SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB

☒ **ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2007

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from_____ to _____

Commission file number: 001-13467

COMMONWEALTH BIOTECHNOLOGIES, INC.

(Name of small business issuer in its charter)

Virginia	**54-1641133**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

601 Biotech Drive
Richmond, Virginia 23235
(Address of principal executive offices) (Zip Code)

Issuer's telephone number: (804) 648-3820

Securities registered pursuant to Section 12(b) of the Exchange Act:

Common Stock, without par value per share	**NASDAQ Capital Market**
(Title of Class)	**(Name of Exchange on which registered)**

Securities registered pursuant to Section 12(g) of the Exchange Act:
None

Check whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB ☐.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The issuer's revenues for the year ended December 31, 2007 were $12,422,193.

The aggregate market value of the shares of common stock, without par value ("Common Stock"), of the registrant held by non-affiliates on April 7, 2008 was approximately $8,436,266 based on the closing sales price of the shares of $2.75 per share, as reported on the NASDAQ Capital Market on April 7, 2008.

As of April 7, 2008, there were 5,524,362 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 2008 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-KSB. Portions of the registrant's Annual Report to Shareholders for the fiscal year ended December 31, 2007 are incorporated by reference into Part II of this Form 10-KSB.

Transitional Small Business Disclosure Format (check one): Yes ☐ No ☒

PART I

Item 1. Description of Business

Overview

Commonwealth Biotechnologies, Inc. (the "Company" or "CBI") is a specialized life sciences outsourcing business that offers cutting-edge expertise and a complete array of discovery chemistry and biology products and services through its subsidiary companies: CBI Services, Fairfax Identity Labs ("FIL"), Mimotopes Pty Limited ("Mimotopes") and Exelgen Limited ("Exelgen") (formerly Tripos Discover Research Ltd).

The market for drug discovery outsourcing was $4.1 billion in 2005 and is expected to grow at 20% annually to reach $7.2 billion in 2009 (Kalorama Information, 2006). CBI is positioned to compete in this growing market with an experienced and business-focused management team and over 100 highly trained scientific staff located in three laboratories in Richmond (Virginia), Melbourne (Australia) and Bude (U.K.) and sales offices located in the U.S., U.K., and Asia/Pacific.

CBI aims to build a leading global contract drug-discovery solutions business by pursuing a number of strategic initiatives aimed at increasing revenues, increasing margins, managing costs and most importantly, increasing market awareness and market value. Specifically, CBI intends to achieve these objectives by:

- nurturing a collaborative sales culture focusing on preferred supplier agreements and partnerships;
- targeting large contracts;
- building leading positions in selected growth markets;
- providing centralized support to enable business unit pursuit of growth; and
- considering the potential acquisition of additional cash-generating biology and chemistry service businesses.

Business Units

Revenues from all four business units are derived principally from providing macromolecular synthetic and analytical services to researchers in the biotechnology industry or to researchers who are engaged in life sciences research in government or academic labs throughout the world. This arrangement distinguishes CBI from many other biotechnology companies in that revenues are derived from services rather than from the successful commercialization of a new biotechnology product. CBI believes that Mimotopes, Exelgen, CBI Services and FIL have all developed a strong reputation as leading providers in their respective markets. Their operations, areas of expertise and value propositions are outlined below:

CBI Services (Richmond, Virginia)

CBI Services provides a wide array of life-science solutions in the areas of bio-defense, laboratory support and contract research. CBI Services has broad expertise in the most current analytical chemistries, microbiology applications and molecular biology technologies and has a reputation as a provider of novel and imaginative research and development solutions. CBI Services offers all services under the Food & Drug Administration's ("FDA") Good Laboratory Practices ("GLP") guidelines. Selected services are also offered under the Good Manufacturing Practices ("GMP") and Good Clinical Practices ("cCMP") guidelines. CBI's quality assurance office manages all regulated services.

FIL (Richmond, Virginia)

FIL has been at the forefront of DNA technology of profiling for identity since it opened its doors in 1990. FIL's rigorous standards are designed to provide credible evidence that affects decisions regarding criminal trials, paternity, immigration, estate settlement, adoption, and other issues of identity. FIL provides Forensics, Paternity and Convicted Offender DNA Index System ("CODIS") services to government and private concerns. FIL is accredited by the American Association of Blood Banks, the National Forensic Science Technology Center, the State of New York and pursuant to the Clinical Laboratory Investigation Act ("CLIA"). Its employees have extensive laboratory and courtroom experience.

Mimotopes (Melbourne, Australia)

Mimotopes is an industry leader with over 16 years experience in the development, synthesis and distribution of research grade peptides for the drug discovery industry. CBI believes that Mimotopes' patented synthesis technologies, state-of-the-art facilities and highly educated and experienced staff make it one of the leading research grade peptide synthesis companies in the world. Mimotopes' products and services are delivered to both commercial clients and to discovery and alliance partners. In 2006 and 2007, Mimotopes developed significant partnerships with peptide partner company PepScan and global key life science companies

Genzyme Pharmaceuticals and Invitrogen. Mimotopes' partnership with Genzyme Pharmaceuticals, a leading manufacturer of clinical-grade peptides, has created a brand that provides a total suite of peptide products and acts as an integrated 'one-stop-shop' for peptide customers.

Exelgen (Bude, United Kingdom)

Exelgen (formerly Tripos Discovery Research Ltd), based in Bude, Cornwall, U.K., is a leading, knowledge-driven, drug discovery services business that provides pharmaceutical and biotechnology companies with novel approaches to drug discovery. Applying proprietary computational design and therapeutic medicinal chemistry tools and expertise, CBI believes that Exelgen is able to reduce drug discovery timelines by up to 30%. Since 1997, Exelgen has been offering compound libraries under the LeadQuest® brand, screening libraries under the LeadScreen® brand and custom *de novo* compound libraries under the LeadSelect® brand.

Target Markets

Each of CBI's business units has its own distinct capabilities and market focus, although significant overlap exists between the customer bases. The markets served by each of the business units are shown below:

Business Unit	Market Segments Served	Applications
CBI Services	Government Biotechnology companies Pharmaceutical companies	Basic research Process research Immunology and vaccine development Drug development
Fairfax Identity Labs	Private individuals Medical community Legal community	Paternity and relationship testing Immigration testing Forensic DNA analysis
Mimotopes	Government Universities Biotechnology companies Pharmaceutical companies	Immunology and vaccine development Drug target screening Drug development
Exelgen	Biotechnology companies Pharmaceutical companies	Drug design Drug target screening Drug development

CBI Services, Exelgen and Mimotopes all cater to the outsourcing requirements of pharmaceutical and biotechnology companies for reagents (such as peptides, proteins and small molecules), as well as drug research and development. The adoption of outsourcing by the pharmaceutical and biotechnology industries is driven by three major factors:

(1) *Speed*. Faster discovery results accelerate the time to fail or advance a drug through the development pipeline. Eliminating bad leads early or shaving weeks or months from the time it takes to get a drug to market can mean millions of dollars in cost savings and added revenues.

(2) *Quality*. All the advantages of an accelerated drug discovery program can be jeopardized if the results do not meet the strict quality standards of the pharmaceutical industry. High quality results depend on quality control, quality equipment and quality people.

(3) *Cost*. Speed and quality are necessary but insufficient conditions for success. The economic scarcity problem of unlimited wants and needs and limited resources applies to drug discovery outsourcing as well. The more suppliers can offer for less, the more successful they will be.

CBI believes that market growth is spurring investment in contract research organizations and attracting new providers to the market, many from low-cost territories such as Asia. CBI believes that it is well positioned to compete in this growing market with over 100 highly trained staff located in three world-class laboratories based in Richmond (Virginia), Melbourne (Australia) and Bude (U.K.). The time difference between the sites means that the Company operates virtually around the clock across its three primary research sites. Strong links to preferred suppliers in Asia also means that its customers can access the best mix of fast, secure, high quality, and innovative research services at globally competitive prices.

Market Dynamics

Pharmaceutical companies have been struggling for some time to maintain the growth expected of them by the market. CBI believes that the primary reason for this is the increasing difficulty in discovering new drugs, in particular blockbusters (drugs with greater than $1 billion in sales). This led to a consolidation of the industry in the 1990s and the formation of the new “big Pharmas”. However, CBI believes that these mergers were largely unsuccessful because they failed to address the real problem, the falling rate at which candidate compounds were entering the development pipeline as commercial drugs. With a combination of increasing regulatory requirements and a more competitive marketplace, it takes an increasing number of high quality candidate compounds to produce the same number of successful drugs.

Pharmaceutical companies, and in particular big Pharmas, have realized that they cannot generate the large number of necessary candidate compounds in-house, and this has led to a trend for these companies to outsource large amounts of their drug discovery research. A market intelligence report by Kalorama Information (2006) indicates that outsourcing was worth $4.1 billion in 2005, and is projected to grow at a rate of 20% annually to reach $7.2 billion in 2009. The report also states that recent improvements in biology have made chemistry the major bottleneck in the product pipeline. Chemistry and optimization (key areas of expertise for Exelgen) now make up 44% and 19% of outsourcing respectively. It has been estimated that an additional 30,000 chemists will be required worldwide by 2010 and that medicinal and process chemists will be the specialties in highest demand.

Although the dollar value of the drug discovery outsourcing market is huge, it is comprised of a relatively small number of mature customers. The vast majority of this market lies in the U.S., Western Europe and Japan. It is a very sophisticated market consisting of large multinational pharmaceutical companies, small pharmaceutical companies, generic manufacturers and drug discovery companies.

The most attractive global customers are the big Pharmas, including Pfizer, GSK, Merck, AstraZeneca, Novartis, Eli Lilly and Bristol-Myers Squibb. They are active companies and have the capacity to offer large contracts. Many have centralized outsourcing departments that match the specific needs of a particular project to contractors with specific expertise in that area. They are very experienced at outsourcing and have the resources to overcome barriers such as distance, due diligence inspections, and technology transfer issues which may deter some smaller companies from outsourcing to overseas contractors. Small drug discovery companies are also an attractive opportunity but the low profile of many of these companies, coupled with their limited resources and experience in outsourcing, make marketing to them more difficult. The Kalorama Information report indicates that suppliers of synthetic services to the pharmaceutical industry are numerous but small, and mainly based in the U.S. or Europe. The largest supplier, Albany Molecular, has only a 6% market share.

During the course of 2007, CBI significantly enhanced its research and development outsourcing capabilities through the acquisition of Mimotopes and Exelgen. Although there is increasing competition from low-cost providers in China and India, recent concerns over production standards and quality in some low-cost territories has led to a flight to quality providers. With a strong reputation for price competitive and high quality service and product delivery, CBI believes that it is well positioned to grow business in high-value niches in the pharmaceutical outsourcing market because of its unique combination of proprietary informatics systems and contract chemistry and biology services. CBI’s “one stop shop” model is already attracting new customers and winning a broader range of business from existing customers.

Growth Strategy

During the course of 2007, the Company acquired U.K.-based medicinal chemistry company Exelgen and Australian-based peptide chemistry company Mimotopes, transforming the Company into a full-service pre-clinical drug discovery services provider with a global base of operations and clients. These transactions have transformed CBI into a full-service pre-clinical drug discovery services provider with a global base of operations and clients, and CBI believes that it is well positioned for continued strong growth with a record number and value of new contracts over the last year, a growing market for high-quality research and development outsourcing and a dynamic and commercially driven management team. CBI recorded revenues of $12.4 million in 2007, up from $6.5 million in 2006, with a net loss of $2.8 million, up from $1.1 million in 2006. However, these results significantly under-play the Company’s operating performance because of the timing of the Exelgen acquisition and significant one-time costs associated with

the acquisition. In December 2007, CBI completed a company-wide reorganization aimed at realigning its sales and marketing capabilities and attaining cost synergies following the Mimotopes and Exelgen transactions. Beginning in 2008, CBI expects cost synergies, through targeted redundancies and salary savings to generate annual savings of $1.6 million.

With a focus on both revenue and cost synergies, integration of Mimotopes and Exelgen into the Company in 2007 resulted in new contract signings. CBI expects to build on these successes to become a leading global contract drug-discovery solutions business. The Company will pursue a number of strategic initiatives aimed at increasing revenues, increasing margins, managing costs and increasing market awareness and value. These include:

- Continued commitment to existing customers – a focus on existing customers and commitment to product quality has delivered strong sales growth and customer loyalty.
- Expansion of customer base – through aggressive marketing and promotion.
- Expansion into new geographies – through an expanded sales team and strategic partnering initiatives.
- Cross functional sales team – The Company has appointed a Vice President, Business Development and Marketing who has re-organized the existing sales staff and has developed a marketing strategy focused on winning high-value contracts and building leading positions in selected growth markets.
- New product development – CBI's technical expertise and the scalability of its operations enables quick response to customer demand for new products.
- Outsourcing raw materials – CBI is turning to low-cost territories such as China as a means to outsource selected raw ingredients. This provides the opportunity for significant margin enhancement.
- Developing capacity for an expanding market – CBI believes that it is well positioned to take advantage of the expanding global market in R&D outsourcing.

CBI will also actively pursue opportunities to acquire or partner with complementary businesses in the drug discovery outsourcing industry. By actively pursuing such opportunities, it ultimately aims to provide clients with a seamless link between drug discovery to scale up, multi-kilogram synthesis and GMP manufacture, thus capturing more value down the supply chain and proving the market with a truly vertically integrated product offering.

Operations

CBI operates on a fee-for-service basis and has integrated a number of foundation technologies to provide a broad range of capabilities to customers who otherwise must go to several different sources for their needs. The Company's business units have a strong reputation for:

- World-leading expertise in drug development and discovery;
- An innovative and collaborative culture;
- Providing seamless information flow at all stages of the process;
- Providing customers with a shorter time to market; and
- Total intellectual property security.

Across the Company, the business units have technical capabilities and proprietary technology platforms that differentiate them from other providers. For example:

- Mimotopes' patented SynPhase Technology provides CBI with a competitive advantage to rapidly, efficiently and cost-effectively produce large libraries of research grade peptides.
- Exelgen's proprietary computational design and therapeutic medicinal chemistry tools and expertise are able to significantly reduce clients' drug discovery timelines.
- FIL is accredited by all major U.S. authorities and provides highly accurate DNA identity information.
- CBI Services' state-of-the-art laboratories, biodefense facility, government security clearance and accreditations provide it with access to contracts not appropriate for most contract research organizations.

All of CBI's business units operate under strict Standard Operating Protocols ("SOPs") which detail the particular technologies used to complete the work in progress. SOPs are made available to the customer upon request. In addition, CBI Services and FIL have instituted rigorous GLP reporting requirements, and have put in place the necessary features to meet all aspects of GLP compliance. The Quality Assurance Unit has enabled CBI Services and FIL to take on projects with customers who require adherence to compliance reporting. Other accreditations achieved by CBI Services and FIL include:

- ISO/IEC 17025:2005 and forensic requirements for accreditation FRA 1 and FRA 2;

- Forensic Quality Services accreditation for DNA forensic and CODIS analyses;
- American Association of Blood Banking accreditation for Paternity DNA identify testing, New York State Accreditation for forensic analyses;
- An FBI-approved Laboratory Quality Assurance Program for microbial forensics;
- College of American Pathologist approval for performance of molecular diagnostics;
- Basic Sentinel Lab of the Laboratory Response Network of Bioterrorism;
- Compliance with and certification by CLIA for analysis of human samples;
- Select agent registration with the Centers of Disease Control ("CDC") and USDA;
- Continuous successful operation of a CDC accredited BSL3 laboratory since 1996;
- Extensive experience in SOW tasks including GLP-rated vaccine development programs and testing for the Department of Defense;
- NRC accreditation for use of radionuclides;
- DEA approval for experimental use and storage of Schedule 1-6 controlled substances; and
- EPA and Virginia DEQ compliance certifications.

Marketing

CBI believes that its business units have excellent customer service reputations. Sales and business development staff employ their technical know-how by way of a consultative/collaborative selling strategy and routinely assist clients with the design of their projects and synthesis of their products. In 2007, CBI companies boasted seven of the top ten global pharmaceutical companies as clients. The reorganization of the global sales and marketing team in 2007 created an integrated service offering that provides cross-selling opportunities across our business units for clients based anywhere in the world.

CBI has embarked on an expanded marketing effort under the direction of the newly appointed Vice President of Business Development and Marketing. This will involve an increase in trade show and industry-based partnering activities, improvements to the web sites, and an enhanced e-commerce focus. CBI currently has ten full time sales and business development professionals operating in the major world markets, North America, Europe and Asia The Company has sales operations in San Francisco, Minneapolis, Raleigh-Durham, Melbourne (Australia) and Wirral (U.K.) with the corporate office in San Diego and a satellite office in St. Louis. The business units all have internal technical support professionals to provide technical quotes and field support. CBI has recently implemented an improved client relationship management system which will facilitate accurate forecasting and help pinpoint strengths and weaknesses in marketing efforts.

Intellectual Property

Each of CBI's business units is primarily focused on fee-for-service offerings; various intellectual properties have developed that have resulted in U.S. and international patents. For example, CBI Services has patented a potential human pharmaceutical product, termed HepArrest®. HepArrest is designed as a hospital drug for use in reversing the anti-coagulant effects of heparin. The Company has licensed HepArrest to Prism Pharmaceuticals, King of Prussia, Pennsylvania, for pre-clinical studies, leading to an Investigational New Drug application. The Company has other intellectual properties in the form of issued and pending patents, many of which underpin the various technology platforms employed by the individual business units.

CBI takes appropriate steps to protect its intellectual property rights and those of its customers. The Company's practice is to require its employees and consultants to execute non-disclosure and proprietary rights agreements upon commencement of employment or consulting arrangements with the Company. These agreements require that all proprietary information disclosed to the individual by CBI or its customers remain confidential.

Employees

Worldwide, CBI employs 110 full-time staff in three facilities. CBI has an entrepreneurial executive management team with a wealth of scientific and commercial experience in the biotechnology and life science industries.

