

26 November 2010

The Manager
Company Announcements Office
ASX Limited
20 Bridge St
SYDNEY NSW 2000

Dear Sir,

CEO ADDRESS TO ANNUAL GENERAL MEETING

Good morning Ladies and Gentlemen, thank you for attending this year's Annual General Meeting of Shareholders.

These past 12 months for CBio have been as critical as they have been challenging. As you will know, your Company's most pressing challenge for some time has been one of funding, yet through the continued support of our loyal shareholders we have maintained a strong history of capital raising and in February of this year we listed on the ASX.

The capital raised prior to and post-ASX listing has secured the completion of the clinical development program as detailed at IPO, and I am particularly pleased to report to you again today the full recruitment of patients into the current RA clinical trial.

I thank each of you for the support that has enabled the Company to reach this critical milestone.

This morning I will provide an update on CBio's operations for the last 12 months and talk to you about the year ahead. But first I would like to speak to the market opportunity that we see for XToll® as we near the completion of the current rheumatoid arthritis clinical trial.

As we have often said, a successful trial result will provide a strong opportunity to transact with a big pharma company, to realise the potential value inherent in XToll®, and to add significant value to your shareholding in CBio.

We now confidently move closer to that end.

You will recently have read our release regarding the preclinical data from a Lupus animal study that was presented at the recent American Collage of Rheumatology conference in the United States which supports our view that XToll® has the potential to be a broad ranging anti-inflammatory therapy for the treatment of a number of autoimmune diseases. It is this characteristic of XToll® that I would like to elaborate on.

The disease markets I am about to discuss are in dire need of new therapies due to the significant unmet needs experienced by patients. If XToll® can prove to be successful in development for any one of these disease markets, the value inflection to shareholders will be substantial and we will be providing help to thousands of patients who today do not have an effective or safe treatment for their disease.

Slide 1

Why are we developing XToll® for the RA market and what is the current landscape for RA?

The RA market is still the largest autoimmune and inflammatory disease market and yet there are still significant unmet needs of patients. These unmet needs include lack of effective treatments, the safety and tolerability of current registered therapies, the cost of reimbursement of these therapies by government authorities, and lastly the ease of and the economics relating to the use of these drugs.

As we have often described, XToll® appears to work differently to the current registered RA drugs. It is this 'novelty' that gives rise to the potential that XToll® may be able to address some if not all of the unmet needs of many RA patients. And it is this 'novelty' that is the basis of why XToll® is potentially a very attractive pharmaceutical asset.

Slide 2

In 2008 the three leading registered biological drugs for RA, the anti-TNF- α drugs Humira, Enbrel and Remicade, generated over \$17B in annual revenues and it is anticipated that the addressable market for these biologics will grow to over \$22B by 2015.

In 2009/2010, three new biological drugs were accepted for registration by the US FDA to treat those patients who do not respond to the leading therapies. These new drugs, Simponi and Cimzia, which are anti-TNF- α therapies and Actemra, the first registered anti-IL-6 therapy for RA, work similarly to the leading RA drugs, by blocking part of your immune system. They all have a similar side effect profile and efficacy and all are forecast to become blockbuster drugs within the next three years.

Slide 3

Yet even with these newly registered therapies the problem of unmet needs of patients remains. All of these drugs come with some safety issues and are still either not effective or are too toxic to tolerate for a significant number of patients.

We continue to believe that XToll® has the potential to be both safer and more effective than all of the currently registered RA therapies due to its unique mechanism of action.

We therefore believe that XToll® may have the potential to target a significant share of this projected \$22B market.

Slide 4

In order to flourish in the pharmaceutical market, it is no longer enough to 'simply' show that your drug is effective and relatively safe. The "economics of reimbursement" of a drug is now a major concern for government health authorities due to the significant increase in the cost of health care. It has now become a leading determinant as to whether a drug is accepted for drug reimbursement lists, like the Australian Pharmaceutical Benefits Scheme (PBS), without which drugs cannot reach their full market potential.

Therefore the ability of pharma companies to be able to price their drugs to meet the expectations of reimbursement by government authorities - and yet still maintain a reasonable profit - is a major consideration by pharma companies when assessing whether to develop new therapies. Pharma companies therefore place far more emphasis on the cost of manufacturing and the cost and method of delivery of new drugs.

