

**MANAGING DIRECTOR'S ADDRESS
TO THE ANNUAL GENERAL MEETING CBIO LIMITED SHAREHOLDERS
25 NOVEMBER 2008**

Thank you Mr Chairman. Good morning Ladies and Gentlemen. Thank you for attending this Annual General Meeting of Shareholders.

There are two things I would like to do here today: the first is to provide you with an update on CBio's operations over the last 12 months; and the second is to highlight for you the critical milestones we plan to achieve in the year ahead that the Chairman has already touched upon that should be significant value drivers for your company.

I hope that from this AGM you take away the belief that your company will, in the coming year - and upon the successful conclusion of the ongoing clinical trial and IP activities - realise significant value creation.

CLINICAL DEVELOPMENT

In May of this year your company announced the commencement of a Phase IIa clinical trial in rheumatoid arthritis patients. I am pleased to be able to advise you that the clinical trial is progressing well. We now have 14 sites initiated and actively recruiting, and have set ourselves a target of reaching 20 active sites by the end of Q1 2009.

Our recruitment target is 150 patients. To date we have 27 patients on the trial, and we believe that we are on track to meet our recruitment plan of 150 patients by the end of Q2 2009.

You may know that Rheumatoid Arthritis is a difficult therapy area for clinical trial recruitment. The environment is highly competitive, and our ability to recruit patients in a timely manner continues to be of most critical importance for the company. We have therefore been active in our approach.

During the early stages of the trial, our efforts were directed at initiating and supporting each of the trial sites, the investigators and study staff, and supporting their recruitment drive. This meant visiting all sites to help with the initiation and then engaging and supporting the sites as they evaluated their own patient lists while also placing newspaper advertisements for each site in their immediate catchment areas.

To complement this site by site approach, we have been very active in the preparation and implementation of a communications and marketing campaign. This campaign has involved a more comprehensive advertising and publicity strategy directed to patients, as well as communications directed to each of the sites to increase focus on our trial.

Campaign advertising began in October and has to date generated over 1600 enquiries, with over 250 patients from these enquiries passing successfully through a pre-screening process and being onward referred to participating clinical sites. Each of our sites who have been referred patients have been extremely positive about this approach and all sites are committed to actioning these referrals as soon as possible.

We expect that this activity will convert into a significant increase in patient recruitment through to early 2009.

As stated earlier our target is to achieve full recruitment by the end of Q2 2009. If we are successful we would then in turn expect to receive a completed clinical trial report by the end of Q4 2009.

Evidence to date is that the patients on trial are tolerating the drug well. As this is a double-blinded trial however with one placebo arm and two active drug arms, it is impossible for the investigators to know who is receiving XToll and it therefore remains too early to predict the outcome of the trial.

INTELLECTUAL PROPERTY

The main purpose of our scientific endeavour is to continue to generate data that strengthens the IP position of our innate immune modulation technology. We have been active this year in filing significant patent applications in all major territories in relation to Cpn10, its derivatives and antagonists to Cpn10. CBio now has 41 patents in four families either registered or accepted with a further 84 patents in seven other patent families pending or currently being examined.

A number of our most important patents are being examined in the coming months.

Our composition of matter patent, which will provide comprehensive IP protection for our leading drug candidate XToll[®], has been granted this year in Australia, New Zealand, Singapore and India, and is currently under examination in other major jurisdictions. This patent is CBio's cornerstone IP for the development of XToll and will provide IP cover through to 2023.

NOVO NORDISK A/S

In May of this year CBio concluded an Agreement with Novo Nordisk A/S in connection with its Cpn10 intellectual property. The details of this agreement remain confidential and will not be disclosed at this time; however shareholders can be assured that this agreement provides further validation of our program - and demonstrates that CBio holds potentially a very valuable asset.

I can say that it is the Board's belief that sufficient positive trial results will be persuasive for Novo Nordisk A/S to in-license CBio's Cpn10 technology and undertake in-house development of XToll[®]. The Board further believes that we may not need to generate sufficient trial data on all 150 patients and data on as little as 75 patients is likely all that is needed before Novo Nordisk A/S would consider in-licensing our technology.

PUBLICATIONS

It is important for CBio to continue to investigate review of its findings by respected industry peers. During 2008 we submitted for publication the results of our phase IIa psoriasis and multiple sclerosis clinical trials that were completed in 2006.

Data showing activity in psoriasis patients was accepted and published in May in the international journal, *Achieves of Dermatology*; while results of the multiple sclerosis trial have been accepted for publication by the *Multiple Sclerosis Journal*. Taken together with our RA data published in *The Lancet*, this means that all of our clinical data have received external peer review. The reviewers' findings are that these exploratory clinical trials show preliminary evidence that XToll[®] may modulate inflammation in a range of therapeutic areas.