Partners and Partnerships

The experience of CBI's staff coupled with its patented technology platforms and advanced laboratory facilities position the Company well for partnering with research institutions and discovery companies in drug development. CBI companies have

developed strategic alliances with key life science companies including Invitrogen, Genzyme, Thermo Fisher, GSK, Elan, Abbott and Schering Plough. Mimotopes' partnership with Genzyme Pharmaceuticals has created a brand that provides a total suite of peptide products and acts as an integrated 'one-stop-shop' for peptide customers. In 2007, the alliance was listed as one of the top 5 leading global peptide providers in an independent analysis of the peptide industry (Bionest Partners, 2007). CBI is looking to adopt a similar partnering model with small molecule and biological cGMP manufacturers.

U.S. Government Regulation

CBI complies with existing federal, state and local laws and regulations and does not anticipate that continuing compliance will have any material effect upon the capital expenditures, earnings or competitive position. While the Company does not require government regulatory approvals to provide for current services, numerous federal, state, and local agencies, such as federal and state environmental agencies, working condition and other similar regulators, have jurisdiction to take actions that could have a material adverse effect upon its ability to do business. CBI has put in place numerous procedures and guidelines which allows it to meet accreditation requirements of federal, state, and industry specific regulatory groups. CBI anticipates that it will continue to implement and upgrade the compliance capabilities under the FDA's GLP guidelines. The Company anticipates that eventually more of its service offerings will meet the FDA's GMP and cCMP guidelines.

Investor Relations

The Company is committed to presentation of its capabilities in appropriate forums, such as analyst conferences and forums. Presentations made by CBI's management at these venues are posted to CBI's web page (www.cbi-biotech.com).

Item 2. Description of Property

Facilities

CBI currently operates in three facilities, located in Richmond (Virginia), Melbourne (Australia) and Bude (U.K.). The headquarters is located in Richmond. The Company owns its property in Richmond. The Company owns its property in Melbourne and leases the land upon which it sits and leases its property in Bude. The addresses of the properties are set forth below:

Commonwealth Biotechnologies, Inc.
601 Biotech Drive
Richmond, Virginia 23235
Facility monthly payment: $34,724; note expires November 2009

Mimotopes Pty Ltd
11 Duerdin Street
Clayton, Victoria 3168
Australia
Land rent: $7,730; CBI owns the building

Exelgen Discovery Research Centre
Bude-Stratton Business Park
Bude, Cornwall, EX23 8LY
England, United Kingdom
Rental term expires June 2009; monthly payments are $31,989.

The Company's facility located in Richmond (Virginia) encompasses 32,000 square feet of state-of-the-art laboratory and administrative space. The building is designed to facilitate movement of samples throughout each laboratory, and where necessary, to maintain and ensure custody of samples. The building houses expansion space, which was purposefully left undeveloped to accommodate new technologies as they come on board.

The Company's facility located in Melbourne (Australia) has a functional floor area of 24,000 square feet, including 10,000 square feet of state-of-the-art laboratory space. The Company owns all plant and equipment at the site and rents the land from Monash University on a rolling seven-year lease with renewal options.

The Company's facility located in Bude (U.K.) encompasses 25,000 square feet of state-of-the-art laboratory and administrative space, providing capacity to accommodate large library synthesis and contract research operations simultaneously. There is also a biological screening capability within the facility.

Item 3. Legal Proceedings

CBI is not subject to any pending legal proceeding required to be disclosed.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security holders in the fourth fiscal quarter of 2007.

PART II

Item 5. Market for Common Equity, Related Stockholder Matters and Small Business Issuer Purchases of Equity Securities

Market Information

The information set forth on page 12 the Company's 2007 Annual Report to Shareholders under the caption "Stockholder Matters" is incorporated herein by reference.

Recent Sales of Unregistered Securities

On December 31, 2007, CBI entered into and closed a subscription agreement (the "Subscription Agreement") with six institutional investors, pursuant to which CBI issued and sold convertible notes at an initial aggregate price of $1,950,000 and Class A Warrants and Class B Warrants to purchase shares of common stock on terms referenced therein. The Class A and Class B Warrants were issued in proportion to the amount of convertible notes purchased by each investor.

The convertible notes are due July 31, 2009 and are initially convertible into 975,000 shares of common stock at the rate of $2.00 per share.

The Class A Warrants are exercisable for an aggregate of 975,000 shares of common stock, at an initial price of $2.85 per share, subject to adjustment as provided in the Class A Warrants. The Class A Warrants may be exercised beginning six (6) months after issuance and expire sixty-five (65) months after their date of issuance.

The Class B Warrants are exercisable for an aggregate of 243,750 shares of common stock, at an initial price of $5.00 per share, subject to adjustment as provided in the Class B Warrants. The Class B Warrants may be exercised beginning six (6) months after issuance and expire one (1) year after their date of issuance.

CBI was required by the terms of the Subscription Agreement to file after the closing date with the Securities and Exchange Commission ("SEC") a registration statement to register the shares of common stock issuable upon conversion of the convertible notes and exercise of the warrants to permit the investors to resell such shares to the public. CBI filed the registration statement with the SEC on January 30, 2008 [Registration No. 333-148942].

The following table provides information about CBI's equity compensation plans as of December 31, 2007:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	785,877	$ 5.52	1,044,609
Equity compensation plans not approved by security holders	0	0	0
Total	785,877	$ 5.52	1,044,609

Item 6. Management's Discussion and Analysis or Plan of Operation

The information set forth on pages 13 and 14 through 20 of the Company's 2007 Annual Report to Shareholders under the caption "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" respectively, is incorporated herein by reference.

Item 7. Financial Statements

The Company's financial statements and the related notes thereto, together with the report of BDO Seidman, LLP for 2007 and 2006, set forth on pages 19 through 44 of the Company's 2007 Annual Report to Shareholders are incorporated herein by reference.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 8A. Controls and Procedures.

See Item 8A(T)

Item 8A(T). Controls and Procedures

Evaluation of Disclosure Controls and Procedures

CBI maintains a system of controls and procedures designed to provide reasonable assurance as to the reliability of the financial statements and other disclosures included in this report, as well as to safeguard assets from unauthorized use or disposition. CBI evaluated the effectiveness of its disclosure controls and procedures (as defined in Rule 13a-14(c) and Rule 15a-14(c) under the Securities Exchange Act of 1934) under the supervision and with the participation of management, including the Company's Chief Executive Officer and Vice President of Financial Operations, within 90 days prior to the filing date of this report. Based upon that evaluation, the Company's Chief Executive Officer and Vice President of Financial Operations concluded that the Company's disclosure controls and procedures are effective in timely alerting them to information required to be included in the Company's periodic Securities and Exchange Commission filings. There were no significant changes in the Company's internal controls or in other factor that could significantly affect these controls subsequent to the date of their evaluation.

Management's Annual Report on Internal Control Over Financial Reporting

CBI's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934, as amended. CBI's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of CBI's assets;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that CBI's receipts and expenditures are being made only in accordance with the authorization of its management and directors; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of CBI's assets that could have a material effect on the financial statements.

CBI's management assessed the effectiveness of its internal control over financial reporting as of December 31, 2007. In making this assessment, management used the framework set forth in the report entitled *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. The COSO framework summarizes each of

the components of a company's internal control system, including (i) the control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication, and (v) monitoring. Based on this assessment, CBI's management believes that, as of December 31, 2007, CBI's internal control over financing reporting is effective based on those criteria.

This annual report does not include an attestation report of CBI's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the SEC that permit CBI to provide only management's report in this annual report.

Item 8B. Other Information

The Company has previously reported all information required to be disclosed during the fourth quarter of 2007 in a report on Form 8-K.

PART III

Item 9. Directors, Executive Officers, Promoters Control Persons and Corporate Governance; Compliance with Section 16(a) of the Exchange Act

Directors

The information relating to the directors of CBI set forth in the Company's definitive proxy statement relating to the Company's 2008 Annual Meeting of Shareholders (the "Proxy Statement") under the caption "Proposal One" is incorporated herein by reference.

Executive Officers

The information relating to the executive officers of the Company set forth in the Proxy Statement under the caption "Management-Business History of Executive Officers" is incorporated herein by reference.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

The information relating to compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, set forth in the Proxy Statement under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated herein by reference.

Code of Conduct

The information relating to the Company's Code of Conduct is set forth in the Proxy Statement under the caption "Board of Directors Information – Does the Company have a Code of Conduct?" is incorporated herein by reference.

Corporate Governance

The information relating to the Company's corporate governance set forth in the Proxy Statement under the caption "Board of Directors and Corporate Governance Information" is incorporated herein by reference.

Item 10. Executive Compensation

The information set forth in the Proxy Statement under the caption "Executive Compensation" is incorporated herein by reference.

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information set forth in the Proxy Statement under the caption "Beneficial Ownership of Common Stock" is incorporated herein by reference.

Item 12. Certain Relationships and Related Transactions, and Director Independence

The information relating to director independence is set forth in the Proxy Statement under the caption "Director Compensation" and is incorporated herein by reference.

On February 9, 2007, CBI acquired all outstanding capital stock of Mimotopes, from PharmAust Chemistry Ltd, an Australian limited company and parent company of Mimotopes ("Chemistry"). As consideration for the acquisition, the Company issued an aggregate of 2,150,000 unregistered shares of its common stock, without par value per share, to Chemistry. On February 9, 2007, the closing price of the Company's common stock on the Nasdaq Capital Market was $2.15 per share. In connection with the closing of this transaction, the Company appointed Paul D'Sylva, Ph.D. as the Chief Executive Officer and a director of the Company. The Company entered into a formal employment agreement with Dr. D'Sylva as of February 9, 2007. At the time of the acquisition, Dr. D'Sylva served as the Managing Director of PharmAust Limited, an Australian limited company and the parent company of Chemistry. Dr. D'Sylva has since terminated his employment with PharmAust Limited.

Item 13. Exhibits

See “Exhibit Index.”

Item 14. Principal Accountant Fees and Services

The information set forth in the Proxy Statement under the caption “Appointment of Independent Registered Public Accountants” is incorporated herein by reference.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Commonwealth Biotechnologies, Inc.

By /s/ Paul D'Sylva, Ph.D.
Paul D'Sylva, Ph.D.
Chief Executive Officer

Date: April 9, 2008

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title(s)	Date
/s/ Richard J. Freer, Ph.D Richard J. Freer, Ph.D.	Chairman, COO and Director	April 9, 2008
/s/ Paul D'Sylva, Ph.D Paul D'Sylva, Ph.D.	Chief Executive Officer and Director (Principal Executive Officer)	April 9, 2008
/s/ Robert B. Harris, Ph.D. Robert B. Harris, Ph.D.	President and Director	April 9, 2008
/s/ Thomas R. Reynolds Thomas R. Reynolds	Executive Vice President, Secretary	April 9, 2008
/s/ James H. Brennan James H. Brennan	Vice President Financial Operations (Principal Financial and Accounting Officer)	April 9, 2008
/s/ James. P. Causey James P. Causey	Director	April 9, 2008
/s/ Samuel P. Sears, Jr. Samuel P. Sears, Jr.	Director	April 9, 2008
/s/ Donald McAfee, Ph.D. Donald McAfee, Ph.D.	Director	April 9, 2008
/s/ Daniel O. Hayden Daniel O. Hayden	Director	April 9, 2008

Executive Compensation Plans and Arrangements

The following is a list of all executive compensation plans and arrangements filed as exhibits to this annual report on Form 10-KSB or incorporated herein by reference:

1. Employment Agreement between the Company and Paul D'Sylva (1)
2. Employment Agreement between the Company and Robert Harris, Ph.D. (2)
3. Employment Agreement between the Company and Thomas R. Reynolds (3)
4. First Amended and Restated Employment Agreement between the Company and Richard J. Freer, Ph.D. (4)
5. First Amended and Restated Employment Agreement between the Company and James H. Brennan (5)
7. Second Amendment to First Amended and Restated Employment Agreement for Richard J. Freer, Ph.D. (5)
8. First Amendment to First Amended and Restated Employment Agreement for James H. Brennan (5)
9. Officer's Severance Agreement for James H. Brennan (6)
10. 1997 Stock Incentive Plan, as amended (7)
11. 2000 Stock Incentive Plan (8)
12. 2002 Stock Incentive Plan, as amended (9)
13. 2007 Stock Incentive Plan (10)

(1) Incorporated by reference to the Company's Current Report on Form 8-K dated February 28, 2007, File No. 001-13467.
(2) Incorporated by reference to the Company's Current Report on Form 8-K dated January 5, 2007, File No. 001-13467.
(3) Filed herewith.
(4) Incorporated by reference to the Company's Current Report on Form 8-K dated June 28, 2005, File No. 001-13467.
(5) Incorporated by reference to the Company's Form 10-KSB, dated March 31, 2006, File No. 001-13467.
(6) Incorporated by reference to the Company's Form 10-KSB dated March 31, 2003, File No. 001-13467.
(7) Incorporated by reference to the Company's Registration Statement on Form SB-2, Registration No. 333-31731.
(8) Incorporated by reference to the Company's Registration Statement on Form S-8, Registration No. 333-51074.
(9) Incorporated by reference to the Company's Registration Statement on Form S-8, Registration No. 333-102368.
(10) Incorporated by reference to the Company's other definitive Proxy Statement dated April 12, 2007, File No. 001-13467

EXHIBIT INDEX

Exhibit Number	Description Of Exhibits
3(i).1	Articles of Incorporation of Commonwealth Biotechnologies, Inc. (1)
3(i).2	Articles of Amendment of Articles of Incorporation of Commonwealth Biotechnologies, Inc. (2)
3(ii).1	Third Amended and Restated Bylaws of Commonwealth Biotechnologies, Inc. (3)
3(ii).2	Amendment to Third Amended and Restated Bylaws of Commonwealth Biotechnologies, Inc. (4)
4.1	Form of Common Stock Certificate (1)
4.2	Form of Class A Warrant (5)
4.3	Form of Class B Warrant (5)
4.4	Form of Secured Convertible Promissory Note (5)
10.1	Subscription Agreement (5)
10.2	Security Agreement (5)
10.3	Stock Purchase Agreement by and among Commonwealth Biotechnologies, Inc., Pharmaust Limited and Pharmaust Chemistry Ltd. dated November 24, 2006 (6)
10.4	Voting and Lock-Up Agreement dated as of February 9, 2007 (7)
10.5	Registration Rights Agreement, dated as of February 9, 2007 (7)
10.6	Employment Agreement between the Company and Paul D'Sylva, Ph.D. (8)
10.7	First Amended and Restated Employment Agreement for Richard J. Freer, Ph.D. (8)
10.8	First Amendment to First Amended and Restated Employment Agreement between the Company and Richard J. Freer, Ph.D. (9)
10.9	Second Amendment to First Amended and Restated Employment Agreement for Richard J. Freer, Ph.D. (10)
10.10	Employment Agreement for Robert B. Harris (11)
10.11	Employment Agreement between the Company and Thomas R. Reynolds (19)
10.12	First Amended and Restated Employment Agreement for James H. Brennan (12)
10.13	First Amendment to First Amended and Restated Employment Agreement for James H. Brennan (12)
10.14	Officer's Severance Agreement for James H. Brennan (13)
13.1	Annual Report to Shareholders for the fiscal year December 31, 2007 incorporated into Form 10-KSB (19)
21.1	Subsidiaries of Commonwealth Biotechnologies, Inc. (14)
23.1	Consent of BDO Seidman, LLP (19)

31.1 Certification of Paul D'Sylva, Ph.D. (19)

31.2 Certification of James H. Brennan (19)

32.1 Section 906 Certification of Paul D'Sylva, Ph.D. (19)

32.2 Section 906 Certification of James H. Brennan (19)

99.1 1997 Stock Incentive Plan, as amended (15)

99.2 2000 Stock Incentive Plan (16)

99.3 2002 Stock Incentive Plan, as amended (17)

99.4 2007 Stock Incentive Plan (18)

(1) Incorporated by reference to the Company's Registration Statement on Form SB-2, Registration No. 333-31731.
(2) Incorporated by reference to the Company's Current Report on Form 8-K, dated October 31, 2007, File No. 001-13467.
(3) Incorporated by reference to the Company's Current Report on Form 8-K, dated March 29, 2007, File No. 001-13467.
(4) Incorporated by reference to the Company's Current Report on Form 8-K, dated March 28, 2008, File No. 001-13467.
(5) Incorporated by reference to the Company's Current Report on Form 8-K, dated January 8, 2008, File No. 001-13467.
(6) Incorporated by reference to the Company's Current Report on Form 8-K, dated November 29, 2007, File No. 001-13467.
(7) Incorporated by reference to the Company's Current Report on Form 8-K, dated February 15, 2007, File No. 001-13467.
(8) Incorporated by reference to the Company's Current Report on Form 8-K, dated February 28, 2007, File No. 001-13467.
(9) Incorporated by reference to the Company's Current Report on Form 8-K, dated August 15, 2005, File No. 001-13467.
(10) Incorporated by reference to the Company's Current Report on Form 8-K, dated March 31, 2006, File No. 001-13467.
(11) Incorporated by reference to the Company's Current Report on Form 8-K, dated January 5, 2007, File No. 001-13467.
(12) Incorporated by reference to the Company's Form 10-KSB, dated March 31, 2006, File No. 001-13467.
(13) Incorporated by reference to the Company's Form 10-KSB, dated March 31, 2003, File No. 001-13467.
(14) Incorporated by reference to the Company's Registration Statement on Form SB-2, Registration No. 333-148942.
(15) Incorporated by reference to the Company's Registration Statement on Form SB-2, Registration No. 333-31731.
(16) Incorporated by reference to the Company's Registration Statement on Form S-8, Registration No. 333-51074.
(17) Incorporated by reference to the Company's Registration Statement on Form S-8, Registration No. 333-102368.
(18) Incorporated by reference to the Company's other definitive Proxy Statement dated April 12, 2007, File No. 001-13467.
(19) Filed herewith.