Here, XToll® ticks another box by having a relatively low cost of goods and a commercially acceptable route of administration.

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We have previously advised shareholders of management's intention, if funding were available, to explore other, wider applications for XToll® with large markets with unmet needs and also 'orphan indications'. 'Orphan indication' is the term used to describe a disease state which is relatively rare and for which there are very few – if any - effective treatments.

Psoriasis is a chronic autoimmune disease that appears on the skin. It can range in severity from minor localised patches to complete body coverage. The cause of psoriasis is not completely understood. Because of its chronic recurrent nature it is a very difficult disease to treat and the quality of life of sufferers' is affected immensely. Current treatments, which include the anti-TNF- α therapies used to treat RA, have been shown to be effective for many patients - however there is still a significant number of patients who don't respond effectively to these therapies and their safety profile continues to be a major concern.

Lupus is a large orphan disease market where patients are in need of new, safer and more effective therapies. As with other autoimmune diseases, in patients with Lupus the immune system attacks the body's cells and tissues, causing inflammation and tissue damage. Lupus most often harms vital organs - and has no cure. The average life expectancy of a lupus patient, once diagnosed, is less than 10 years.

Any safe, effective treatment for lupus would provide a major commercial opportunity and could help thousands of patients who today have no option but to try and manage the affects of the progression of the disease. In passing, I note that there is currently an FDA approval pending for a drug (Benlysta) with analysts forecasting mean peak annual sales of US\$4B if approved, notwithstanding potential side effects. This illustrates the potential opportunity for CBio.

CBio has successful outcomes in an early phase II psoriasis clinical trial, and as recently advised, has positive indicators from preclinical studies into Lupus.

Slide 6

There are many other disease markets, particularly within the sphere of orphan indications, that have no effective therapies for patients. Again the current therapies used to treat patients with these diseases normally have safety issues and address only the affects of the progression of these diseases.

As with a significant number of RA, psoriasis and lupus patients, many patients suffering any of these diseases have little hope of an improved quality of life unless new, effective and safe treatments are developed.

The prospect of successfully developing XToll® as a therapy for a number of these diseases would provide an real alternative to help address the patients' needs but would also provide a commercial opportunity for CBio.

Your Board continues to be confident in the therapeutic and commercial potential of XToll®.

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I will now provide an operational update.

You may recall during my address to you at last year's AGM that we were looking at ways of increasing recruitment into the RA clinical trial and had planned to open sites in Central and Eastern Europe. I am pleased to confirm that we achieved those aims and opened 10 new clinical trial sites during 2010. These sites, along with our sites in Australian and New Zealand, recruited strongly and we announced in September the full

recruitment of 150 patients into the clinical trial. In fact, the rate of recruitment in the second half of this year was such that our final patient enrolment into the trial is 155 patients.

As of today, of the 155 patients enrolled into the trial, 81 patients have completed the trial and 148 patients have reached the Week 12 primary endpoint.

The final patient will complete dosing in late March 2011.

Before clinical trial data can be released it needs to be thoroughly and independently checked and analysed. Analytical requirements are specific and need to meet the expectations of both pharma companies and regulatory authorities. We will be working closely with our contracted clinical research organisation (CRO) as well as regulatory consultants to ensure we receive the clinical reports from the trial in the most complete and expeditious manner.

At this point we expect to receive data tables and listings by June 2011, and immediately from there we will be presenting it to a number of pharmaceutical companies.

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We are continuing with our preparation for a pre-IND meeting with the FDA.

As the submission requires manufacturing solutions and a full pre-clinical and clinical development plan through to registration, we are working closely with our contract manufacturing, pre-clinical and clinical organisations for these solutions. We expect to have these to hand early in the New Year. Once we are satisfied with these plans we will then be able to submit our application to the FDA for review at the pre-IND meeting.

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Our scientists have continued to strengthen the patent position of CBio's Cpn10 platform technology.

I am pleased to advise that the Company now has 73 patents granted and 94 patents pending, all in the key international markets. This provides CBio with significant protection of its intellectual property.

You will know that CBio has been issued the Cpn10 immunosuppression patent by the United States Patent Office which provides the composition of matter patent for XToll®. We have also received a Notice of Grant of the same patent in Europe.

These are the largest of the key international markets.

The patent is also issued in Australia, New Zealand, India, Singapore and China and is under examination in other jurisdictions including South Korea and Japan.

