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Verva Pharmaceuticals Limited
Annual General Meeting, 29 April 2011
Chairman's Address

Ladies and Gentlemen,

Verva Pharmaceuticals Limited has been in existence for just over three years. The company was founded with the objective of developing new products to treat metabolic diseases, particularly diabetes and obesity – the emerging epidemics of the developed world. Despite huge investments by pharmaceutical and biotechnology companies over many years, there remains a desperate need for new treatments for these conditions. However, the desperate need is reflective of an extremely high degree of difficulty – and we should never lose sight of this fact. The past year has seen a progression of failed development programs along with (and in part a consequence of) tougher approval requirements from regulatory bodies. There is no doubt that a clean safety profile following long term drug exposure is going to be a critical feature for approval of new drugs to treat diabetes and obesity.

Given the safety imperative, it is fortuitous that Verva chose as its lead clinical program a drug that has been used in humans for over fifty years, albeit in a very different indication to diabetes. While we still face the risk that VVP808 will fail to show a beneficial effect in diabetic patients, at least we have a strong basis for anticipating a reasonable human safety profile.

At last year's AGM we advised shareholders we had initiated the Phase IIa clinical trial of VVP808 in patients with type II diabetes at three Victorian hospitals. At the time, we indicated that the study results should become available around mid 2011, based on full accrual into the study during the course of calendar year 2010. As is almost always the case with clinical trials, patient accrual has not lived up to our expectations. This has caused significant angst and frustration at both Board and management levels, and a range of initiatives has been implemented to address the situation. These include appointment of an experienced, part-time clinical trials manager, amendment of the study protocol to broaden the patient eligibility criteria, initiation of two additional clinical sites (one in Adelaide and one in Brisbane) and ongoing advertising / PR efforts.

As a result of these initiatives and the hard work of the Verva team and our clinical investigators, we now anticipate that the study should be fully accrued around mid-2011, with full clinical data becoming available in the first half of 2012. While a delay of about six or more months in the overall time frame for the clinical study is disappointing, at least we are confident that we will be able to complete the study protocol.

Of course, allowing the study to continue until the full quota of patients has been enrolled and treated for six months is dependent on the company's ability to finance its operations. Which brings us to the three resolutions under the heading of 'Special Business' on today's agenda.

Shareholders might remember that Verva's sole financing event to date was an investment in Series A Preference Shares by the venture capital companies QBF, GBS and Uniseed. This financing was approved at the AGM of 29 May 2009. At the time it had been anticipated that the Series A investment would be supplemented by additional investment into the company, possibly in association with a compliance listing on the ASX, and that the combined amount of capital would see the company through to the end of the VVP808 clinical study.

Then came the global financial crisis. As a result, there was no ASX listing and no 'additional investment'. So, for the past two years, the company has been forced to manage its operations in a very cash-constrained manner. And, when it became obvious that additional financing would be required to be able to complete the VVP808 clinical trial, we have had to return to our Series A investors for further financing.

Towards the end of 2010 the company and the Series A investors reached agreement on the basis for a further investment into the company, resulting in the Special Business resolutions for today. We are both pleased and grateful that the Series A investors have been prepared to continue their commitment to Verva. We're also very pleased that, in order to keep things as simple as possible, the new investment will be under effectively the same terms as the previous Series A investment. On behalf of all Verva shareholders, I thank QBF, GBS and Uniseed for their ongoing involvement and support.

While the company's focus over the past year has appropriately been directed towards the VVP808 clinical trial, it would be remiss of me not to mention progress on other fronts. A unique aspect of VVP808 is the fact that its mode of action in diabetes is not the same as that for its previously approved indication. Our research team at Deakin University, led by Professor Ken Walder, has identified several candidate proteins as the potential diabetes target for VVP808. Each candidate is interesting in its own right and, if one or more can be shown to be the target molecule (thereby becoming a new target for diabetes drug development), it will add significantly to the value of Verva's diabetes assets. Ken's team is also working on novel analogues of VVP808 to supplement the VVP808 package, and we expect them to generate interesting in vitro and in vivo data on both the VVP808 target and analogues over the coming months.

Outside of diabetes, Verva's pipeline is being advanced by our US partner, Isis Pharmaceuticals, Inc. Earlier this year Isis announced that ISIS-FGFR4Rx, which incorporates Verva's FGFR intellectual property, was added to their formal development pipeline. Isis' ongoing efforts are particularly important to Verva since, for the time being, we are unable to fund any activities outside of the VVP808-related diabetes programs.

Finally, it is worth mentioning our continuing interactions with potential partners. While so-called 'repurposed' compounds (such as VVP808) are not favoured by some of the large pharmaceutical companies, we have seen strong interest in the overall VVP808 program. The level of interest in any aspect of VVP808 program (i.e. repurposed drug, novel target or analogues) will primarily be driven by the outcome of the clinical trial. Along with the Verva Board, management, investors and shareholders, a number of potential partners eagerly await the clinical results. As I noted at the start of this address, the need for new treatments for diabetes is desperate so, if VVP808 shows compelling (or even encouraging) results in the clinic, we anticipate strong partner interest.

Drug development, particularly in diseases such as diabetes and obesity, is a high risk, high cost exercise. Verva's approach, dictated fundamentally by tough financing conditions, has been to focus its efforts on its nearest term and lowest risk asset. We have worked hard to ensure that VVP808 would be evaluated in humans. As a Board and management team, our job has been to ensure that the drug succeeds or fails based solely on patient data generated in an appropriate clinical setting. At this stage we don't know if the drug will work, only that we've given it our best shot. I thank the Verva team, in particular CEO Vince Wachter, and the Board for their efforts in getting us this far, our investors for their ongoing financial support and our shareholders for their patience.

Roll on 2012!



Ian Nisbet, PhD

Chairman