Exhibit 10.11

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT made as of the 1st day of January, 2007, by and between COMMONWEALTH BIOTECHNOLOGIES, INC., a Virginia corporation (the "Employer"), and THOMAS R. REYNOLDS (the "Executive").

WHEREAS, the Employer and the Executive previously entered into a First Amended and Restated Employment Agreement, dated as of January 1, 2005, as amended (the "Initial Agreement");

WHEREAS, the Employer and the Executive wish to terminate the Initial Agreement in accordance with its terms and hereby enter into this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is acknowledged by the parties hereto, the Employer and the Executive hereby terminate the Initial Agreement and enter into this Agreement:

1. **Employment**. The Employer agrees to employ the Executive and the Executive agrees to enter into the employ of the Employer on the terms and conditions hereinafter set forth.

2. **Capacity**. The Executive shall serve the Employer as its Executive Vice President for Science and Technology and Secretary with such powers and duties as may be prescribed from time to time by the Employer's Board of Directors, and shall serve the Employer in such other or additional offices in which he may be requested to serve, subject in every case to his appointment by the Board of Directors of the Employer. The Executive shall continue to serve as a Class I director of the Employer, subject to continued nomination by the Nominating Committee of the Employer's Board of Directors and ratification by the Employer's shareholders in accordance with federal law and continued listing requirements of the Nasdaq Stock Market or any other exchange or quotation system upon which the Employer's common stock is traded.

3. **Effective Date and Term**. The commencement date of this Agreement shall be as of January 1, 2007 (the "Commencement Date"). Subject to the provisions of Section 6, the term of the Executive's employment hereunder shall be for four (4) years from the Commencement Date. The last day of such term is herein sometimes referred to as the "Expiration Date." The parties hereto confirm that pursuant to the terms of this Agreement, the Initial Agreement is hereby terminated and neither party thereto shall have any further rights or obligations thereunder.

4. **Compensation and Benefits**. The regular compensation and benefits payable to the Executive under this Agreement shall be as follows:

(a) Salary. For all services rendered by the Executive under this Agreement, the Employer shall pay the Executive a total salary that shall not be less than $210,000 per year with any amount above such minimum level to be determined by the Employer's Board of Directors in its sole and absolute discretion. The Executive's salary shall be payable in periodic installments in accordance

with the Employer's usual practice for its senior executives. The Employer's Board of Directors shall review the Executive's salary in June of each year to determine whether any upward adjustment should be made to the Executive's salary.

(b) Equity Compensation. The Employer may grant the Executive equity compensation from time to time pursuant to its stock incentive plans. Such determination will be made in the good faith judgment of the Employer's Compensation Committee.

(c) Annual Cash Bonus. No later than January 31st of each calendar year during the term hereof, the Employer's Board of Directors shall set a minimum annual financial threshold (the "Minimum Threshold") and a maximum annual financial threshold (the "Maximum Threshold") by which to judge the performance of the Executive for the upcoming year. In addition, no later than January 31st of each calendar year during the term hereof, the Employer's Board of Directors shall set a maximum cash bonus that may be allocated to the Executive for such calendar year; provided, however, that such maximum cash bonus (the "Maximum Cash Bonus") shall not be less than $25,000 per calendar year. To the extent the Employer's financial performance for any calendar year meets the Minimum Threshold, the Employer shall pay the Executive fifty percent (50%) of the Maximum Cash Bonus. To the extent the Employer's financial performance for any calendar year meets or exceeds the Maximum Threshold, the Employer shall pay the Executive one hundred percent (100%) of the Maximum Cash Bonus. To the extent the Employer's financial performance for any calendar year falls between the Minimum Threshold and the Maximum Threshold, the Employer shall pay the Executive a bonus calculated as follows:

$$A + (A * (1 - B)) = C$$

Where:

A = 50% of the Executive's Maximum Cash Bonus;

B = The amount calculated by dividing (i) the amount equal to the Maximum Thresholdless the Employer's actual financial performance on the factors selected by the Board of Directors for a given calendar year by (ii) the Maximum Threshold less the Minimum Threshold; and

C = The annual cash bonus due the Executive for a given calendar year.

The Employer shall pay the annual cash bonus, if any, to the Executive within ninety (90) days following the completion of the Employer's fiscal year end.

(d) Incentive Stock Options/Restricted Stock Bonus. In addition to the cash bonus referenced above, the Executive is also eligible to receive additional annual bonuses in the form of ISOs and restricted shares of the Employer's common stock ("Restricted Shares") from the Employer's stock incentive plans, as such may be approved by the Employer's shareholders from time to time.

Specifically, upon the satisfaction of the financial conditions referenced below, the Executive shall be eligible to receive ISOs to purchase up to 5,000 shares of the Employer's common stock and up to 5,000 Restricted Shares. To the extent the Employer cannot issue such securities pursuant to its stock incentive plans due to the fact that such plans have not reserved sufficient shares, any such grant shall be deferred until the Employer has adopted an incentive plan that will enable such grants. Notwithstanding the foregoing, however, should the Executive's employment terminate for any reason prior to the adoption of an eligible stock incentive plan, the Employer shall be under no obligation to issue such defined options to the Executive. Any such incentive plans must receive shareholder approval in accordance with Nasdaq Capital Market continued listing standards.

(i) *Incentive Stock Options.* To the extent the Employer's financial performance for any calendar year meets the Minimum Threshold, the Employer shall grant to the Executive ISOs to purchase up to 2,500 shares of the Employer's common stock. To the extent the Employer's financial performance for any calendar year meets or exceeds the Maximum Threshold, the Employer shall grant to the Executive ISOs to purchase up to an aggregate of 5,000 shares of the Employer's common stock. To the extent the Employer's financial performance for any calendar year falls between the Minimum Threshold and the Maximum Threshold, the Employer shall grant to the Executive ISOs to purchase the aggregate number of shares of the Employer's common stock calculated as follows:

$$2{,}500 + (2{,}500 * (1 - A)) = B$$

Where:

A = The amount calculated by dividing (i) the amount equal to the Maximum Threshold less the Employer's actual financial performance on the factors selected by the Board of Directors for a given calendar year by (ii) the Maximum Threshold less the Minimum Threshold; and

B = The number of shares of the Employer's common stock underlying the ISOs to be granted.

The Employer shall grant the ISOs, if any, to the Executive within ninety (90) days following the completion of the Employer's fiscal year end. Except as noted in Section 6(f) hereof, one third of the ISOs granted, if any, shall vest on the date that is the first anniversary of the date of grant; one third of the ISOs granted shall vest on the date that is the second anniversary of the date of grant; and one third of the ISOs granted shall vest on the date that is the third anniversary of the date of grant. Each of the ISOs so granted will have a ten year term and a strike price equal to the fair market value of one share of the Employer's common stock on the date of grant.

(ii) *Restricted Stock.* To the extent the Employer's financial performance for any calendar year meets the Minimum Threshold, the Employer shall issue to the Executive 2,5000 shares of Restricted Stock. To the extent the Employer's financial

performance for any calendar year meets or exceeds the Maximum Threshold, the Employer shall issue to the Executive an aggregate of 5,000 shares of Restricted Stock. To the extent the Employer's financial performance for any calendar year falls between the Minimum Threshold and the Maximum Threshold, the Employer shall issue to the Executive that number of shares of Restricted Stock calculated as follows:

$$2{,}500 + (2{,}500 * (1 - A)) = B$$

Where:

A = The amount calculated by dividing (i) the amount equal to the Maximum Threshold less the Employer's actual financial performance on the factors selected by the Board of Directors for a given calendar year by (ii) the Maximum Threshold less the Minimum Threshold; and

B = The number of shares of Restricted Stock to be issued to the Executive.

The Employer shall issue the shares of Restricted Stock, if any, to the Executive within ninety (90) days following the completion of the Employer's fiscal year end. The terms of the Restricted Stock shall provide that the Executive shall be unable to transfer such shares until they have vested. Except as noted in Section 6(f) hereof, one third of the Restricted Shares issued, if any, shall vest on the date that is the first anniversary of the date of issuance; one third of the Restricted Shares issued shall vest on the date that is the second anniversary of the date of issuance; and one third of the Restricted Shares issued shall vest on the date that is the third anniversary of the date of issuance. The Executive shall forfeit any unvested shares upon either (i) the termination of the Executive's employment by the Executive without Good Reason (as such term is defined herein) or (ii) the termination of the Executive's employment by the Employer for Cause (as such term is defined herein).

(e) Regular Benefits. The Executive shall also be entitled to participate in any and all employee benefit plans, medical insurance plans, life insurance plans, disability income plans, retirement plans, bonus incentive plans and other benefit plans from time to time in effect for senior executives of the Employer. Such participation shall be subject to (i) the terms of the applicable plan documents, (ii) generally applicable policies of the Employer and (iii) the discretion of the Board of Directors of the Employer or any administrative or other committee provided for in or contemplated by such plan.

(f) Business Expenses. The Employer shall reimburse the Executive for all reasonable travel and other business expenses incurred by him in the performance of his duties and responsibilities, subject to such reasonable requirements with respect to substantiation and documentation as may be specified by the Employer.

(g) Vacation. The Executive shall be entitled to such number of weeks of vacation per year as shall be provided for in the Employer's employee handbook as the same shall be modified from time to time, to be taken at such times and intervals as shall be determined by the Executive with the approval of the Employer, which approval shall not be unreasonably withheld.

(h) Performance in Excess of Maximum Threshold. To the extent the Employer's financial performance exceeds the Maximum Threshold, the Employer's Board of Directors shall have the option, in its sole and absolute discretion, to implement additional compensation arrangements in consideration of such financial performance.

5. **Extent of Service**. During his employment hereunder, the Executive shall, subject to the direction and supervision of the Board of Directors of the Employer, devote his full business time, best efforts and business judgment, skill and knowledge to the advancement of the Employer's interests and to the discharge of his duties and responsibilities hereunder. He shall not engage in any other business activity, except as may be approved by the Board of Directors; provided, however, that this Section 5 shall not be construed as preventing the Executive from:

(a) investing his assets in a manner not prohibited by Section 8(a) hereof, and in such form or manner as shall not require any material services on his part in the operations or affairs of the companies or other entities in which such investments are made;

(b) serving on the board of directors of any company, subject to the prohibitions set forth in section 8(a), to the extent that such service does not impair his ability to fulfill his duties and responsibilities under this Agreement; or

(c) engaging in religious, charitable or other community or non-profit activities which do not impair his ability to fulfill his duties and responsibilities under this Agreement.

6. **Termination and Termination Benefits**. Notwithstanding the provisions of Section 3, the Executive's employment hereunder shall be subject to the following provisions:

(a) Death. In the event of the Executive's death during the Executive's employment hereunder, the Executive's employment shall terminate on the date of his death; provided, however, that the Employer shall continue to pay an amount equal to the Executive's salary to the Executive's beneficiary designated in writing to the Employer prior to his death (or to his estate, if he fails to make such designation) for a period of one month after the date of the Executive's death, at the salary rate in effect on the date of his death, said payments to be made on the same periodic dates as salary payments would have been made to the Executive had he not died. The Employer shall also pay to the Executive's beneficiary or estate the bonus solely with respect to that portion of the Employer's fiscal year completed on or before the date of death.

(b) Termination by the Employer for Cause. The Executive's employment hereunder may be terminated without further liability on the part of the Employer effective immediately by a two-thirds vote of the Board of Directors of the Employer for Cause by written notice to the Executive setting forth in reasonable detail the nature of such Cause. Only the following shall constitute "Cause" for such termination:

(i) gross incompetence, gross negligence, willful misconduct in office or breach of a material fiduciary duty owed to the Employer or any subsidiary or affiliate thereof;

(ii) conviction of a felony, a crime of moral turpitude or commission of an act of embezzlement or fraud against the Employer or any subsidiary or affiliate thereof;

(iii) any material breach by the Executive of a material term of this Agreement, including without limitation material failure to perform a substantial portion of his duties and responsibilities hereunder; or

(iv) deliberate dishonesty of the Executive with respect to the Employer or any subsidiary or affiliate thereof.

(c) Termination by the Executive. The Executive may terminate his employment hereunder with or without Good Reason (as defined below) and he shall not be required to render any further services to the Employer. In the event of termination with Good Reason, the Executive shall give written notice of the event or circumstances constituting Good Reason to the Board of Directors of the Employer. If such event or circumstances shall remain unremedied for a period of 30 days after receipt of such notice by the Board of Directors, the Executive may then terminate his employment hereunder for Good Reason by written notice effective immediately. In the event of termination for Good Reason, the Executive shall be entitled to the benefits specified in Section 6(e). Upon termination of employment by the Executive without Good Reason, the Executive shall be entitled to no further compensation or benefits under this Agreement. "Good Reason" shall be the material breach by the Employer of any material provision of this Agreement.

(d) Termination by the Employer Without Cause. The Executive's employment with the Employer may be terminated without Cause by a two-thirds vote of the Board of Directors of the Employer effective immediately by written notice to the Executive.

(e) Certain Termination Benefits. Except as expressly provided in this Section 6(e), or in Section 6(a) with respect to death, Section 6(f) with respect to a Change-of-Control, Section 6(g) with respect to non-renewal, Section 7 with respect to disability, or as may be required by applicable law, the Executive shall not be entitled to any benefits in connection with the termination of this Agreement. In the event of termination by the Employer without Cause pursuant to Section 6(b) or by the Executive with Good Reason pursuant to Section 6(c), the Executive shall be entitled to the following benefits:

(i) For a period of twelve (12) months subsequent to the date of termination (the "Benefit End Date"), the Employer shall continue to pay the Executive a salary and benefits in accordance with Sections 4(a) and 4(d), said payments to be made on the same periodic dates as salary payments would have been made to the Executive had he not been terminated.

(ii) For the period subsequent to the date of termination until the Benefit End Date, the Executive shall continue to receive medical, dental and life insurance benefits pursuant to plans made available by the Employer to its employees at the expense of the Employer to substantially the same extent the Executive received such benefits on the date of termination (it being acknowledged that the post-termination plans may be different from the plans in effect on the date of termination). For purposes of application of such benefits, the Executive shall be treated as if he had remained in the employ of the Employer, and service credits will continue to accrue during such period as if the Executive had remained in the employ of the Employer.

(iii) If, in spite of the provisions of Section 6(e)(ii) above, benefits or service credits under any medical, dental or life insurance plan shall not be payable or provided under any such plan to the Executive, or to the Executive's dependents, beneficiaries or estate, because the Executive is no longer deemed to be an employee of the Employer, the Employer shall pay or provide for payment of equivalent benefits, taking into account service credits for such benefits to the Executive, or to the Executive's dependents, beneficiaries or estate.

(iv) The Employer's obligation to provide the Executive with medical or dental insurance pursuant to subsections 6(e)(ii) and 6(e)(iii) hereof shall terminate with respect to each particular type of insurance in the event the Executive becomes employed and has made available to him in connection with such employment at the expense of the employer that particular type of insurance, so long as such insurance is substantially similar to the insurance provided by the Employer.

(v) In the event the Executive becomes employed and has made available to him in connection with such employment at the expense of the employer life insurance which is substantially similar to the life insurance provided by the Employer pursuant to Subsections 6(e)(ii) and 6(e)(iii) hereof, the Employer shall be required to provide the Executive with life insurance pursuant to such subsections only in an amount equal to the excess, if any, of the amount of life insurance which would be provided by the Employer pursuant to such subsections if the Executive had not been provided with life insurance in connection with his new employment over the amount of life insurance provided by the Executive's new employer.

(f) Change-of-Control Termination Benefits. To the extent a Change-of-Control occurs during the term of this Agreement, the Executive, at his sole option, may deem such Change-of-Control to be a termination of his employment by the Employer without Cause. Consequently, he shall be entitled to receive the termination benefits referenced in Section 6(e) hereof. In addition, upon a Change-of-Control all unvested ISOs and Restricted Shares granted pursuant to this Agreement shall immediately vest. To the extent a Change-of-Control occurs during the third year of this Agreement, the Executive may deem such Change-of-Control to be a failure by the Employer to renew this Agreement, thereby enabling the Executive to receive the benefits referenced in Section 6(g) hereof in

lieu of those benefits provided in Section 6(e) hereof. For the purposes of this Agreement, the term "Change-of-Control" shall mean a change of control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Employer is then subject to such reporting requirement; provided, that, without limitation, such a change of control shall be deemed to have occurred if:

(i) subsequent to the date hereof, any person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act (a "Person")) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Employer (not including in the amount of the securities beneficially owned by such person any such securities acquired directly from the Employer or its affiliates) representing in excess of fifty percent (50%) or more of the voting power of the Employer's then outstanding voting securities; provided however, that for purposes of this Agreement, the term "Person" shall not include (A) the Employer, (B) a trustee or other fiduciary holding securities under an employee benefit plan of the Employer, (C) an underwriter temporarily holding securities pursuant to an offering of such securities, or (D) a corporation owned, directly or indirectly, by the shareholders of the Employer in substantially the same proportions as their ownership of stock of the Employer; and provided, further, that for purposes of this subsection (i), there shall be excluded any Person who becomes such a beneficial owner in connection with an Excluded Transaction (as defined below);

(ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board of Directors and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest including, but not limited to, a consent solicitation, relating to the election of directors of the Employer) whose appointment or election by the Board of Directors or nomination for election by the Employer's shareholders was approved or recommended by a vote of at least two-thirds of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously approved or recommended; or

(iii) there is consummated a merger or consolidation of the Employer with any other corporation, other than a merger or consolidation (an "Excluded Transaction") which would result in the voting securities of the Employer outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving corporation or any parent thereof) at least 50% of the combined voting power of the voting securities of the entity surviving the merger or consolidation (or the parent of such surviving entity) immediately after such merger or consolidation, or the shareholders of the Employer approve a plan of complete liquidation of the Employer, or there is consummated the sale or other disposition of all or substantially all of the Employer's assets.

