

26 November 2010

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

Dear Sir,

CHAIRMAN'S ADDRESS TO ANNUAL GENERAL MEETING

Welcome Ladies and Gentleman to this Annual General Meeting of Members of CBio Limited for 2010.

May I ask please that all mobile phones be turned off and that any recording devices are likewise dealt with.

Well it is with a happy heart that I address you this year which has been one of solid financial and business achievement by the Company.

Financially CBio has raised a little over \$30 million in the past 18 months. And the Company is now ASX listed, so your shares are liquid. The Company is well funded and the balance sheet in far better shape than this time last year. Thank you for your support and welcome to our new members.

The Company welcomes our new members introduced by PT Equities, Empire Securities and Baker Young and I thank them for their confidence in CBio shown by the level of your investments both in the pre-IPO and IPO Rounds, in the share purchase plan and the recent rights issue.

I note that Baker Young, the Company's recently appointed Corporate Advisers, have traveled from Adelaide for today's meeting and it is my pleasure to acknowledge and welcome Dirk Van Dissel and Thomas Lambert both present today as my guests.

I may call upon Dirk today to talk to you about the IPO and the recent Rights Issue should circumstances require. From a business standpoint CBio has achieved all milestones established in the Prospectus which accompanied the IPO of the Company's shares in February 2010.

Most particularly, we have completed the recruiting of all patients into the RA clinical trial, we now have drug supplies and money to complete that study. It is on track.

Now begins the wait for the results, which we anticipate will emerge after data is QA'd in Q2 2011. Not only are we anxiously awaiting these results but so too some of the largest drug companies in the world.

You may be interested to learn that the big drug companies want the raw data formatted in such a way that fits their own statistical requirements. Both Jason and I were surprised that though the final report on the trial which will be prepared by our contracted clinical research organisation is of interest to the multi-nationals, it will play little if any role in their decision to proceed to a transaction. They will form their own views based on their analysis of the raw data.

Once data becomes available and is shared with pharma companies, it is our expectation that discussions with pharma will be extensive and comprehensive, iterative by nature and take time to achieve potential outcomes. All interested parties, including you, our Members, will need to be patient during this process. Mindful of our disclosure obligations as an ASX-listed Company, as well as commercial considerations, we will update the market during the course of this period as and when we are capable of doing so.

As the RA trial heads to completion so the next phase of our business commences.

We are not going to sit on our laurels for several months whilst the RA trial concludes and we deal with pharmas. Now is the time to consolidate and build CBio into a drug development company.

Members will recall that early scoping studies in 2005/2006 revealed possible efficacy in the disease Psoriasis and that we have long held the view that XToll may be applicable in more than one inflammatory or autoimmune disease.

Our investigators in the RA study, Dr Peter Nash and Dr Stephen Hall, have both encouraged us to look at other indications because XToll has a novel method of action. And the results of this method of action have lead to interesting propositions as to the use of XToll in a broader setting.

So the next investing stage of our business (and while the RA trial completes) will be to conduct a number of scoping studies in humans using small patient numbers with hard to treatable medical conditions. Conditions which exhibit similar clinical markers to RA and other inflammatory conditions.

Over the past year we have examined significant patient data to see if we can detect clinical markers associated with inflammatory and autoimmune diseases principally Psoriasis and RA and inter alia have noticed that a recurring trend in some patient groups is the down regulation of a number inflammatory proteins by XTOLL which inflammatory proteins are up regulated in certain diseases such as RA.

A possibly unique quality attaching to XToll, the result of the yet unknown mode of action of XToll, is that it seems to down regulate a numbers of inflammatory proteins. Not just one. This effect may elucidate the type of diseases XToll will work in and also why it is thus far very safe.

Members will recall that the Company has spent many years and large resources in establishing a strong IP position. In 2005/2006 we had a patent life of 2014 on a patent that provided protection on a narrow family of Cpn10 which was entirely inadequate for commercializing or investing in a drug, with or to attribute any other than a research valuation to it.

We set out in 2007 to rectify this hapless position and in 2009 CBio received the grant of our first Composition of Matter patents in the USA with an expiry date of 2026 on the XToll molecule owned by CBio and this was followed this year by the grant of a similar patent in Europe with an expiry date of 2023. So we now have, subject to establishing clinical efficacy, an asset of value.

Valuation by a drug company of a drug is dependent, ceteris paribus other matters, on the life of the patent. CBio by any measure now ticks that box very well.

Conversely the valuation of a biotech depends upon the cash value of a transaction plus the value of the royalty stream i.e. the risk adjusted annuity value at a chosen point of time. The longer the patent life the higher the value of the annuity. No patent protection, no annuity.