Slide 10

CBio continued its capital raising activities in 2010 in order to meet working capital requirements. A total of \$20.3M was raised during the financial year.

\$12.6M was raised via an Information Memorandum as a pre-IPO capital raising round including \$5M of convertible notes.

As part of the listing of your Company on the ASX we were able to raise a further \$7.1M under the IPO offer. We also raised \$0.4M through a share purchase plan in June. This capped off a very successful capital raising year

for your Company which provided the working capital needed to secure the completion of the clinical development program as outlined at IPO.

CBio also executed in May a \$12.45M Convertible Loan facility with SpringTree Special Opportunities Fund, LP which allows CBio to draw-down between \$150,000 and \$350,000 per month over a three year period. This facility will provide an available level of funding certainty and flexibility over the remaining two and half years of the facilities life.

You will know that we recently closed a \$9.3M Rights Issue offer, with existing shareholders taking up their rights in excess of \$5M and with firm commitments on hand for the placement of the shortfall shares.

This is a great achievement and I would like to thank the lead brokers and our financial advisors, Baker Young, for their contribution to this successful capital raising.

I will now outline for you the Board's strategy for your Company for the year ahead.

In the next 12 months our focus is on the completion of the RA clinical trial and receipt of the final reports. We will continue to engage with pharma companies and prepare for the dissemination of the trial data.

We will continue our scientific research and aim to file new provisional patent applications in the major jurisdictions. We have a strong patent position but we do not sit still - ever-strengthening the protection of the Company's intellectual property is paramount.

We will continue to prepare for the pre-IND application and meetings with the FDA who will stringently review our development program to date and work with us regarding the future development plans for XToll®. The importance of these FDA interactions cannot be over-stated, as they can enable, at the very least, a partner company to start registration trials in the earliest possible timeframe in the largest market in the world.

Funds allowing, we will also look at completing a number of small clinical scoping studies of XToll® in different diseases states - exploring the potential broader applications for our drug.

These past 12 months have been critical to your Company and to the development of our drug, XToll®. I have been very pleased to report to you today that so many milestones have been achieved in 2010, and that as we head into 2011 we continue to be on track in our clinical development program.

As always, I must give credit and thanks to all the CBio staff for their achievements this year. Without their dedicated efforts these achievements would not have been possible.

I also thank you, our CBio shareholders, for your continued support and look forward to reporting the progress of the XToll® program in the coming year.

For and on behalf of the Board

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Company Secretary

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About CBio

CBio is an Australian ASX listed company established in 2000. CBio's lead product XToll® is a potential new-generation drug therapy which could provide safer and more effective treatment of autoimmune diseases such as rheumatoid arthritis. It is currently being trialled in phase II clinical trials in patients with rheumatoid arthritis (RA). Global sales of RA therapies exceeded US\$17 billion in 2008.

Novo Nordisk A/S, a top 20 global pharmaceutical company and world-leader in diabetes care, has an exclusive option to enter into a licence agreement for the intellectual property rights relating to XToll®.

CBio's Board includes internationally experienced drug developers including Dr Goran Ando, Vice-Chairman Novo Nordisk A/S (formerly president of R&D at Pharmacia/Pfizer and R&D director of Glaxo Group, UK); Dr Peter Corr, Founder and co-General Partner of Celtic Therapeutics (formerly Senior Vice-President for Science and Technology at Pfizer and Chairman of the Board of Governors, New York Academy of Sciences); and Professor John Funder, AO, Professor of Medicine at Monash University, Senior Fellow at Prince Henry's Institute of Medical Research (formerly Director of the Baker Institute, 1990-2001).

About Rheumatoid Arthritis

Rheumatoid Arthritis is a chronic autoimmune disease, mainly characterised by inflammation of the lining of the joints. It can lead to long-term joint damage, resulting in chronic pain, loss of function and disability. The effects of RA are systemic, which means it can affect other organs in the body, and cardiovascular dysfunction in addition to RA is common. RA symptoms can make even the simplest activities – such as opening a jar or taking a walk – difficult to manage. RA has a worldwide distribution with a prevalence of 1 to 2% – which currently equates to approximately 100 million people. Prevalence increases with age, approaching 5% in women over age 55. RA is two to three times more common in women than in men and generally occurs between the ages of 40 and 60, but it can also affect young children and older adults. Currently, there is no cure.