Notwithstanding anything to the contrary contained in this Agreement, the acquisition of Mimotopes Pty Ltd, an Australian limited company, by the Employer pursuant to the terms, exhibits, and schedules specifically contained within that certain Stock

Purchase Agreement, dated as of November 24, 2006, by and among the Employer, PharmAust Limited, an Australian limited company, and PharmAust Chemistry Ltd, an Australian limited company, shall not be deemed to be a "Change-of Control" for the purposes of this Agreement.

(g) Non-Renewal Termination Benefits. To the extent the Employer has not offered to (i) renew this Agreement or (ii) enter into another employment arrangement with substantially similar or better terms for the Executive on or before the date that is one year prior to the Expiration Date, the Executive may declare the Employer in breach of this Agreement, terminate this Agreement and receive the benefits indicated in Section 6(e)(i) – (v) hereof for a period beginning on the date of such termination and ending on December 31st of the year following the date of such termination.

(h) Litigation and Regulatory Cooperation. During the term of this Agreement and the period in which the Executive is subject to the obligations in Section 8, the Executive shall cooperate fully with the Employer in the defense or prosecution of any claims or actions now in existence or which may be brought in the future against or on behalf of the Employer which relate to events or occurrences that transpired while the Executive was employed by the Employer. The Executive's full cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the Employer at mutually convenient times. The Executive shall also cooperate fully with the Employer in connection with any examination or review of any federal or state regulatory authority as any such examination or review relates to events or occurrences that transpired while the Executive was employed by the Employer. If such cooperation is required after the Executive ceases to receive cash compensation from the Employer under Section 4 or Section 6, the Employer shall pay the Executive for such cooperation a fee of one hundred dollars ($100.00) per hour, payable monthly in arrears, and will reimburse the Executive for any reasonable out-of-pocket expenses incurred in connection therewith.

7. **Disability**. If, due to physical or mental illness, the Executive shall be disabled so as to be unable to perform substantially all of his duties and responsibilities hereunder, which disability lasts for an uninterrupted period of at least 90 days or a total of at least 180 days in any calendar year (as determined by the opinion of an independent physician selected by the Board of Directors of the Employer), the Employer, acting through its Board of Directors, may designate another executive to act in his place during the period of such disability. Notwithstanding any such designation, the Executive shall continue to receive his full salary and benefits under Section 4 of this Agreement until he becomes eligible for disability income under the Employer's disability income plan. While receiving disability income payments under such plan, the Executive shall receive the difference between such payments and his salary under Section 4(a) (but not any bonus, except as accrued through the date of determination of disability) and shall continue to participate in the Employer's benefit plans and to receive other benefits as specified in Section 4 until the Expiration Date.

8. **Noncompetition and Confidential Information**.

(a) Noncompetition. During a period of three years following the date of termination of the Executive's employment with the Employer (x) by the Employer for Cause pursuant to Section 6(b) hereof, or (y) by the Executive in the event that such termination is not for Good Reason pursuant to Section 6(c) hereof, the Executive will not, directly or indirectly, whether individually or as an owner, partner, shareholder, consultant, agent, employee, co-venturer of or to any business the principal purpose of which is to provide analytical services to others, or through any such Person, compete in any state within the United States of America in which the Company conducts business as of the date of termination, with the Employer's business of providing analytical services to the biotechnology, pharmaceutical and agricultural industries or any other business conducted by the Employer during the period of his employment hereunder, nor will he attempt to hire any employee of the Employer, assist in or recommend such hiring by any other Person, encourage any such employee to terminate his or her relationship with the Employer, or solicit or encourage any customer of the Employer to terminate its relationship with the Employer or to conduct with any other Person any business or activity which such customer conducts or could conduct with the Employer. This Section 8 shall not preclude the Executive from owning not more than 5% of the outstanding stock of any company that has securities registered under Section 12 of the Exchange Act.

(b) Confidential Information. The Executive agrees and acknowledges that, by reason of his employment by and service to the Employer, he has had and will have access to confidential information of the Employer (and its affiliates, vendors, customers, and others having business dealings with it) including, without limitation, information and knowledge pertaining to products and services, sales and profit figures, customer and client lists and information related to relationships between the Employer and its affiliates, customers, vendors, and others having business dealings with it (collectively, the "Confidential Information"). The Executive acknowledges that the Confidential Information is a valuable and unique asset of the Employer (and its affiliates, vendors, customers, and others having business dealings with it) and covenants that, both during and after the term of his employment by the Employer, he will not disclose any Confidential Information to any person or use any Confidential Information (except as his duties as an employee of the Employer may require) without the prior written authorization of the Board of Directors of the Employer. The Executive further agrees that all files, computer programs and files, letters, memoranda, reports, records, data, sketches, drawings, program listings or other written, photographic, or other tangible material containing Confidential Information, whether created by the Executive or others, which shall come into his custody or possession, shall be and are the exclusive property of the Employer to be used by the Executive only in the performance of his duties for the Employer. All such records or copies thereof and all tangible property of the Employer in the custody or possession of the Executive shall be delivered to the Employer, upon the earlier of (i) a request by the Employer or (ii) termination of the Executive's employment. After such delivery, the Executive shall not retain any such records or copies thereof or any such tangible property. The obligation of confidentiality imposed by this Section shall not apply to information that is required by law, regulation or judicial or governmental authorities to be disclosed or that otherwise becomes part of the public domain by means not involving a breach of a convenant of confidentiality owed to the Employer.

(c) Rights and Remedies Upon Breach. If the Executive breaches, or threatens to commit a breach of, any of provisions of Section 8 hereof (collectively, the "Restrictive Covenants"), the Employer shall have the following rights and remedies, each of which rights and remedies shall be independent of the other and severally enforceable, and all of which rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Employer under law or in equity:

(i) The Executive recognizes and agrees that the violation of the Restrictive Covenants may not be reasonably or adequately compensated in damages and that, in addition to any other relief to which the Employer may be entitled by reason of such violation, it shall also be entitled to permanent and temporary injunctive and equitable relief and, pending determination of any dispute with respect to such violation, no bond or security shall be required in connection therewith. Without limiting the generality of the foregoing, the Executive specifically acknowledges that showing by the Employer of any breach of any provision of any Restrictive Covenant shall constitute, for the purposes of all judicial determinations of the issue of injunctive relief, conclusive proof of all of the elements necessary to entitle the Employer to interim and permanent injunctive relief against the Executive with respect to such breach. If any dispute arises with respect to this Section 8, without limiting in any way any other rights or remedies to which the Employer may be entitled, the Executive agrees that the Restrictive Covenants shall be enforceable by a decree of specific performance.

(ii) The Employer shall have the right and remedy to require the Executive to account for and pay over to the Employer all compensation, profits, monies, accruals, increments or other benefits (collectively, "Benefits") derived or received by the Executive as the result of any transactions constituting a breach of any of the Restrictive Covenants, and the Executive shall account for and pay overall such Benefits to the Employer.

(d) Severability of Covenants. If any of the Restrictive Covenants, or any part thereof, or any of the other provisions of this Section 8 is held by a court of competent jurisdiction or any other governmental authority to be invalid, void, unenforceable or against public policy for any reason, the remainder of the Restrictive Covenants or such other provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and such court or authority shall be empowered to substitute, to the extent enforceable, provisions similar thereto or other provisions so as to provide to the Employer to the fullest extent permitted by applicable law, the benefits intended by such provisions.

(e) Enforceability in Jurisdictions. The parties intend to and hereby confer jurisdiction to enforce the Restrictive Covenants and the other provision of this Section 8 upon the courts of any jurisdiction within the geographical scope of such Restrictive Covenants or other provisions, as the case may be. If the courts of any one or more of such jurisdictions hold the Restrictive covenants or other provisions, as the case may be, wholly invalid or unenforceable by reason of the breadth or scope or otherwise, it is the intention of the parties that such determination not bar or in any way affect the Employer's right to the relief provided above in the

courts of any other jurisdiction within the geographical scope of such Restrictive Covenant or other provisions, as the case may be, as they relate to each jurisdiction being, for this purpose, severable into diverse and independent covenants.

(f) Definition and Survival. For purposes of this Section 8 only, the term "Employer" shall mean Commonwealth Biotechnologies, Inc. and any of its subsidiaries and affiliates. All provisions of this Section 8 shall survive termination of this Agreement.

9. **Conflicting Agreements**. The Executive hereby represents and warrants that the execution of this Agreement and the performance of his obligations hereunder will not breach or be in conflict with any other agreement to which he is a party or by which he is bound, and that he is not subject to any covenants against competition or similar covenants which would affect the performance of his obligations hereunder.

10. **Withholding**. All payments made by the Employer under this Agreement shall be net of any tax or other amounts required to be withheld by the Employer under applicable law.

11. **Arbitration of Disputes**. Any controversy or claim arising out of or relating to the employment relationship between the Executive and the Employer, this Agreement or any breach thereof, other than a controversy or claim relating to Section 8 of this Agreement, shall be settled by arbitration in accordance with the laws of the Commonwealth of Virginia by three arbitrators, one of whom shall be appointed by the Employer, one by the Executive and the third by the first two arbitrators. If the first two arbitrators cannot agree on the appointment of a third arbitrator, then the third arbitrator shall be appointed by the American Arbitration Association in the City of Richmond. Such arbitration shall be conducted in the City of Richmond in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Section 11. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The party against whom the arbitrators shall render an award shall pay the other party's reasonable attorneys' fees and other reasonable costs and expenses in connection with the enforcement of its rights under this Agreement (including the enforcement of any arbitration award in court), unless and to the extent the arbitrators shall determine that under the circumstances recovery by the prevailing party of all or a part of any such fees and costs and expenses would be unjust.

12. **Assignment; Successors and Assigns, etc**. Neither the Employer nor the Executive may make any assignment of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other party; provided, however, that the Employer may assign its rights under this Agreement without the consent of the Executive in the event that the Employer shall hereafter effect a reorganization, consolidate with or merge into any other Person, or transfer all or substantially all of its properties or assets to any other Person. This Agreement shall inure to the benefit of and be binding upon the Employer and the Executive, their respective successors, executors, administrators, heirs and permitted assigns. In the event of the Executive's death prior to the completion by the Employer of all payments due him under this Agreement, the Employer shall continue such payments to the Executive's beneficiary designated in writing to the Employer prior to his death (or to his estate, if he fails to make such designation).

13. **Enforceability**. If any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

14. **Waiver**. No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of any party to require the performance of any term or obligation of this Agreement, or the waiver by any party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

15. **Notices**. Any notices, request, demands and other communications provided for by this Agreement shall be sufficient if in writing and delivered in person or sent by registered or certified mail, postage prepaid (in which case notice shall be deemed to have been given on the third day after mailing), or by overnight delivery by a reliable overnight courier service (in which case notice shall be deemed to have been given on the day after delivery to such courier service) to the Executive at the last address the Executive has filed in writing with the Employer or, in the case of the Employer, at its main offices, attention of the Board of Directors.

16. **Entire Agreement; Amendment**. This Agreement may be amended or modified only by a written instrument approved by each of the Board of Directors of the Employer and the Compensation Committee thereof, signed by the Executive and by a duly authorized representative of the Employer who is the Chairman of the Board or President or an Executive Vice President of the Employer and who is not the Executive. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and no agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

17. **Governing Law**. This is a Virginia contract and shall be construed under and be governed in all respects by the laws of the Commonwealth of Virginia, without giving effect to the choice of law principles of any state.

18. **Legal Counsel**. This Agreement has been prepared by Kaufman & Canoles, as counsel to the Company, after full disclosure of its representation of the Company and with the consent of the Executive. The Executive has reviewed the contents of this Agreement and fully understands its terms. The Executive acknowledges that he is fully aware of his right to the advice of counsel independent from that of the Company, that Kaufman & Canoles, has advised him of such right and disclosed to him the risks in not seeking such independent advice, and that he understands the potentially adverse interests of the parties with respect to this

Agreement. The Executive further acknowledges that no representations have been made with respect to the income or estate tax or other consequences of this Agreement to him and that he has been advised of the importance of seeking independent advice of counsel with respect to such consequences.

IN WITNESS WHEREOF, this Agreement has been executed as a sealed instrument by the Employer, by its duly authorized officer, and by the Executive, as of the date first above written.

COMMONWEALTH BIOTECHNOLOGIES, INC.

By: /s/ Paul D'Sylva, Ph.D
Title: CEO
Date: 8/28/07

/s/ Thomas R. Reynolds
Thomas R. Reynolds

Address: 601 Biotech Dr.
Richmond, VA 23112

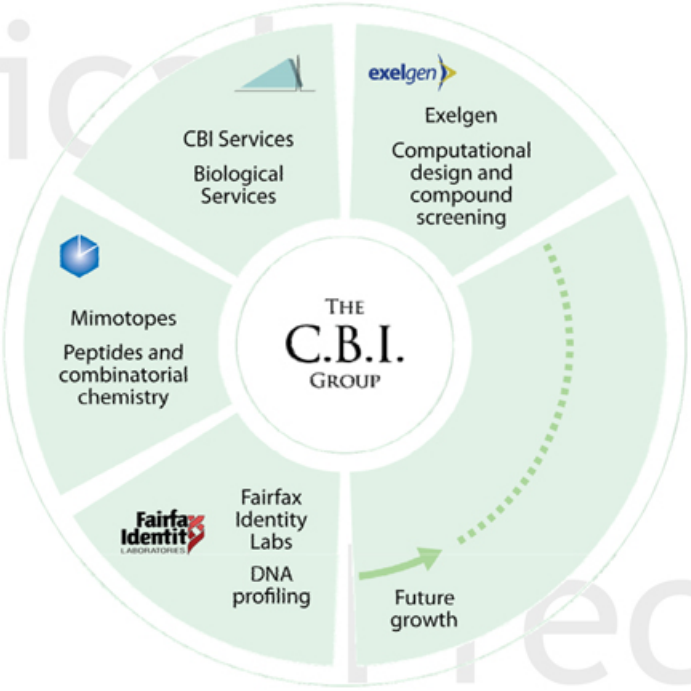
Date: 8/28/07

Commonwealth Biotechnologies 2007 Annual Report

Contents

Highlights from 2007

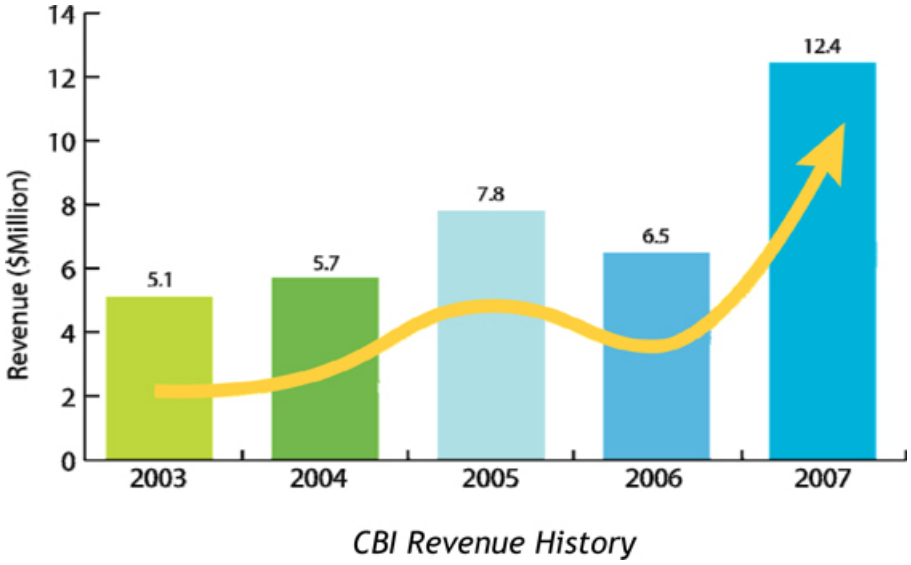
- Revenue of approximately $12.4M, up from $6.5M in 2006;
- Over $12M in new contracts signed;
- Successful acquisition and integration of leading discovery chemistry companies, Mimotopes and Exelgen, with $1.6M in annual cost savings to be achieved through restructuring and targeted salary savings;
- Appointment of key management personnel, including Dr Paul D'Sylva as CEO, Mr Mark Hober as Vice President Business Development and Marketing and Dr Mark Warne as Managing Director for Exelgen Ltd.
- Attraction of seven out of the ten largest global pharmaceutical and biotechnology companies as clients;
- Completion of $1.95M capital raising with a consortium of institutional investors.


CBI Services
Biological Services
exelgen
Exelgen
Computational design and compound screening
Mimotopes
Peptides and combinatorial chemistry
THE C.B.I. GROUP
Fairfax Identity Labs
DNA profiling
Future growth

To Our Shareholders

2007 was a very active year for Commonwealth Biotechnologies Inc. (“CBI”) that was characterized by a near doubling in revenues, the addition of key management personnel, business assets, clients and investors. The most significant events for the year were the acquisitions of UK-based medicinal chemistry company Exelgen Ltd (“Exelgen”; formerly Tripos Discovery Research Ltd.) and Australian-based peptide chemistry company Mimotopes Pty Ltd, (“Mimotopes”), transforming CBI into a full-service pre-clinical drug discovery services provider with a global base of operations and clients. We believe that CBI is well positioned for continued strong growth in 2008 with over $12 million of new contracts signed, a growing market for high-quality research and development outsourcing and a commercially-focused management team, which is committed to building shareholder value.