Whilst pursuing the IP position, CBio scientists constructed in excess of 40 variations of the XToll molecule. All have been the subject of patent applications and some tested in pre-clinical models to establish utility. It is

possible that one or more of these variants may act in a different way to XToll and thus in their own right(s) offer a new drug(s). For example, the way XToll variants down regulate (if they do) the pro-inflammatory proteins or cell types and the type (class) of protein or cell type affected in this process may be different to XToll.

So in addition to new clinical indications for XToll it is possible that we may also have a new drug(s) amongst the 40 plus variants.

This provides a basis for further discovery science and of drug development.

So in taking the Company forward from the RA indication we are going to broaden our company into a wider range of applications for XToll and seek to discover if we have in the variants one or more new drugs.

Members will I hope appreciate that this new investing activity will add value to the RA transaction should it occur and act as a basis upon which to build the Company after (hopefully) we have licensed or otherwise dealt with XToll as a drug and as a treatment for RA.

Possibilities are many in this strategy of going forward and consolidating the Company as a serious drug developer.

I am delighted to announce that Dr Terje Kalland has agreed to join our Board to fill a casual vacancy as Non-Executive Director. Terje has retired as Head of Biopharmaceuticals at Novo Nordisk and is both a Dr of Medicine and a D Phil. He is an oncologist by specialty and will add much to the discovery science aspect of the next clinical development program which CBio will now undertake. This was Terje's key remit at Novo Nordisk and I can't tell you how happy I am that we have been able to garner Terje to our number. He will join the CBio Board on 1st December.

Terje's appointment adds substantially to the Company's scientific and early stage clinical development and discovery store of intellect which is the Company's core business activity. This is considered the "Go forward plan" for CBio.

It is with some sadness that I mention today the recent resignation from the Board of CBio of Dr Dennis Feeney. Dennis has been instrumental in many of the activities that have seen CBio arrive at its current position. Dennis has a new vocation which will take a lot of time, leaving little to spend at CBio having regard to the onerous responsibilities being a Non-Executive Director of a listed entity, in fact any entity. Much is demanded and little given. So it is farewell to Dennis and thank you from your friends and colleagues at CBio

I hope to announce another appointment in the New Year of an overseas based eminence grise in the drug business.

The Company is well managed, it is served well by a robust and tight group of committed managers. The science is world class, unique in fact in its knowledge of and work in innate immunity.

You have a very well credentialed Board most now of which have many years experience in drug development and high level contacts with the big drug companies. With Dr Goran Ando (Vice Chairman Novo Nordisk) Dr Peter Corr (ex-Worldwide head of R and D at Pfizer) , Dr Terje Kalland (Novo Nordisk, Bio Vitrum, UCB) Professor John Funder (consultant to many pharmas and world credentialed medical researcher) and soon we hope to add to these august colleagues with one more key appointment connected with regulatory affairs. Few biotechs anywhere in the world have such a Board with skills that range from discovery science to clinical development to regulatory affairs and commercialization.

The year in prospect will be exciting, the trial in RA will reveal the drug's utility in treating RA though it is emphasized that any utility revealed will probably not be optimal; the next study Phase 2 b will determine that. Hopefully we will see activity in this study and hopefully in a sub group of patients. And with a fair wind decide to enter a deal with a big pharma.

We plan to commence our scoping studies and scale up of production to provide drug for these studies. Also, and just possibly, CBio may build inventory so that CBio itself may take on the Phase 2b registration study of XToll. This latter activity would add tremendous value to XToll assuming the Phase 2a study in RA completes successfully. These are just options at this stage but options that are available subject to funding limitations that CBio can pursue. All at any event will add value to CBio.

May I finish on a very positive note by thanking my management team for a splendid year and also the scientific group without which we would have no company.

As your Executive Chairman I am mostly supported (with one exception) by a wonderful Board. My heartfelt thanks go to my friend and colleague Dr Goran Ando for his wise counsel both to staff and management and the Board and I will also mention Professor John Funder as wonderful in this respect as well.

To Ben Graham and our CFO James Greig (Cads) well done and thank-you.

To Jason Yeates, our CEO and my constant travelling companion very well done and thank you. To our wives and families throughout this last 18 months thank you for your support and patience with our constant absences from home.

To Dr Peter Nash and Dr Stephen Hall thank you for your forensic analysis, support and wise counsel throughout the year. And finally to Dr Vibeke Strand who consults to CBio, and brings to us an unrivalled depth of experience in regulatory matters and clinical development of treatments for autoimmune diseases, thank-you for your assistance and contribution.

All the best and thank you. Merry Christmas and a happy new year to you all.

For and on behalf of the Board

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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.