in humans of the company's XTOLL drug,
- . reported profound clinical effect in the Rheumatoid Arthritis (RA) and Psoriasis (Ps) trials while exhibiting no serious adverse side events attributable to the drug,
- . complete the study in Multiple Sclerosis and meeting the end points of that trial,
- . achieved the publication of its RA data in the prestigious medical journal – The Lancet,
- . made good progress in achieving scientific purity in establishing that CPN 10 was the cause of the clinical effects observed in the Ps and RA trials and we are rapidly closing in on the Mode of Action of the drug. Further work however needs to be effectuated,

. commenced transforming the company from an entrepreneurial start up to a managed drug discovery company,

. engaged in commercialisation of the Company's XTOLL drug.

In the Coming Year

We will attempt to complete a license/collaboration transaction with a large multinational pharma company.

Given that the Company completes a commercial transaction then the company will have sufficient monies to sustain itself until royalties are generated and be worth a very large sum of money.

The core competency in the Company which relates to TLR science will be the subject of a Collaboration Agreement with a licensee and possibly be the basis of a further collaboration deal with another large company later in the year.

The Board will seek to make liquid shareholders investment in CBio.

I will now introduce to you Mr Jason Yeates, the Company's CEO to give you a brief insight on the year ahead and then Dr Dennis Feeney to provide a brief presentation on the Company's clinical trials in humans.