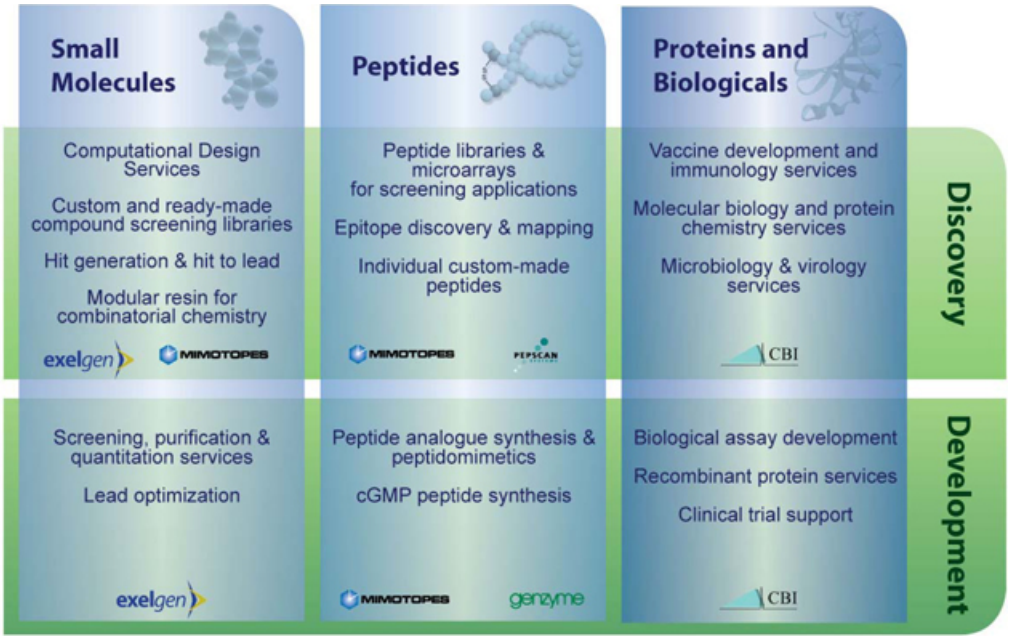
The acquisition of Mimotopes and Exelgen has significantly enhanced CBI’s research and development outsourcing capabilities and presence in the global drug discovery outsourcing market.



CBI Revenue History

Expenditure on R&D outsourcing by Pharmaceutical and Biotechnology companies is now estimated to exceed $5 billion per annum and is expected to grow by over 15% per annum until 2010. With a strong reputation for high quality service and product delivery, the CBI Group is well positioned to capitalize on the need for high quality and competitively priced products and services in this growing market.

The Company recorded revenues of $12.4 million in 2007, up from $6.5 million in 2006, with a net loss of $2.8 million. However, these results significantly under-play the Company's operating performance because of the timing of the Exelgen acquisition and significant one-off costs associated with the acquisition. In December 2007, CBI completed a company-wide reorganization aimed at realigning its sales and marketing capabilities and attaining cost synergies following the successful acquisitions of Mimotopes and Exelgen. Beginning in 2008, cost synergies, through targeted redundancies and salary savings will generate annual savings of $1.6 million. The reorganization of our sales and marketing team will provide the global drug discovery market with a one-stop-shop for pre-clinical products and services in small molecule, peptide and biologics development. We believe that this strategy is already starting to yield results with strong 2007 4th quarter revenues of $4.3 million and over $12 million in new contracts signed going into 2008.



With a focus on both revenue and cost synergies, integration of Mimotopes and Exelgen into the CBI Group in 2007 resulted in new contract signings and significant cost savings. The Company aims to build on these successes in 2008 to further strengthen its position in the global contract drug-discovery industry. CBI will pursue a number of strategic initiatives in 2008 aimed at increasing revenues, increasing margins, managing costs and increasing market awareness and value. CBI will also actively pursue opportunities to acquire or partner with complementary companies in the drug discovery outsourcing industry. By actively pursuing merger & acquisition and partnering opportunities, the Company ultimately aims to provide clients with a seamless link between drug discovery to scale up, multi-kilogram synthesis and GMP manufacture, thus capturing more value down the supply chain and proving the market with a truly vertically integrated product offering.

Several key appointments were made during 2007, significantly bolstering the Company’s scientific and commercial management experience. Upon completion of the Mimotopes transaction in February, former Mimotopes Managing Director Dr Paul D'Sylva was appointed to the Board of Directors of CBI and also assumed the

duties of Chief Executive Officer. Dr D'Sylva brings an exceptional skill set in business and finance to CBI that compliments the skills of CBI's existing senior management. Within the Exelgen business unit, former Manager of Strategic Affairs, Dr Mark Warne, was appointed as Managing Director in July. Dr Warne has significant experience in the drug discovery industry and a successful track record of successfully evolving research concepts to commercial products and processes. As part of the sales and marketing reorganization in December, Mr Mark Hober was appointed as Vice President, Business Development and Marketing for the Group. Mr. Hober was previously the Vice President of Business Development for Exelgen. In that role, he was responsible for directing Exelgen's business development efforts and significantly growing the business by establishing multiple drug discovery and synthesis collaborations in North America.

CBI embarked on a process of business transformation in 2007 and is set to continue this process into 2008. With a leading, comprehensive array of discovery services, high quality human and physical infrastructure, a cross-functional sales team and an entrepreneurial and commercially focused management team, we believe that the Company has strong potential for sustainable and profitable growth in 2008 and beyond.

Thank you for your continued support.

Introducing the CBI Group

CBI

FIL

Mimotopes

Exelgen

The CBI Group provides:

- World-leading expertise in both drug development and discovery
- An innovative and collaborative culture
- Increased drug discovery and development capability
- Seamless information flow at all stages of the process
- Shorter time to market
- Total intellectual property security

CBI Services

Commonwealth Biotechnologies Services (“CBI Services”) provides a wide array of life-science solutions in the areas of bio-defense, laboratory support and contract research. CBI Services has broad expertise in the most current analytical chemistries, microbiology applications and molecular biology technologies and has a reputation as a provider of novel and imaginative research and development solutions. CBI Services offers all services under the FDA’s Good Laboratory Practices (GLP) Guidelines as codified in 21CFR 58. Selected Services are also offered under the FDA’s Good Manufacturing Practices (GMP) and Good Clinical Practices (cCMP) guidelines. The Quality Assurance office manages all regulated services.

FIL

Fairfax Identity Laboratories (“FIL”) has been at the forefront of DNA technology of profiling for identity since it open it’s doors in 1990. FIL’s rigorous standards guarantee beyond a reasonable doubt the credible evidence that clients demand. Their results affect decisions regarding criminal trials, paternity, immigration, estate settlement, adoption, and other issues of identity. FIL provides state of the art Forensics, Paternity and CODIS services to government and private concerns. FIL is accredited by the American Association of Blood Banks, the National Forensic Science Technology Center, the State of New York and CLIA. Its Directors have extensive laboratory and courtroom experience.

Mimotopes

Mimotopes Pty Ltd (“Mimotopes”) is an industry leader with over 18 years experience in the development, synthesis and distribution of research grade peptides for the drug discovery industry. Mimotopes’ patented synthesis technologies, state-of-the-art facilities and highly educated and experienced staff make it one of the leading research grade peptide synthesis companies in the world. Mimotopes’ products and services are delivered to both commercial clients and to discovery and alliance partners. In 2006/2007, Mimotopes developed significant partnerships with peptide partner company PepScan and global key life science companies Invitrogen and Genzyme.

Exelgen

Exelgen Ltd (“Exelgen”) is a leading, knowledge driven, drug discovery services business that provides pharmaceutical and biotechnology companies with novel approaches to drug discovery. Applying proprietary computational design and therapeutic medicinal chemistry tools and expertise, Exelgen believes that it is able to reduce drug discovery timelines by up to 30%. Since 1997, Exelgen has been offering compound libraries under the LeadQuest® brand, screening libraries under the LeadScreen® brand and custom de novo compound libraries under the LeadSelect® brand.

Stockholder Matters

The Company's common stock trades on the NASDAQ Capital Market ("NASDAQ") under the symbol "CBTE". The following table sets forth the range of high and low sales price per share of common stock for the years ended December 31, 2007 and December 31, 2006, respectively. These market quotations reflect inter-dealer prices, without retail mark-up, markdown, or commission and may not necessarily represent actual transactions.

Period	High Stock Price	Low Stock Price
1st Quarter, 2007	$2.30	$1.86
2nd Quarter, 2007	$3.79	$1.95
3rd Quarter, 2007	$3.79	$2.39
4th Quarter, 2007	$3.59	$2.36
1st Quarter, 2006	$4.99	$3.54
2nd Quarter, 2006	$3.63	$2.48
3rd Quarter, 2006	$2.99	$2.13
4th Quarter, 2006	$2.95	$1.98

On March 28, 2008, the last reported sales price for a share of the Company's Common Stock on NASDAQ was $1.91. As of March 28, 2008, there were 38 holders of record of the Company's Common stock and 935 beneficial holders.

The Company has not paid any cash dividends on its Common Stock. The Company intends to retain its earnings to finance the growth and development of its business and does not expect to declare or pay dividends in the foreseeable future. The declaration of dividends is within the discretion of the Company.

Selected Financial Data

Set forth below is selected financial data with respect to the years ended December 31, 2007, December 31, 2006, and December 31, 2005, which have been derived from the audited financial statements of the Company. The selected financial data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Conditions and Results of Operation." In 2007 the selected financial data includes financial information from two of the acquisitions that were completed in 2007.

As of and for the years ended December 31,

	2007	2006	2005
Operational Data			
Revenues	$ 12,422,193	$ 6,532,482	$ 7,802,891
Net income (loss) before extraordinary gain	(3,540,934)	(1,152,649)	79,123
Extraordinary gain	782,833	—	—
Net income (loss) after extraordinary gain	(2,758,101)	(1,152,649)	79,123
Net income (loss) per common share basic and diluted before extraordinary gain	(0.69)	$ (0.35)	$ 0.02
Net income (loss) per common share basic and diluted after extraordinary gain	(0.54)	$ (0.35)	$ 0.02
Weighted average common shares outstanding	5,135,951	3,281,360	3,229,243
Balance Sheet Data:			
Total Current Assets	$ 8,240,285	$ 2,797,861	$ 3,776,348
Total Assets	20,038,052	$ 9,501,958	$ 11,143,632
Total Current Liabilities	6,861,578	$ 586,967	$ 1,120,522
Total Liabilities	$ 10,105,103	$ 4,373,036	$ 5,127,032
Total Stockholders' equity	$ 9,932,949	$ 5,128,922	$ 6,016,600

The following should be read in conjunction with "Selected Financial Data" and the Company's Audited Financial Statements and Notes thereto included herein.

Overview

The CBI Group provides sophisticated research and development support services to the global biotechnology and pharmaceutical markets. Since 2004, CBI has pursued a strategy of acquiring or merging with complementary companies that extend its technological capabilities and that have strong growth potential. This strategy has significant cost and strategic benefits through economies of scale, access to new markets and the potential to win a broader range of business from existing customers. CBI now operates 4 complimentary business units: (1) CBI Services, a discovery phase contract research organization, (2) FIL, a DNA reference business, (3) Mimotopes, a peptide and discovery chemistry business, and (4) Exelgen, a medicinal and synthetic discovery chemistry business.

Revenues from all four business units are derived principally from providing drug discovery and analytical services to the biotechnology and pharmaceutical industries, government and academic institutions. The market for drug discovery outsourcing was estimated to be US$4.1 billion in 2005 and expected to grow at 20% to reach US$7.2 billion in 2009 (Kalorama, 2006). CBI is well positioned to compete in this growing market with an experienced and business-focused management team and over 100 highly trained staff located in three world-class laboratories in Richmond (VA), Melbourne (Australia) and Bude (UK) and additionally sales offices located in the USA, UK, and Asia-Pacific region. All scientific and marketing staff are trained chemists, biochemists or biologists, many of whom have published papers in peer-reviewed journals. The time difference between sites means that CBI now operates 24 hours, 6 days a week across its three primary research sites. Strong links to preferred suppliers in Asia also means that the customers can access the best mix of fast, secure, high quality, and innovative research services at globally competitive prices.

Each business unit has its own distinct capabilities and market focus, although significant overlap exists between the customer bases.

CBI Services, Exelgen and Mimotopes all cater for the outsourcing requirements of pharmaceutical and biotechnology companies for reagents (such as small molecules, peptides and antibodies) as well as drug research and development. Many large biotechnology companies have synthesis capabilities in-house but choose to outsource much of their custom synthesis work to providers such as Mimotopes and Exelgen. Likewise, pharmaceutical companies, with significant in-house regulatory capabilities but no technical capabilities, outsource components of their development program to contract research organizations such as CBI Services.

CBI businesses have a strong reputation for world-leading expertise in drug development and discovery and an innovative and collaborative culture. Across the Group, CBI companies have technical capabilities and proprietary technology platforms that differentiate them from other providers. For example Mimotopes' patented SynPhase Technology provides it with a competitive advantage to rapidly, efficiently and cost-effectively produce large libraries of research grade peptides. Exelgen's proprietary computational design and therapeutic medicinal chemistry tools and expertise are able to significantly reduce their client's drug discovery timelines. FIL provides DNA identity information at accuracies ten times greater than the average DNA testing laboratory and is accredited by all major US authorities. CBI Services' state-of-the-art laboratories, bio-defense facility, government security clearance and accreditations provide the company with access to contracts not appropriate for most contract research organizations.

The experience of CBI's staff coupled with its patented technology platforms and advanced laboratory facilities position the Company well for partnering with research institutions and discovery companies in drug development. CBI companies have developed strategic alliances with key life science companies including Invitrogen, Genzyme, Thermo Fisher, GSK, Elan, Abbott and Schering Plough. Mimotopes' partnership with Genzyme Pharmaceuticals (cGMP peptides) has created a brand that provides a total suite of peptide products and act as an integrated 'one-stop-shop' for peptide customers. CBI is looking to adopt a similar partnering model with small molecule and biological cGMP manufacturers.

All CBI companies have an excellent customer service reputation. Sales and business development staff employ their technical know-how by way of a consultative/collaborative selling strategy and routinely assist clients with the design of their projects and synthesis of their products. In 2007, CBI companies boasted seven out of the top ten global Pharmaceutical companies as clients. The reorganization of the CBI Group's global Sales and Marketing team in 2007 created an integrated service offering that provides cross selling opportunities across the CBI business units for clients based anywhere in the world.

Results of Operations

Year Ended December 31, 2007 Compared with Year Ended December 31, 2006.

Revenues

During the course of the year, the Company had experienced fluctuations in all revenue categories. Continuation of existing projects or engagement for future projects is usually dependent upon the customer's satisfaction with the scientific results provided in initial phases of the scientific program. Continuation of existing projects or engagement of future projects also often depends upon factors beyond the Company's control, such as the timing of product development and commercialization programs of the Company's customers. The combined impact of commencement and termination of research contracts from several large customers and unpredictable fluctuations in revenue for laboratory services can result in very large fluctuations in financial performance.

Total revenues increased by $5,889,711 or 90.2% from $6,532,482 during 2006 to $12,422,193 during 2007. Total revenues associated with the acquired companies (Mimotopes and Exelgen) represented $6,941,858 of this increase. Due to a decrease in government contracts, revenues from CBI Services and FIL decreased by $1,052,148 or 16.1% from $6,532,482 during 2006 to $5,480,334 in 2007.

Revenues realized from commercial contracts increased by $6,270,761 or 467.6%, from $1,340,996 during 2006 to $7,611,757 during 2007. Revenues for CBI Services amounted to $2,121,034 in 2007 as compared to $1,340,996 in 2006, an increase of $780,038 or 58.2%. Revenues for Mimotopes and Exelgen amounted to $3,253,818 and $2,236,905, respectively: comprising $5,490,723 of the increase in commercial contract revenue.

Revenues realized from various government contracts decreased by $1,513,350 or 49.9%, from $3,031,713 during 2006 to $1,518,363 during 2007. This decrease was primarily due to budget revisions of existing proposals which have pushed back the start dates of new contract work and to re-allocation of existing budget funds away from bio-defense into other areas. Expected start dates for three of the contracts are expected to begin in early April 2008.

Genetic identity decreased by $132,140 or 8.6%, from $1,542,129 during 2006 to $1,409,989 during 2007. This decrease is a result in the delay in one of the contracts that was expected to begin during the third quarter in 2007 and did not begin until the first quarter of 2008.

Product sales in 2007 amounted to $851,247. All product sales were from Exelgen. Sales from this category were from existing inventories are hand. There were no sales in 2006 for the Company.

Clinical testing decreased by $180,514 or 31.1%, from $580,279 during 2006 to $399,765 during 2007. The decrease was a result of one of the Company's clients down sizing of forensic contract work and the elimination of a one time non-renewable project.

Cost of Services

Cost of services consists primarily of materials, labor and overhead. The cost of services increased by $5,186,434 or 95.4%, from $5,438,706 during 2006 to $10,625,140 during 2007. The cost of services as a percentage of revenue was 85.5% and 83.3% during 2007 and 2006, respectively. CBI Services and Fairfax Identity Labs cost of services amounted to $4,565,680 in 2007 compared to $5,438,706 in 2006. In 2007, Mimotopes and Exelgen costs of services were $2,882,584 and $3,176,876, respectively.

Total direct labor increased by $1,515,084, or 86.3% from $1,754,664 during 2006 to $3,269,748 during 2007. CBI Services and Fairfax Identity Labs direct labor amounted to $1,367,254 during 2007 as compared to $1,754,664 during the 2006 Period. This decrease in CBI Services and Fairfax Identity Labs is primarily due to lower contract revenue in 2007 in some of the government projects. In 2007 Mimotopes and Exelgen direct labor was $844,101 and $1,058,393, respectively resulting in $1,902,494 in additional cost of direct labor.

Total costs for direct materials increased by $1,249,351, or 111.1%, from $1,124,846 during 2006, to $2,374,197 during 2007. CBI Services and Fairfax Identity Labs direct materials amounted to $974,175 during the 2007 Period as compared to $1,124,846 during the 2006 Period. This decrease in CBI Services and Fairfax Identity Labs is primarily due to lower contract revenue in 2007 in some of the government projects. In 2007, Mimotopes and Exelgen direct materials were $1,035,663 and $364,359, respectively.

