

A PIVOTAL YEAR

Address by CBio Limited Acting Chairman, Dr Ralph Craven 2011 Annual General Meeting

On behalf of the Board of Directors, thank you for attending the 2011 Annual General Meeting of CBio Limited.

As shareholders are aware, the company currently has no chief executive officer, so this will be the only address today.

As shareholders are also aware, the recent months have been tumultuous and distracting to the core business of the company.

I would therefore like to take a moment to put into focus the asset that we share.

XToll was discovered at the University of Queensland and has been developed in Australia as a potential therapy for autoimmune and inflammatory diseases.

To date your company has completed clinical or preclinical studies of XToll in rheumatoid arthritis, psoriasis, multiple sclerosis, lupus, graft-versus-host-disease, inflammatory pain and atherosclerosis.

XToll has a strong safety profile; and in the largest clinical trial carried out by the company to date, XToll demonstrated biological activity and signals of clinical effect in the treatment of moderate to severe rheumatoid arthritis.

Although we do not yet know exactly how XToll works in the body, we do know that it down-regulates a number of inflammatory pathways in the blood. We do know that it appears to bring the body's immune system back into balance. We do know that it works differently to any other drug currently on the market or in development.

It is these things that we do know that form the basis of our belief that XToll shows potential.

In its Initial Public Offering in November 2009, the company agreed with you, its shareholders, that in order to realise the value of XToll it must complete the phase IIa rheumatoid arthritis trial, finalise the clinical trial report and conclude a commercial transaction.

We held that successful completion of the IIa trial would maximise the prospect of the licensing or sale of XToll to a major pharmaceutical company which would, in turn, provide potential upside and return to shareholders.

This has always been the goal of the company.

The strategy of the company therefore has been to pursue a prioritised set of development activities, directed to strengthening the company's position during any discussions regarding the commercialisation of XToll.

These activities have been aimed at adding to the current data set and knowledge of XToll, increasing our knowledge about potential disease indications for XToll, and minimising any eventual time to market.

Specific projects have included the expansion of the patent portfolio, commencement of regulatory filing processes, scale-up activities to address future drug manufacturing requirements, preparations for long-term toxicology, preclinical studies into variants of XToll and studies into the mechanism of action.

The company has met milestones laid out in the 2009 IPO Prospectus, and has made further significant advancements against milestones in 2011:

- April saw the completion of the 155-patient rheumatoid arthritis clinical trial. In October the final clinical study report was received;
- During the year CBio completed a pre-clinical study into the effectiveness of XToll in treating SLE, or lupus;
- Work on manufacturing scale-up of XToll continued throughout the year and is a project that is likely to be ongoing for some time. The ability to manufacture XToll in significantly larger quantities is critical to its commercial success;
- Regulatory preparations have advanced. Submissions to both the US and European regulators will require commercial manufacturing solutions and full pre-clinical and clinical development plans through to registration;
- In this past 12 months, 40 patent applications proceeded to “granted” or “accepted” making a total of 82 patents issued, 3 patents accepted, and 86 patent applications pending. This comprehensive patent protection is wider and stronger than the protection the company had when it listed on the ASX in February 2010 with 42 granted and 86 pending.

The company is now in the late stages of its Option Agreement with Novo Nordisk which, if exercised, gives Novo Nordisk the right to negotiate an exclusive license agreement for the company’s intellectual property.

As shareholders know, in addition to scientific and due diligence interactions that have been ongoing with Novo Nordisk since the Option Agreement was signed in 2008, the company has continued to engage and build relationships with a number of global pharmaceutical companies for the purposes of maintaining every possible commercial opportunity for the XToll asset.

In summary, the Board remains committed to exploiting all available opportunities for the ultimate commercialization of XToll, and is committed to completing the activities which continue to add the greatest value to the asset.

And now, we must get on with the job.

In recent days the company has been made aware of queries and concerns of shareholders relating to the development program and the rheumatoid arthritis clinical trial. An updated investor presentation and shareholder letter will be issued next week to address these queries.

In closing, I thank those shareholders who have participated in providing constructive feedback to the company in recent months. I also thank the staff of CBio, who have shown tenacity and commitment in recent months by continuing to focus on the goal of adding value to XToll in what have been difficult circumstances.

I look forward to updating you again in the near future.

RALPH CRAVEN
Acting Chairman