Also published in May this year was an independent review of XToll[®] in the international Thomson Reuters journal, *Current Opinion in Investigational Drugs*.

CAPITAL RAISING

CBio continues to receive strong financial support from both existing and new shareholders. Capital raising initiatives this year have been successful in raising in excess of \$8.6 million in total from both new equity and convertible notes.

You will also be aware of the Rights Issue offer that is currently open to all shareholders. Under this offer we are seeking to raise \$3.9 million to further progress the clinical trial

and IP activities of the company. The Directors will look to place any shortfall with sophisticated investors.

THE YEAR AHEAD

So that is the year that has passed. I will now address our strategy for the year ahead.

In the next 12 months our focus will remain primarily on recruitment into and completion of the clinical trial. We will work on generating data from this trial in the earliest possible timeframe. This data will be critical for an out-licensing opportunity for CBio. At the same time we must continue to focus on strengthening our IP position through new provisional patent applications and by moving forward in the major jurisdictions with examinations of our cornerstone IP for XToll[®]. Success in these activities will realise a significant asset for the company and will also validate the confidence shown by you, our shareholders, in your company's ability to develop this asset.

In summary, we have achieved some significant milestones in the past 12 months. Our clinical team has completed activities that have enabled CBio to start the largest clinical study that the company has undertaken. This work will enable the company to generate vital clinical data in the year ahead. We have concluded an agreement with Novo Nordisk A/S that provides CBio with a development pathway for XToll[®].

Our research team has continued research and discovery activities that have allowed us to submit new provisional patent applications on our innate immune modulation technology and strengthen our patent position. Our IP team has worked with patent examiners in a number of different territories to progress our applications. Our support teams have provided critical support for these key activities.

The achievement of these significant milestones would not have been possible without the entire staff of CBio, and I thank each of them for their hard work and dedication. We have a close team who work hard to support one another and that is one of CBio's greatest assets.

I would also like to thank our partners and collaborators; and you, our shareholders for your continued support. I look forward to keeping you informed of our progress in the coming year.

Jason Yeates
Managing Director and Chief Executive Officer



Annual General Meeting of Shareholders
25 November 2008

Jason Yeates, MD & CEO

1. Clinical Development
2. Intellectual Property
3. Novo Nordisk
4. Publications
5. Capital Raising
6. The Year Ahead

Clinical Development

- Ph IIa trial
 - Commenced May, 1st patient dosed June
 - 14 sites initiated across Australia & New Zealand
 - Target : 150 patients by end of Q2 2009
 - 27 patients on study, 4 in screening (results pending)
 - Communications campaign to drive patients began in Oct
 - Over 250 pre-screened and referred to sites
 - Sites following up all pre-screens by end of December
 - Flow through into trial expected in December/January
 - On track to reach recruitment plan



Intellectual Property

- 41 patents registered or accepted, 84 patents pending
- All key international markets covered
- Composition of Matter patent for XToll® = cornerstone IP
- Coverage to 2023 once granted
- Granted in Australia & New Zealand, Singapore, India
- Under examination in major jurisdictions
- Additional patents filed around potential development platform
- Strategy - continue to aggressively file around Cpn10 all variants



Novo Nordisk

- Confidential agreement signed in May 2008
- Demonstrates validation of clinical and scientific programs
- Cpn10 / XToll®: potential high value asset

Publications

- Peer Review: efficacy and safety of Cpn10
 - Results of scoping IIa trial in RA patients published in **The Lancet**, [Vanags et al, 2006; 368: 855-63.](#)
 - Results of scoping IIa trial in psoriasis patients published in **Archives of Dermatology**, [Williams et al 2008; 144: 683-685.](#)
 - Results of scoping IIa trial in MS patients accepted for publication **Multiple Sclerosis** journal, [Broadley et al, 2008.](#)
- Other
 - **Current Opinion in Investigational Drugs**
[Van Eden 2008 9\(5\):523-533](#)

Capital Raising

- YTD raised \$8.6m
 - Information Memorandum
 - Convertible Notes
- Current round: \$3.9m
 - Rights Issue
 - Shortfall placement to sophisticated shareholders
- Grateful for continuing support of existing shareholders



The Year Ahead

- Clinical Trial
 - Full recruitment by end Q2 2009
 - Completion of trial and final reports by end Q4
- IP
 - Continue aggressive strategy of new submissions
 - Continue to progress US and EU examinations of our cornerstone patents
- Activities address most critical concerns of big pharma



“This preliminary study, if confirmed, offers exciting new possibilities for therapy.”

Dr Paul Emery

Leeds Institute of Molecular Medicine, University of Leeds
Commentary of XToll® in The Lancet