Overhead cost consists of indirect labor, depreciation, freight charges, repairs and miscellaneous supplies not directly related to a particular project. Total overhead costs increased by $2,421,999 or 94.6%, from $2,559,196 during 2006 to $4,981,195 during 2007. CBI Services and Fairfax Identity Labs overhead amounted to $2,224,251 during 2007 as compared to $2,559,196 during the 2006 Period. This decrease is primarily due to the costs associated with the acquisition of Fairfax Identity Labs being fully amortized. In 2007 Mimotopes and Exelgen overhead costs was $1,002,821 and $1,754,124, respectively.

Sales, General and Administrative

Sales, general and administrative expenses (“SGA”) consist primarily of compensation and related costs for administrative, marketing and sales personnel, facility expenditures, professional fees, consulting, taxes, and depreciation. Total SGA costs increased by $2,558,460 or 124.6%, from $2,053,176 during 2006 to $4,611,636 during 2007. As a percentage of revenue, these costs were 37.3% and 31.4% during 2007 and 2006, respectively.

Total compensation and benefits increased by $1,476,477 or 261.2% from $564,096 during 2006 to $2,040,873 during 2007. This increase is primarily attributable to the acquisition of Mimotopes and Exelgen and the addition of their support staff. This increase is also attributable to the accrual for the restricted stock compensation package for senior management, as well as accrual for the issuance of incentive stock options that are now expensed by the Company. Stock option expenses increased by $92,563 or 147% from $62,796 in 2006 to $155,359 in 2007. Facility expenses increased by $119,738 or 162.8% from $73,542 during 2006 to $193,280 during 2007. Additional costs in utilities, telephones and internet services contributed to this increase. Professional fees increased by $448,919 or 161.7% from $277,706 during 2006 to $726,625 during 2007. This increase is primarily due to compliance costs associated with the Sarbanes-Oxley Act which is effective for the year ended December 31, 2007 and consulting costs related to the current year acquisitions.

Sales and Marketing costs increased by $540,603 or 71.9% from $752,187 during 2006 to $1,292,790 during the 2007 Period. In 2007, with the acquisition of Mimotopes and Exelgen, the Company organized a sales department consisting of employees from all operations. In 2006, the Company did not have a sales unit.

Other Income (Expenses)

Other income during 2007 compared to 2006 decreased by $4,990 or 4.8% from $104,624 during 2006 to $99,634 during 2007. Interest expense increased by $436,116 or 146.4% from $297,873 during 2006 to $733,989 during 2007. The 2007 Period amount includes interest expense paid by Exelgen in the amount of $320,727. Interest expense for CBI Services and Fairfax Identity Labs amounted to $314,791 during the 2007 Period and $297,873 during the 2006 Period.

Extraordinary Gain from the Purchase of Exelgen

The purchase price for the acquisition of Exelgen was $1,474,581. The Company acquired assets of approximately $8,249,000 and assumed liabilities of approximately $5,991,000 resulting in negative goodwill of $782,833. This amount is recorded as an extraordinary gain on the Consolidated Statement of Operations.

Liquidity and Capital Resources

Recent operating losses may continue into future periods and there can be no assurance by management that the Company's financial outlook will improve. For the years ended December 31, 2007, and 2006, operating losses were $2,758,101 and $1,152,649, respectively. The Company generated negative cash flows from operations in 2007 of $867,728, however in 2006 generated positive cash flows from operations of $77,074. Net working capital as of December 31, 2007 and 2006 was $1,378,707 and $2,210,894, respectively.

If operational results do not improve in 2008, the Company has the opportunity of obtaining additional funding from Venturepharm Laboratories Limited, (see footnote 14). The Company has the option to obtain a $1 million put from CBI to VPL. In addition, the Company has a $3 million call option from VPL to CBI.

As of December 31, 2007, the Company had $2,533,910 in cash and cash equivalents, this resulted in a 81.8% increase over the cash balance at December 31, 2006. This increase was the result of completing the convertible debt transaction between the Company and LH Financial. Of the total cash balance at December 31, 2007, approximately $1,725,000 represented proceeds from the LH Financial.

Accounts receivables in December 2007 were approximately $2,895,000. The Company anticipates collection of these funds during the first quarter in 2008. The increase in receivables was primarily a result of higher sales in the fourth quarter of 2007.

Overall

Cash used by operating activities in 2007 was $867,728 as compared to cash provided by operations of $77,074 during 2006. The net decrease was primarily the result of the operating loss sustained during the period offset by increased accounts payable and other current liabilities of $2,631,627. With the acquisition of Exelgen in June 2007, the Company experienced a delay in contract revenues and incurred additional operational expenses contributing to the loss in 2007. Depreciation and amortization of $893,050, a decrease in prepaid expenses and inventory of $900,846 also offset the decrease. The extraordinary gain from the purchase of Exelgen in the amount of $782,833 and an increase in accounts receivable of $200,764 contributed to the increase in cash used by operating activities. Cash provided by investing activities in 2007 was $2,211,069, as compared to cash used in investing activities of $493,938 during 2006. This increase was primarily related to the net cash received in the acquisition of Exelgen in 2007. Net cash used in financing activities in 2007 amounted to $508,849 as compared to $489,895 during 2006. The cash received from LH Financial convertible debt was offset by debt repayments and an increase in restricted cash resulting in the financing use of cash for 2007. Cash used for financing activities in 2006 primarily consisted of debt payments.

Convertible Debt

On December 31, 2007 the Company issued $1,950,000 of convertible debt in a subscription agreement between the Company and LH Financial. The debt carries an interest rate of 10% annually and matures in June 2009. The Company plans to convert the quarterly interest payments into shares of common stock at a conversion price of $2.00 per shares. In conjunction with the debt, the Company also issued Class A warrants to purchase 975,000 shares of common stock at an exercise price of $2.85 per share and expire in May 2013. The fair value of the Class A warrants is $1.79 per share. The fair value of the Class A warrants is calculated using the Black-Scholes method. Assumptions for Class A options include the stock asset price at $2.55 and a stock option price of $2.85 with a maturity date of 5 years and risk free interest rate of 3.4%. The Company also issued Class B warrants to purchase 243,000 shares of common stock at an exercise price of $5.00 per share. The fair value of the Class B warrants is $.36 per share. The fair value of the Class B warrants is calculated using the Black-Scholes method. The debt carries a beneficial conversion feature and as a result a debt discount of approximately $1,950,000 was recorded and offset in additional paid in capital. This discount will be amortized as interest expense over the life of the debt.

Capital Leases

The Company leases equipment under non-cancelable capitalized leases. Total lease payments for the year ended December 31, 2007 amounted to $2,560,563. Future minimum lease payments in 2008 are approximately $2,101,899. All leases are collateralized by equipment and mature within the next eighteen months.

As mentioned above, the Company has the ability to obtain additional funding from Venturepharm Laboratories Limited, (see footnote 14), that would provide the Company up to a $1 million within sixty days of signing and a $3 million call option. With this additional financing, the Company will have the ability to meet all future lease payments in 2008.

Additional Capital Resources

In the event the Company does not opt for additional funding, management will continue to take necessary steps to improve the cash flow and liquidity of the Company. In December 2007, the Company reduced personnel levels, curtailed research and development costs, reduced marketing expenditures, deferred directors' fees and a portion of employees' salaries. The company has also reduced or delayed expenditures on items that are not critical to operations.

The Company's business has undergone substantial change over the last twelve months in relation to size, scale and scope of activities. During this time, the Company has developed significant capacity in peptide chemistry and medicinal chemistry through the acquisitions of Mimotopes and Exelgen. These strategic transactions compliment the core capabilities in genomics and proteomics at CBI Services and FIL. The Company is currently reviewing the consolidation of the activities of each operation. As such, the Company in December 2007 implemented a Profit Recovery Plan, which identifies clear and immediate objectives related to the following:

1. Strengthening of cash position to protect solvency through cost reduction efforts
2. Maximizing revenue contracts in pharmaceutical and governmental sectors
3. Monitoring monthly operations against budget projections

New Accounting Pronouncements

In July 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement 109," which provides guidance on the measurement, recognition, and disclosure of tax positions taken or expected to be taken in a tax return. The interpretation also provides guidance on de-recognition, classification, interest and penalties, and disclosure. FIN 48 prescribes that a tax position should only be recognized if it is more-likely-than-not that the position will be sustained upon examination by the appropriate taxing authority. A tax position that meets this threshold is measured as the largest amount of benefit that is more likely than not (greater than 50 percent) realized upon ultimate settlement. The cumulative effect of applying FIN 48 is to be reported as an adjustment to the beginning balance of retained earnings in the period of adoption. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of this standard did not have an impact on the Company's financial condition or results of operations.

In September 2006, the FASB issued SFAS No. 157,*Fair Value Measurements.* This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 applies to other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. The Statement does not require any new fair value measurements and was initially effective for the Company beginning January 1, 2008. In February 2008, the FASB approved the issuance of FASB Staff Position (FSP) FAS 157-2. FSP FAS 157-2 defers the effective date of SFAS No. 157 until January 1, 2009 for nonfinancial assets and nonfinancial liabilities except those items recognized or disclosed at fair value on an annual or more frequently recurring basis. Management has not completed its review of the new guidance; however, the effect of the Statement's implementation is not expected to be material to the Company's results of operations or financial position.

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141(R),*Business Combinations*, to further enhance the accounting and financial reporting related to business combinations. SFAS No. 141(R) establishes principles and requirements for how the acquirer in a business combination (1) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non controlling interest in the acquiree, (2) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (3) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Therefore, the effects of the Company's adoption of SFAS No. 141(R) will depend upon the extent and magnitude of acquisitions after December 31, 2008.

In December 2007, the FASB issued SFAS No. 160,*Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51*, to create accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 establishes accounting and reporting standards that require (1) the ownership interest in subsidiaries held by parties other than the parent to be clearly identified and presented in the consolidated balance sheet within equity, but separate from the parent's equity, (2) the amount of consolidated net income attributable to the parent and the noncontrolling interest to be clearly identified and presented on the face of the consolidated statement of income, (3) changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary to be accounted for consistently, (4) when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary to be initially measured at fair value, and (5) entities to provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 applies to fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008, and prohibits early adoption. Management has not completed its review of the new guidance; however, the effect of the Statement's implementation is not expected to be material to the Company's results of operations or financial position.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities.* This Statement permits entities to choose to measure eligible items at fair value at specified election dates. For items for which the fair value option has been elected, unrealized gains and losses are to be reported in earnings at each subsequent reporting date. The fair value option is irrevocable unless a new election date occurs, may be applied instrument by instrument, with a few exceptions, and applies only to entire instruments and not to portions of instruments. SFAS No. 159 provides an opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting. SFAS No. 159 is effective for the Company beginning January 1, 2008. Management has not completed its review of the new guidance; however, the effect of the Statement's implementation is not expected to be material to the Company's results of operations or financial position.

In March 19, 2008, the FASB issued FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities - an Amendment of FASB Statement 133.* Statement 161 enhances required disclosures regarding derivatives and hedging activities, including enhanced disclosures regarding how: (*a*) an entity uses derivative instruments; (*b*) derivative instruments and related hedged items are accounted for under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities;* and (*c*) derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Specifically, Statement 161 requires:

- Disclosure of the objectives for using derivative instruments is disclosed in terms of underlying risk and accounting designation;
- Disclosure of the fair values of derivative instruments and their gains and losses in a tabular format;
- Disclosure of information about credit-risk-related contingent features; and
- Cross-reference from the derivative footnote to other footnotes in which derivative-related information is disclosed.

Critical Accounting Policies

A summary of the Company's critical accounting policies follows:

Estimates: The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of asset and liabilities and disclosure of contingent asset and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Revenue Recognition: The Company recognizes revenue upon the completion of laboratory service projects, or upon the delivery and acceptance of biologically relevant materials that have been synthesized in accordance with project terms. Laboratory service projects are generally administered under fee for service contracts. Any revenues from research and development arrangements, including corporate contracts and research grants, are recognized pursuant to the terms of the related agreements as work is performed, or scientific milestones, if any are achieved. Amounts received in advance of the performance of services or acceptance of a milestone, are recorded as deferred revenue.

Accounts receivable: Accounts receivable are carried at original invoice amount less an estimate for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as revenue when received.

CBI has met the SEC and NASDAQ Corporate Governance Rules.

As a consequence of the Sarbanes-Oxley Act, the NASDAQ imposed certain changes in the rules of corporate governance which are aimed at strengthening its listing standards. The Securities and Exchange Commission (SEC) approved the rules imposed by NASDAQ which include:

- Independent Directors. CBI's Board is composed of four independent and three employee directors.
- The Independent Directors serve on the three principal committees: Audit, Compensation and Nominations.
- The Independent Directors meet in executive session at each quarterly Board meeting.
- At least one independent director, Mr. Samuel P. Sears, who serves on the Audit Committee, meets all of the requirements as defined by the SEC for being a "financial expert."
- The Audit Committee reviews and approves all related-party transactions. CBI has adopted a formal Corporate Code of Conduct. Copies are available on request from Dr. Richard Freer Chief Operating Officer and on the Company's website at www.cbi-biotech.com.

Forward Looking Statements

Management has included herein certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. When used, statements that are not historical in nature, including the words "anticipated", "estimate", "should", "expect", "believe", "intend", and similar expressions are intended to identify forward-looking statements. Such statements are, by their nature, subject to certain risks and uncertainties.

Among the factors that could cause the actual results to differ materially from those projected are the following:

- business conditions and the general economy,
- the development and implementation of the Company's long-term business goals,
- federal, state, and local regulatory environment,

- lack of demand for the Company's services,
- the ability of the Company's customers to perform services similar to those offered by the Company "in-house,"
- potential cost containment by the Company's customers resulting in fewer research and development projects,
- the Company's ability to receive accreditation to provide various services, including, but not limited to paternity testing, and
- the Company's ability to hire and retain highly skilled employees,

Other risks, uncertainties, and factors that could cause actual results to differ materially from those projected are detailed from time to time in reports filed by the company with the Securities and Exchange Commission, including Forms 8-K, 10-QSB, and 10-KSB.

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Richmond, VA 23236
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Fax (804) 330-7753

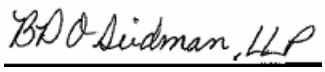
Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders'
Commonwealth Biotechnologies
Richmond, Virginia

We have audited the accompanying balance sheets of Commonwealth Biotechnologies, Inc. as of December 31, 2007 and 2006 and the related statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Commonwealth Biotechnologies, Inc. at December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended**,** in conformity with accounting principles generally accepted in the United States of America.



BDO Seidman, LLP

Richmond, Virginia
April 8, 2008

Commonwealth Biotechnologies, Inc.

Consolidated Balance Sheets

	December 31, 2007	December 31, 2006
Assets		
Current assets		
Cash and cash equivalents (Note 6)	$ 2,533,910	$ 1,404,370
Accounts receivable, net of allowance for doubtful accounts of approximately $ 176,000 and $55,000	2,894,513	962,049
Inventory (Note 2)	2,164,464	44,343
Prepaid expenses and other assets	647,398	387,099
Total current assets	8,240,285	2,797,861
Property and equipment, net (Note 1 and 3)	7,516,715	5,612,145
Other assets		
Restricted Cash (Note 6)	735,143	500,000
Deferred financing fees	297,678	65,285
Intangible assets, net	—	36,667
Deposits	4,500	—
Goodwill (Note 9)	3,243,731	490,000
Total other assets	4,281,052	1,091,952
	$ 20,038,052	$ 9,501,958

See accompanying summary of accounting policies and notes to financial statements.

Commonwealth Biotechnologies, Inc.

Consolidated Balance Sheets
(continued)

	December 31, 2007	December 31, 2006
Liabilities and Stockholders' Equity		
Current liabilities		
Current maturities of long-term debt (Note 3)	$ 2,656,571	$ 228,545
Accounts payable	2,137,053	307,884
Other current liabilities	1,192,160	—
Accrued payroll liabilities	337,314	18,922
Interest payable	18,858	16,689
Deferred revenue	519,622	14,927
Total current liabilities	6,861,578	586,967
Long-term debt, less current maturities (Note 3)	3,243,525	3,786,069
Total liabilities	10,105,103	4,373,036
Commitments and contingencies (Notes 3 and 4)		
Stockholders' equity		
Preferred stock, no par value 1,000,000 shares authorized – none issued and outstanding (Note 11)	—	—
Common stock, no par value, 100,000,000 shares authorized, 2007 – 5,520,545; 2006 – 3,322,769, shares issued and outstanding (Note 11)	—	—
Additional paid-in capital	$ 22,595,023	$ 15,823,614
Restricted stock	(200,667)	(301,000)
Other comprehensive income (loss)	682,282	(8,104)
Accumulated deficit	(13,143,689)	(10,385,588)
Total stockholders' equity	9,932,949	5,128,922
	$ 20,038,052	$ 9,501,958

See accompanying summary of accounting policies and notes to financial statements.

Commonwealth Biotechnologies, Inc.

Consolidated Statements of Operations

	Years Ended December 31,	
	2007	2006
Revenues		
Commercial contracts	$ 7,611,757	$ 1,340,996
Government contracts	1,518,363	3,031,713
Genetic identity	1,409,989	1,542,129
Product sales	851,247	—
Clinical services	399,765	580,279
Other revenue	631,072	37,365
Total revenues	12,422,193	6,532,482
Cost of services		
Overhead	4,981,195	2,559,196
Direct labor	3,269,748	1,754,664
Direct materials	2,374,197	1,124,846
Total cost of services	10,625,140	5,438,706
Gross profit	1,797,053	1,093,776
Selling, general and administrative	4,611,636	2,053,176
Operating loss	(2,814,583)	(959,400)
Other income (expense)		
Exchange gains (losses)	(91,996)	—
Interest expense	(733,989)	(297,873)
Other income	99,634	104,624
Total other (expense)	(726,351)	(193,249)
Loss before extraordinary gain	(3,540,934)	(1,152,649)
Extraordinary gain (Note 10)	782,833	—
Net loss	$ (2,758,101)	$ (1,152,649)
Basic and diluted loss per common share before extraordinary gain	$ (0.69)	$ (0.35)
Basic and diluted loss per common share after extraordinary gain	$ (0.54)	$ (0.35)

See accompanying summary of accounting policies and notes to financial statements.

