

## **MANAGING DIRECTOR'S ADDRESS TO THE ANNUAL GENERAL MEETING**

**26 NOVEMBER 2009**

Thank you Mr Chairman and good morning Shareholders, I am pleased to welcome you to this Annual General Meeting. This morning I will update you on CBio's operations over the past 12 months, and I will talk about the year ahead.

But first, I would like to take a minute to put into focus the asset we share and the company's strategy for commercialising that asset.

XToll<sup>®</sup> is a drug that has been discovered and developed in Australia. It is being developed for the treatment of human autoimmune diseases, including rheumatoid arthritis, or RA. RA is a chronic, debilitating and progressive disease that leads to pain, suffering and disability, and it affects up to 2% of the world's population.

Existing RA therapies generate significant income for global pharmaceutical companies -the top three therapies alone generated sales of approximately US\$10.9 billion in 2008 – however data supports the view however that up to 30-40% of patients do not respond satisfactorily to these leading treatments. In addition, safety issues and side effect profiles present concern.

The efficacy and safety profile of XToll<sup>®</sup>, demonstrated in clinical trials completed to date, shows potential to reach or exceed current therapies - and with data suggesting a different mechanism of action to existing drugs and drugs currently under development by other companies, XToll<sup>®</sup> will potentially target both responders and non-responders to current treatments.

We have a strong patent position. We have the Notice of Allowance for the composition of matter patent covering the key US market, and XToll<sup>®</sup> will have potential patent protection until 2028 in most jurisdictions.

We believe that the manufacturing cost of goods for XToll<sup>®</sup> will be comparatively low compared with leading treatments available today.

All of these factors combine to make XToll<sup>®</sup> a potentially attractive pharmaceutical asset.

Successful completion of the current Phase II study will maximise the prospect of the licensing or sale of XToll<sup>®</sup> to a major pharmaceutical company – providing potential upside and return to Shareholders.

This is the goal of the company.

The strategy of the company is to complete the development projects that will add the greatest value to its primary asset, XToll<sup>®</sup>, in a parallel timeframe to the completion of the trial.

This is an exciting time for CBio. Should we be successful raising sufficient funding through the current IPO offer then I believe that your company will complete its stated development program projects, adding significant value to the already valuable asset we hold.

Slide – Clinical Trial

During this year CBio has directed most of its resources to its 150 patient phase II clinical trial in rheumatoid arthritis. 74 patients are now enrolled into the clinical trial and 16 clinical sites have been approved and active throughout Australia and New Zealand.

The trial remains blinded therefore no interim results are available.

An interesting statistic that I would like to share with you however is the number of patients who have chosen to continue using XToll<sup>®</sup> after they completed the 6 month trial. 69 patients have now completed the clinical trial and at its highest point, up to 85% of patients were requesting to continue on in the open label extension study using XToll<sup>®</sup> as they believed it was providing therapeutic benefit. Although, again, it is not possible to predict the trial outcome on this statistic, the number of patients who elected to continue treatment with XToll<sup>®</sup> is a positive development and a significant encouragement for all those involved in the trial: investigators, study staff, and CBio staff alike.

In April this year the company advised that recruitment was temporarily suspended due to the impaired manufacturing capacity. I am pleased to advise that the manufacturing and drug supply issues are resolved, and recruitment is due to recommence in early 2010.

The company will be opening new clinical trial sites in Europe to complete recruitment in accordance with its set timelines. The first of these sites will be approved and open for recruitment early in 2010.

#### Slide – Intellectual Property

We have continued to strengthen the IP position of the Cpn10 platform technology, and in particular, have extended patent protection around the lead drug, XToll®.

I am pleased to advise that your company now has 42 patents granted and 86 patents pending, all in the key international markets. This provides CBio with significant protection of its intellectual property.

Significantly CBio received a Notice of Allowance during the year from the US patent Office for its Cpn10 immunosuppression patent which provides the composition of matter patent for XToll®. This provides very strong patent protection for XToll® in the most significant international market. This patent has already been issued in Australia, New Zealand, India, Singapore and China and is under examination in other jurisdictions including Europe, South Korea and Japan.

This patent, when granted, provides CBio with patent protection for the development of XToll® and will provide IP cover through to at least 2023.

#### Slide 5 – Novo Nordisk

In May 2008 CBio concluded an Option Agreement with Novo Nordisk A/S in connection with its Cpn10 intellectual property. This provides Novo Nordisk with an Option to license CBio's Cpn10 technology. Under the Option some of the financial terms of a license agreement have been pre-agreed, including upfront and milestone payments. Royalty rates applicable to a future license agreement were also pre-agreed which are up to double digits. In July Novo Nordisk paid CBio \$2M as the first Option payment under the agreement. Under the agreement, upon enrolment of the 75th patient into the trial, \$1M will be payable to CBio.

It remains the Board's firm belief that sufficient positive trial results will be persuasive for Novo Nordisk A/S or another multinational pharmaceutical company to in-license CBio's Cpn10 technology and undertake in-house development of XToll®.

#### Slide – Capital Raising

CBio continued its capital raising activities during the year in order to meet working capital requirements. \$1.5M was raised via a Rights Issue and a further \$950K was raised under an Information Memorandum. In addition a further \$250k was raised through a share purchase agreement with an existing shareholder. The company also raised \$4M through the issue of new convertible notes during the year.

Post year-end the company raised a further \$6.2M through the issue of new convertible notes to new and existing shareholders and raised a further \$7.3M under an Information Memorandum.

You will all be aware that CBio's Board is preparing the company for a listing on the Australian Stock Exchange in mid-December. We have a Prospectus in the market and the IPO offer under that prospectus closes on 3 December. Should we be successful in raising the minimum of \$13M under this prospectus we plan to list your company on 14 December 2009. The Board has included a priority offer of up to \$3M for existing shareholders.

#### Slide – The Year Ahead

In the coming 12 months our focus will remain on completing the clinical trial. Completion of this large trial is a significant challenge for the company, however we remain focused and continue to be guided by the expert advice available to us on our Board and through our scientific and regulatory advisors.

We must continue to grow the IP position through the filing of new provisional patent application in the major jurisdictions. We must also continue to prosecute existing patent applications particularly the examination of our cornerstone IP for XToll®.

We will submit an application to the Food and Drug Administration, or FDA, for a review of the clinical program to date and for the provision of a future development plan for XToll®. This is a vital step and an important milestone as it will allow any partner company to commence registration clinical trials at the earliest timeframe in the largest market in the world.

Should we be successful achieving the maximum funds under the IPO offer we plan to also complete manufacturing scale-up work with a world-leading provider, and we will commence long term toxicology studies. These activities will again allow a partner to move as quickly as possible into registration studies for XToll® and are activities of considerable value to any multinational pharmaceutical partner.

We will also look to undertake clinical scoping studies to explore the potential broader applications for XToll® in other disease states.

The past 12 months have had its challenges for your company. We have negotiated through these challenges and have been able to continue the clinical trial and increase patient numbers into the trial; we have had our cornerstone patent accepted in the largest market in the world; we have been able to find a solution to the drug supply problems we experienced early in the year and have put initiatives in place that will see a significant increase in recruitment rates into the clinical trial early in the

new year. All this work will enable the company to generate vital clinical data in the year ahead.

The achievement of these significant milestones would not have been possible without the entire staff of CBio, and I thank each of them again for their hard work and dedication.

I would also like to thank the Shareholders of CBio for their continued support.