Commonwealth Biotechnologies, Inc.

Consolidated Statements of Stockholders' Equity

	Number Of Common Shares Outstanding	Additional Paid-in Capital	Restricted Stock	Other Comprehensive (income)/loss	Accumulated Deficit	Total
Balance, January 1, 2006	3,253,556	$15,489,370	$(191,556)	$ (48,275)	$ (9,232,939)	$ 6,016,600
Stock options exercised	16,585	22,834	—	—	—	22,834
Restricted stock	52,628	248,614	(109,444)	—	—	139,170
Stock option expense	—	62,796	—	—	—	62,796
Net loss	—	—	—	—	(1,152,649)	(1,152,649)
Change in unrealized gain (loss) on interest rate swap	—	—	—	40,171	—	40,171
Total comprehensive loss	—	—	—	—	—	(1,112,478)
Balance, December 31, 2006	3,322,769	15,823,614	(301,000)	(8,104)	(10,385,588)	5,128,922
Issuance of common stock in Mimotopes	2,150,000	4,622,550	—	—	—	4,622,550
Issuance of common stock	4,998	23,892	—	—	—	23,892
Stock options exercised	42,778	43,549	—	—	—	43,549
Relative fair value of warrants and beneficial conversion impact on convertible securities	—	1,950,000	—	—	—	1,950,000
Restricted stock	—	—	100,333	—	—	100,333
Stock option expense	—	131,418	—	—	—	131,418
Net loss	—	—	—	—	(2,758,101)	(2,758,101)
Change in unrealized gain (loss) on interest rate swap	—	—	—	8,104	—	8,104
Foreign currency gain	—	—	—	682,282	—	682,282
Total comprehensive loss	—	—	—	—	—	(2,067,715)
Balance, December 31, 2007	5,520,545	$22,595,023	$(200,667)	$ 682,282	$(13,143,689)	$ 9,932,949

See accompanying summary of accounting policies and notes to financial statements.

Commonwealth Biotechnologies, Inc.

Consolidated Statements of Cash Flows

	Year Ended December 31, 2007	2006
Operating activities		
Net loss	**$ (2,758,101)**	$ (1,152,649)
Adjustments to reconcile net loss to cash provided by (used in) operating activities		
Depreciation and amortization	**893,050**	899,891
Extraordinary gain	**(782,833)**	—
Stock based compensation	**155,359**	101,634
Changes in assets and liabilities		
Accounts receivable	**(203,783)**	380,243
Prepaid expenses and inventory	**(900,846)**	(51,281)
Accounts payable and accrued expenses	**2,631,627**	(57,788)
Deposits	**(4,500)**	—
Deferred revenue	**102,299**	(42,976)
Cash provided by (used in) operating activities	**(867,728)**	77,074
Investing activities		
Purchase of Mimotopes	**(451,044)**	(257,235)
Purchase of Exelgen	**2,809,679**	—
Purchases of property and equipment	**(147,566)**	(236,703)
Cash provided by (used in) investing activities	**2,211,069**	(493,938)
Financing activities		
Principal payments of debt obligations, FIL	**—**	(300,000)
Principal payments on debt obligations, including capital lease obligations	**(1,892,296)**	(212,729)
Increase in deferred financing fees	**(254,783)**	—
Increase in restricted cash	**(355,319)**	—
Proceeds from exercise of stock options	**43,549**	22,834
Proceeds from issuance of convertible debt	**1,950,000**	—
Cash used in financing activities	**(508,849)**	(489,895)
Effect of exchange rates on cash	**295,048**	—
Net increase (decrease) in cash and cash equivalents	**1,129,540**	(906,759)
Cash and cash equivalents, beginning of year	**1,404,370**	2,311,129
Cash and cash equivalents, end of year	**$ 2,533,910**	$ 1,404,370
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	**$ 726,350**	$ 297,873
Non cash investing and financing activities: purchase of equipment through a capitalized lease	**$ 26,535**	—
Fair value of stock issued in Mimotopes acquisition	**$ 4,622,000**	—

See accompanying summary of accounting policies and notes to financial statements.

Summary of Significant Accounting Policies

Nature of Business

Commonwealth Biotechnologies, Inc., (the "Company" or "CBI"), was formed on September 30, 1992, for the purpose of providing specialized analytical laboratory services for the life scientist. The Company matured, it re-focused its core business activities and now provides integrated contract research support in four principal areas; bio-defense; laboratory support services for on-going clinical trials; comprehensive contract projects in the private sector; and through it Fairfax Identity Labs (FIL) division, for paternity testing, forensic case-work analysis and Convicted Offender Data Base Index System CODIS work. During 2007, the Company acquired Mimotopes Pty, Ltd. which has developed a number of proprietary and patented technologies and is an industry leader in the synthesis of research grade peptides. Exelgen, formally known as Tripos Discovery Research Ltd was acquired June 2007 and is a leading drug discovery services business that provides pharmaceutical and biotechnology companies with novel approaches to drug discovery.

Consolidation Policy

The consolidated financial statements include the accounts of Commonwealth Biotechnologies, Inc. and its wholly owned subsidiaries' Mimotopes Pty, Ltd, Australia and Exelgen, England. All inter-company accounts and transactions have been eliminated in consolidation.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes revenue upon the completion of laboratory service projects, or upon the delivery of biologically relevant materials that have been synthesized in accordance with project terms. Laboratory service projects are generally administered under fee-for-service contracts or purchase orders. Any revenues from research and development arrangements, including corporate contracts and research grants, are recognized pursuant to the terms of the related agreements as work is performed, or as scientific milestones, if any, are achieved. Product sales are recognized when shipped. Amounts received in advance of the performance of services or acceptance of a milestone, are recorded as deferred revenue and recognized when completed.

Foreign Currency Translation

The Company's consolidated financial statements are reported in U.S. dollars. Assets and liabilities of foreign subsidiaries are translated using rates of exchange as of the balance sheet date, and related revenues and expenses are translated at average rates of exchange in effect during the period. Cumulative translation adjustments have been recorded as a separate component within other comprehensive income (loss) of stockholders' equity. Realized gains and losses from foreign currency translations are included in other income (expense).

Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable through the estimated undiscounted future cash flows from the use of those assets. When any such impairment exists, the related assets will be written down to fair value. No impairment losses have been recorded through December 31, 2007.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. At times, the Company maintains cash balances in excess of FDIC insured amounts. The excess over the FDIC amount was approximately $2,450,000 and $1,800,000 at December 31, 2007 and 2006, respectively.

Accounts Receivable

The majority of our accounts receivable are due from trade customers. Credit is extended based on evaluation of our customers' financial condition and collateral is not required. Accounts receivable payment terms vary and are stated in the financial statements at amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding longer than the payment terms are considered past due. We determine our allowance by considering a number of factors, including the length of time trade accounts receivable are past due, our previous loss history, customers' current ability to pay their obligations to us, and the condition of the general economy and the industry as a whole. We write off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Inventory

Inventories consists of raw materials, work-in-process and finished goods and are stated at the lower of FIFO cost (first-in, first-out method) or market. The Company reviews its recorded inventory periodically and estimates on allowance for obsolete, excess, or slow moving items as necessary.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed principally by the straight-line method over their estimated useful lives providing depreciation and amortization for financial reporting purposes. The cost of repairs and maintenance is expensed as incurred. The estimated useful lives of the assets are as follows:

	Years
Buildings	39.5
Laboratory and computer equipment	3 - 10
Furniture and fixtures and office equipment	7

Assets under capital lease obligations are recorded at the lesser of the present value of the minimum lease payments or the fair market value of the leased asset, at inception of the lease.

Intangible Assets

Intangible assets consist of a covenant not to compete, commercial contracts, listing of draw sites, listing of providers to assist in paternity testing and other related intangibles acquired in the purchase of Fairfax Identity Labs which are being amortized over 2 to 3 years. Amounts are fully amortized at December 31, 2007.

Deferred Financing Fees

Loan costs are being amortized on a straight-line basis, which approximates the interest method, over the expected term of the related obligations.

Goodwill

Goodwill, which represents the excess of purchase price over fair value of net assets acquired, is evaluated at least annually for impairment by comparing its fair value with its recorded amount and is written down when appropriate. Projected net operating cash flows are compared to the carrying amount of the goodwill recorded and if the estimated net operating cash flows are less than the carrying amount, a loss is recognized to reduce the carrying amount to fair value. Goodwill as of December 31, 2007 and December 31, 2006 is a result of the acquisition by the Company of Mimotopes during 2007 and Fairfax Identity Labs during 2004. There was no impairment of goodwill at December 31, 2007 or December 31, 2006.

Income Taxes

Deferred taxes are provided on the asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Income (Loss) Per Common Share

Basic income (loss) per share has been computed on the basis of the weighted-average number of common shares outstanding. Common shares which can be issued upon exercise of stock options and warrants have not been included in the computation for the years December 31, 2007 and 2006 because their inclusion would have been anti-dilutive. Weighted average shares outstanding for basic and diluted loss per common share were 5,135,951 and 3,281,360 for the years ended December 31, 2007 and 2006, respectively.

Employee Stock Plans

The Company adopted a Stock Incentive Plan on June 24, 1997. The Plan provides for granting to employees, officers, directors, consultants and certain other non-employees of the Company options to purchase shares of common stock. A maximum of 410,000 shares of common stock may be issued pursuant to the Plan. Of the maximum number of shares to be issued under the Plan, 270,000 have been reserved for incentive awards to be granted to the founders of the Company, and 140,000 are reserved for incentive awards to be granted to others.

A 2000 Stock Incentive Plan was adopted by the Board of Directors and approved by the shareholders. The Plan makes up to 300,000 shares of common stock available for grants of restricted stock awards and stock options in the form of incentive stock options and non-qualified options to employees, directors and consultants of the Company.

A 2002 Stock Incentive Plan was adopted by the Board of Directors and approved by the shareholders. The Plan makes up to 600,000 shares of common stock available for grants of restricted stock awards and stock options in the form of incentive stock options and non-qualified options to employees, directors and consultants of the Company.

A 2007 Stock Incentive Plan was adopted by the Board of Directors and approved by the shareholders. The Plan makes up to 1,000,000 shares of common stock available for grants of restricted stock awards and stock options in the form of incentive stock options and non-qualified options to employees, directors and consultants of the Company.

Incentive awards may be in the form of stock options, restricted stock, incentive stock or tax offset rights. In the case of incentive stock options (within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended), the exercise price will not be less than 100% of the fair market value of shares covered at the time of the grant, or 110% for incentive stock options granted to persons who own more than 10% of the Company's voting stock. Options granted under the Plans generally vest over a five-year period from the date of grant and are exercisable for ten years, except that the term may not exceed five years for incentive stock options granted to persons who own more than 10% of the Company's outstanding common stock.

Stock Based Compensation Plans

Beginning January 1, 2006, the Company adopted SFAS 123R, which recognizes share-based compensation expense for stock option grants. Prior to 2006, the Company applied Accounting Principles Bulletin (APB) Opinion 25, Accounting for Stock Issued to Employees, and related Interpretations to account for employee stock compensation plans, and accordingly did not recognize compensation expense for stock options granted when the option price is greater than or equal to the underlying stock price at the date of grant.

Fair Value of Financial Instruments

The Company has determined, based on available market information and appropriate valuation methodologies, that the fair value of its financial instruments approximates carrying value. The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to the short-term maturity of the instruments. The carrying amount of debt approximates fair value because of the short term maturities or the interest rates under the credit agreements are predominantly variable, based on current market conditions.

Derivative Instruments and Hedging Activities

The Company uses interest rate swap agreements to manage variable interest rate exposure on the majority of its long-term debt. The Company's objective for holding these derivatives is to decrease the volatility of future cash flows associated with interest payments on its variable rate debt. The Company does not issue derivative instruments for trading purposes. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in "other comprehensive income or loss" on the consolidated balance sheets and subsequently reclassified to interest expense when the hedged exposure affects income (i.e. as interest expense accrues on the related outstanding debt). Differences between the amounts paid and amounts received under the swap agreements are recognized in interest expense.

Changes in the ineffective portion of the fair value of the derivative are accounted for through interest expense. The notional principal value of the Company's swap agreement outstanding as of December 31, 2007 is equal to the outstanding principal balance of the corresponding debt instrument.

New Accounting Pronouncements

In July 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement 109," which provides guidance on the measurement, recognition, and disclosure of tax positions taken or expected to be taken in a tax return. The interpretation also provides guidance on de-recognition, classification, interest and penalties, and disclosure. FIN 48 prescribes that a tax position should only be recognized if it is more-likely-than-not that the position will be sustained upon examination by the appropriate taxing authority. A tax position that meets this threshold is measured as the largest amount of benefit that is more likely than not (greater than 50 percent) realized upon ultimate settlement. The cumulative effect of applying FIN 48 is to be reported as an adjustment to the beginning balance of retained earnings in the period of adoption. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of this standard did not have an impact on the Company's financial condition or results of operations.

In September 2006, the FASB issued SFAS No. 157,*Fair Value Measurements.* This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 applies to other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. The Statement does not require any new fair value measurements and was initially effective for the Company beginning January 1, 2008. In February 2008, the FASB approved the issuance of FASB Staff Position (FSP) FAS 157-2. FSP FAS 157-2 defers the effective date of SFAS No. 157 until January 1, 2009

for nonfinancial assets and nonfinancial liabilities except those items recognized or disclosed at fair value on an annual or more frequently recurring basis. Management has not completed its review of the new guidance; however, the effect of the Statement's implementation is not expected to be material to the Company's results of operations or financial position.

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141(R),*Business Combinations*, to further enhance the accounting and financial reporting related to business combinations. SFAS No. 141(R) establishes principles and requirements for how the acquirer in a business combination (1) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non controlling interest in the acquire, (2) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (3) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Therefore, the effects of the Company's adoption of SFAS No. 141(R) will depend upon the extent and magnitude of acquisitions after December 31, 2008.

In December 2007, the FASB issued SFAS No. 160,*No controlling Interests in Consolidated Financial Statements – an amendment of ARB No. 51*, to create accounting and reporting standards for the no controlling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 establishes accounting and reporting standards that require (1) the ownership interest in subsidiaries held by parties other than the parent to be clearly identified and presented in the consolidated balance sheet within equity, but separate from the parent's equity, (2) the amount of consolidated net income attributable to the parent and the no controlling interest to be clearly identified and presented on the face of the consolidated statement of income, (3) changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary to be accounted for consistently, (4) when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary to be initially measured at fair value, and (5) entities to provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 applies to fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008, and prohibits early adoption. Management has not completed its review of the new guidance; however, the effect of the Statement's implementation is not expected to be material to the Company's results of operations or financial position.

In February 2007, the FASB issued SFAS No. 159,*The Fair Value Option for Financial Assets and Financial Liabilities.* This Statement permits entities to choose to measure eligible items at fair value at specified election dates. For items for which the fair value option has been elected, unrealized gains and losses are to be reported in earnings at each subsequent reporting date. The fair value option is irrevocable unless a new election date occurs, may be applied instrument by instrument, with a few exceptions, and applies only to entire instruments and not to portions of instruments. SFAS No. 159 provides an opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting. SFAS No. 159 is effective for the Company beginning January 1, 2008. Management has not completed its review of the new guidance; however, the effect of the Statement's implementation is not expected to be material to the Company's results of operations or financial position.

In March, 2008, the FASB issued FASB Statement No. 161,*Disclosures about Derivative Instruments and Hedging Activities-an Amendment of FASB Statement 133.* Statement 161 enhances required disclosures regarding derivatives and hedging activities, including enhanced disclosures regarding how: (*a*) an entity uses derivative instruments; (*b*) derivative instruments and related hedged items are accounted for under FASB Statement No. 133,*Accounting for Derivative Instruments and Hedging Activities;* and (*c*) derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Specifically, Statement 161 requires:

- Disclosure of the objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation;
- Disclosure of the fair values of derivative instruments and their gains and losses in a tabular format;
- Disclosure of information about credit-risk-related contingent features; and
- Cross-reference from the derivative footnote to other footnotes in which derivative-related information is disclosed.

Notes to Consolidated Financial Statements

1. Property and Equipment

Property and equipment consisted of the following:

	December 31, 2007	December 31, 2006
Land	**$ 404,269**	$ 403,919
Building	**6,722,042**	5,206,637
Laboratory equipment	**5,865,599**	5,136,424
Furniture, fixtures and office and computer equipment	**1,129,673**	663,123
	14,121,583	11,410,103
Less accumulated depreciation and amortization	**6,604,868**	5,797,958
	$ 7,516,715	$ 5,612,145

Depreciation expense was $828,676 and $595,289 for the years ended December 31, 2007 and 2006, respectively. The increase in property plant and equipment resulted primarily from the acquisitions of Mimotopes and Exelgen. One of our buildings is subject to a land lease. Lease payments associated with this land lease amounted to $96,732 in 2007.

2. Inventory

Inventory consisted of the following:

	December 31, 2007	December 31, 2006
Raw materials	**$ 1,794,320**	$ —
Work in process	**136,608**	—
Finished Goods	**233,536**	44,343
	$ 2,164,464	$ 44,343

3. Long-Term Debt

Long-term debt consists of:

	December 31, 2007	December 31, 2006
Mortgage payable to BB&T due in monthly installments of approximately $36,000 with an interest rate of 8.75% as of December 31, 2007. The loan will mature in November 2009 and is collateralized by the corporate offices and laboratory facilities located in Richmond, Virginia, as well as all assets of the Company. The Company also entered into a interest rate agreement essentially locking the interest rate paid by the Company to 7.975%.	**$ 3,634,362**	$ 3,740,890
In January 2005, the Company entered into a capitalized leasing agreement with Technology Leasing Concepts for two pieces of laboratory equipment. The monthly principal and interest payments are $11,378 with an interest rate of 7.5%. Both leases are for a forty-eight month period.	**147,686**	273,724
In February 2007, the Company entered into a thirty-six month capitalized leasing agreement with Technology Leasing Concepts for several pieces of computer equipment. The monthly principal and interest payments are $898.	**20,188**	—
Capitalized lease agreement with Bank of America which matures in April 2008. The lease is collateralized by laboratory equipment located in Bude, Cornwall England. The quarterly principal and interest payments are approximately $218,000 with an interest rate of 6.91%.	**419,611**	—
Capitalized lease agreement with Lombard North Central which matures in December 2008. The lease is collateralized by laboratory equipment located in Bude, Cornwall England. The quarterly principal and interest payments are approximately $298,000 with an interest rate of 7.41%.	**1,088,133**	—
Lease agreement with De Lage Landen which matures in February 2009. The lease is collateralized by laboratory equipment located in Bude, Cornwall England. The quarterly principal and interest payments are approximately $97,000 with an interest rate of 8.66%.	**434,944**	—

Long-Term Debt (Continued)

	December 31, 2007	December 31, 2006
Capitalized lease agreement with Societe Genrale which matures in December 2008. The lease is collateralized by laboratory equipment located in Bude, Cornwall England. The quarterly principal and interest payments are approximately $48,000 with an interest rate of 10.07%.	**146,159**	—
Secured convertible promissory notes with LH Financial which mature in June 2009. The note is collateralized by a security interest – in substantially all of the assets of the Company. Interest compounds monthly at a rate of 10%. Interest is payable in cash, or at the election of the Company, with registered shares of common stock. The amount payable at December 31, 2007 represents the gross note amount of $1,950,000, which is reflected net of a discount of $1,950,000 in the consolidated balance sheets. (See Note 12)	**1,950,000**	—
Miscellaneous capital leases	**9,013**	—
	7,850,096	**4,014,614**
Less current maturities and unamortized discounts	**2,656,571**	**228,545**
Less discount on convertible promissory notes	**1,950,000**	—
Long term debt	**$ 3,243,525**	**$ 3,786,069**

Scheduled maturities of long-term debt are as follows:

	For the year ended December 31,
2008	$ 2,656,571
2009	3,492,344
2010	1,773
	$ 6,150,688

The mortgage includes certain restrictive covenants, which require the Company to maintain minimum levels of the current ratio, debt to net worth and cash flow ratio's. At December 31, 2007, the Company was in violation of covenants related to cash flows, however, the Company was granted a waiver of the covenants by the bank for a period of one year to December 31, 2008.

4. Leasing Commitments

The Company leases equipment and facilities under non-cancelable operating leases. Total expense for the years ended December 31, 2007 and 2006 was $67,305 and $42,394, respectively. Leases are secured by the equipment. Future minimum lease payments and the present value thereof under capitalized leases and future minimum rentals under all non-cancelable operating leases with remaining terms in excess of one year as of December 31, 2007 are as follows:

Year Ended December 31,	Capitalized	Operating
2008	$2,101,899	$119,000
2009	76,064	85,000
2010	—	68,000
2011	—	68,000
2012	—	8,000
Total	2,177,963	348,000
Less amount representing interest	(86,114)	—
Present value of minimum lease payments under capital leases	$2,091,849	$ —

5. Retirement Plan

CBI and FIL maintain a 401(k) Plan (the "Plan") which covers substantially all employees. Under the Plan, employees may elect to defer a portion of their salary, up to the maximum allowed by law, and the Company can elect to match the contribution up to 1% of the employee's contribution. Company contributions were $20,348 and $22,285 for the years ended December 31, 2007 and 2006, respectively.

Exelgen maintains a retirement plan. Under the Plan, employees may contribute up to 25% of their salary. The Company can elect to match the contribution up to 8% of the employee's contribution. Company contributions were $80,745 in 2007.

Mimotopes is required by law to make contributions to a retirement plan covering all of its eligible employees at a rate of 9% of their base earnings. Company contributions were $157,693 in 2007.

6. Restricted Cash

Under the terms of the Company's mortgage (Note 3), $400,000 is being held in escrow at December 31, 2007 by BB&T. At the discretion of BB&T, these funds will be released in 2008 to pay down the principal balance of the mortgage and therefore are classified in cash and cash equivalents at December 31, 2007.

Pursuant to the terms of the Company's building lease in England, $646,773 is being held in escrow at December 31, 2007 by the Southwest Economic Development Agency. These funds are scheduled for release in November 2008 and May 2009.

Under the terms of the Company's land lease in Australia, $88,370 is being held in escrow at December 31, 2007. This amount is equivalent to one year of lease payments.

7. Income Taxes

The difference between expected income tax benefits and income tax benefits recorded in the financial statements is explained below:

	Year Ended December 31,	
	2007	**2006**
Income taxes (benefit) computed at 34% statutory rate	**$ (963,800)**	$(391,800)
State income tax benefit, net	**(143,600)**	(58,000)
Change in valuation allowance	**1,248,600**	464,000
Non-taxable Gain	**(156,600)**	—
Other	**15,400**	(14,200)
	$ —	$ —

The significant components of deferred income tax assets and liabilities consist of the following:

	December 31, 2007	December 31, 2006
Deferred tax assets		
Net operating loss carryforward	**$ 14,036,300**	$ 3,948,000
Research and development credit carryforward	**52,600**	52,600
Intangibles	**192,000**	179,000
Interest rate swap	**—**	8,100
Allowance for doubtful accounts	**59,400**	20,800
Stock based compensation	**50,000**	38,600
Other	**30,600**	8,300
	14,420,900	4,255,400
Deferred tax liabilities		
Tax depreciation in excess of book depreciation	**135,300**	218,400
Net deferred tax asset before valuation allowance	**14,285,600**	4,037,000
Less valuation allowance	**14,285,600**	4,037,000
Net deferred tax asset	**$ —**	$ —

Operating loss carryforwards at December 31, 2007 relating to US operations of approximately $13,000,000 may be used to offset future taxable income and expire through 2025. The Company has foreign operating loss carryforwards of approximately $45,450,000 to offset future taxable income which may be carried forward indefinitely. The Company also has research and development credit carryforwards at December 31, 2007 of approximately $53,000 that expire through 2022. A valuation allowance has been established for deferred tax assets at December 31, 2007 as realization is dependent upon generating future taxable income.

8. Stock Compensation

Stock-based compensation expense recognized during a period is based on the fair value of the portion of stock-based awards that is ultimately expected to vest during the period. Stock-based compensation expense recognized in the year ended December 31, 2007 included compensation expense for stock-based awards granted prior to, but not yet vested as of December 31, 2006, based on the fair value on the grant date. As stock-based compensation expense recognized in fiscal 2007 is based on awards ultimately expected to vest, it has been reduced for forfeitures.

Stock-based compensation expense related to employee stock options recognized under SFAS No. 123(R) for the years ended December 31, 2007 and 2006 was $131,418 and $62,796 respectfully and is included in selling general and administrative expenses. As of December 31, 2007, total unamortized stock-based compensation cost related to non-vested stock options was $121,205, net of expected forfeitures, which is expected to be recognized during 2008.

The total intrinsic value of options (which is the amount by which the stock price exceeded the exercise price of the options on the date of exercise) exercised during the year ended December 31, 2007 was $102,207. The total outstanding and exercisable intrinsic value of options as of December 31, 2007 was approximately $55,686. During the year ended December 31, 2007, the Company received cash from the exercise of stock options in the amount of $43,500.

The following table sets forth fair value per share information, including related weighted-average assumptions, used to determine compensation cost for stock options consistent with the requirements of SFAS No. 123R. No stock options were granted in 2006.

Stock option transactions for the years ended December 31, 2007 and 2006 are summarized as follows:

	2007	Weighted Average Exercise Price	2006	Weighted Average Exercise Price
Options and warrants outstanding, beginning of year	**924,839**	**$ 6.07**	987,419	$ 5.93
Granted	**64,000**	**2.05**	—	—
Exercised	**(42,778)**	**1.02**	(23,471)	1.53
Expired	**(160,184)**	**8.56**	(39,109)	4.41
Options and warrants outstanding, end of year	**785,877**	**$ 5.52**	924,839	$ 6.07
Options and warrants exercisable, end of year	**757,187**	**$ 5.32**	888,584	$ 6.13
Weighted-average fair value per option and warrants granted during the year		**$ 1.31**		—

The assumptions used to determine the fair value per option are as follows:

	Year Ended December 31, 2007
Assumptions:	
Expected volatility	63.61%
Expected annual dividend yield	0.00%
Risk free rate of return	4.59%
Expected option term (years)	10.0

The following table summarizes information about stock options and warrants outstanding at December 31, 2007:

	Outstanding			Exercisable	
Exercise Prices Per Share	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price Per Share	Number Exercisable	Weighted Average Exercise Price Per Share
$0.90 – 2.00	**22,408**	**7**	**$ 1.36**	**22,408**	**$ 1.36**
$2.01 – 5.49	**436,931**	**6**	**3.91**	**408,562**	**3.55**
$5.50 – 7.00	**86,750**	**2**	**5.98**	**86,429**	**5.28**
$7.01 – 9.49	**124,000**	**5**	**7.57**	**124,000**	**7.57**
$9.50 –12.50	**115,788**	**3**	**9.90**	**115,788**	**9.90**
$0.90 – 12.50	**785,877**		**$ 5.52**	**757,187**	**$ 5.32**

The following table summarizes information about Restricted Stock Unit (RSU) activity for the year ended December 31, 2007:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2006	66,667	$ 4.52
Granted	—	—
Vested	22,208	4.52
Forfeited	—	—
Non-vested at December 31, 2007	44,459	$ 4.52

At December 31, 2007, there was approximately $250,000 of total unrecognized compensation cost related to non-vested Restricted Stock Units (RSUs) granted under our stock plan which is expected to be recognized over a weighted-average period of 2.8 years. Compensation expense related to RSUs for the years ended December 31, 2007 and 2006 was $100,000 for both periods, and is included in selling, general and administrative expenses.

9. Purchase of Mimotopes

In February 2007, the Company acquired all outstanding shares of Mimotopes Pty Ltd, an Australian limited company by issuing 2,150,000 shares of its common stock to PharmAust Chemistry Ltd, an Australian limited company. Based on the 2,150,000 shares at $2.15 per shares, the acquisition price for the purchase of Mimotopes was $4,622,500. In addition, the Company incurred approximately $432,262 of acquisition related costs. Goodwill amounted to $2,463,762 which is not deductible for income tax purposes. The issuance of the shares amounted to approximately 39.5% of the Company's then outstanding shares. The results of operations of Mimotopes are included in the Company's financial statements for the period beginning February 1, 2007 and are reported on a consolidated basis. The estimated fair value of the assets and liabilities acquired were as follows:

	As of February 1, 2007 $(000)
Cash	$ 107
Accounts receivable	645
Other current assets	34
Property plant and equipment	2,199
Total assets acquired	2,985
Accounts payable and accruals	(376)
Long term debt	(18)
Total liabilities assumed	(394)
Net assets acquired	**$ 2,591**

10. Purchase Of Exelgen (Formerly Known As "Tripos Discovery Research")

In June 2007, the Company acquired all outstanding shares of Exelgen, an English limited company. The purchase price of Exelgen was $1,474,581 (including acquisition costs) resulted in negative goodwill of $782,833 which is recorded as an extraordinary gain on the Consolidated Statement of Operations. The estimated fair value of the assets and liabilities acquired were as follows:

	As of June 1, 2007 $(000)
Cash	$ 4,759
Accounts receivable	1,070
Inventory	2,091
Other current assets	329
Total assets acquired	8,249
Accounts payable and accruals	1,828
Other current liabilities	2,940
Long term debt	1,223
Total liabilities assumed	5,991
Net assets acquired	**$ 2,258**

If the acquisition of Exelgen occurred at the beginning of January 2007, the Company's pro forma results would have been as follows:

	For the Year Ended December 31, 2007
Revenue	$ 14,618,514
Operating expenses (1)	(20,425,422)
Extraordinary gain	782,833
Proforma net loss	$ (5,024,075)
Proforma loss before extraordinary gain	$ (5,806,908)
Diluted loss per share before extraordinary gain	$ (1.10)
Diluted loss per share	$ (0.96)

(1) The consolidated loss for Exelgen includes $2,801,397 of impairment charges that were previously written off prior to the acquisition.

11. Stockholders' Equity

In May 2007, stockholders approved an amendment to the Company's Articles of Incorporation increasing the number of authorized shares of common stock from 10,000,000 to 100,000,000.

In May 2007, stockholders approved an amendment to the Company's Articles of Incorporation creating a new class of 1,000,000 shares of undesignated preferred stock.

12. Convertible Debt

On December 31, 2007 the Company issued $1,950,000 of convertible debt in a subscription agreement between the Company and LH Financial. The debt carries an interest rate of 10% annually and matures in June 2009. Quarterly interest payments may be made in the form of either cash or common stock. The debt may be converted into shares of common stock at a conversion price of $2.00 per shares. In conjunction with the debt, the Company also issued Class A warrants to purchase 975,000 shares of common stock at an exercise price of $2.85 per share and expire in May 2013. The fair value of the Class A warrants is $1.79 per share. The fair value of the Class A warrants is calculated using the Black-Scholes method. Assumptions for Class A options include the stock asset price at $2.55 and a stock option price of $2.85 with a maturity date of 5 years and risk-free interest rate of 3.4%. The Company also issued Class B warrants to purchase 243,000 shares of common stock at an exercise price of $5.00 per share. The fair value of the Class B warrants is $.36 per share. The fair value of the Class B warrants is calculated using the Black-Scholes method. The debt carries a beneficial conversion feature, which along with the relative fair value of the warrants, resulted in a debt discount of approximately $1,950,000 was recorded against the convertible debt and offset in additional paid in capital. This discount will be amortized as interest expense over the life of the debt.

13. Earnings per Share

The Company follows the guidance provided in the Statement of Financial Accounting Standards ("SFAS") No. 128, Earnings Per Share, which establishes standards for computing and presenting earnings per share and applies to entities with publicly held common stock or potential common stock. Basic earnings (loss) per common share are computed by dividing the net earnings (loss) by the weighted average number of common shares outstanding during the period. Diluted per share amounts assume the conversion, exercise or issuance of all potential common stock instruments such as warrants and convertible securities, unless the effect is to reduce a loss or increase earnings per share.

	Year Ended December 31, 2007	Year Ended December 31, 2006
BASIC EARNINGS (LOSS) PER SHARE:		
Net loss before extraordinary gain	$ (3,540,934)	$ (1,152,649)
Extraordinary gain	782,833	—
Net loss	$ (2,758,101)	$ (1,152,649)
Weighted average shares outstanding	5,135,951	3,281,360
Basic loss per share, before extraordinary gain	$ (0.69)	$ (0.35)
Basic loss per share	$ (0.54)	$ (0.35)
DILUTED EARNINGS (LOSS) PER SHARE:		
Net loss before extraordinary gain	$ (3,540,934)	$ (1,152,649)
Extraordinary gain	782,833	—
Net loss	$ (2,758,101)	$ (1,152,649)
Weighted average shares outstanding	5,135,951	3,281,360
Stock options and warrants	—	—
Weighted average diluted shares outstanding	5,135,951	3,281,360
Diluted loss per share, before extraordinary gain	$ (0.69)	$ (0.35)
Diluted loss per share	$ (0.54)	$ (0.35)

14. Subsequent Event

In 2008, the Company entered into a strategic relationship with Venturepharm Laboratories Limited, a Cayman Islands limited company (VPL) with its principal offices in Beijing, Peoples Republic of China. This relationship is multi-faceted and was entered into following a private transaction between VPL and PharmAust Limited (PAA), an Australian company, whereupon VPL acquired all of the 2.15 million shares of CBI held by PAA. Coincident with the transaction, CBI entered into a) an Ancillary Agreement with VPL to provide a $1 million put option from CBI to VPL and a $3 million call option from VPL to CBI both at a 10% discount to

market with a three year expiration date, b) a Voting Lock Up Agreement to require VPL to vote in favor of all matters brought before the shareholders for a period of six months and to escrow its acquired shares for a eighteen months, c) a Registration Rights Agreement to effective after twenty-four months, and d) a Joint Venture (JV) agreement to establish an unincorporated JV, which provides CBI access on a preferred basis to the extensive, low cost capabilities of VPL in China. The JV will be jointly funded and managed.

Corporate Information

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Telephone: 800-735-9224;
Telephone: 804-648-3820
Fax: 804-648-2641
E-mail: info@cbi-biotech.com
Web site: www.cbi-biotech.com

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Exelgen
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Bude, Cornwall EX23 8LY
United Kingdom

General Counsel
Kaufman and Canoles, PC
1051 E. Cary St
3 James Center
Richmond, VA 23219

Patent Counsel
Burns Doan Swecker and Mathis, LLP
1737 King Street
Alexandria VA 23214

Transfer Agent and Registrar
Computershare Trust Co.
350 Indiana St.
Golden, CO 80401

Independent Auditors
BDO Seidman, LLP
300 Arboretum Place
Suite 520
Richmond, VA 23236

Executive Officers

Richard J. Freer, Ph.D.
Chairman of the Board; COO

Robert B. Harris, Ph.D.
President

James H. Brennan, MBA
Vice President, Financial Operations

Paul D'Sylva, Ph.D.
Chief Executive Officer

Thomas R. Reynolds
Executive Vice President,
Science and Technology; Secretary

Directors of the Company

Richard J. Freer, Ph.D.
Chairman of the Board; COO

Robert B. Harris, Ph.D.
President

Samuel P. Sears, Jr., Esq.
Attorney at Law

James Causey
VP New Product Development
Trader Publications

Paul D'Sylva, Ph.D.
Chief Executive Officer

Daniel O. Hayden
Senior VP & General Mgr,
Genzyme Corp., Pharmaceuticals Division

Donald A. McAfee, Ph.D.
VP, Consumer Industry Magazines
Cardiome Pharma Corp

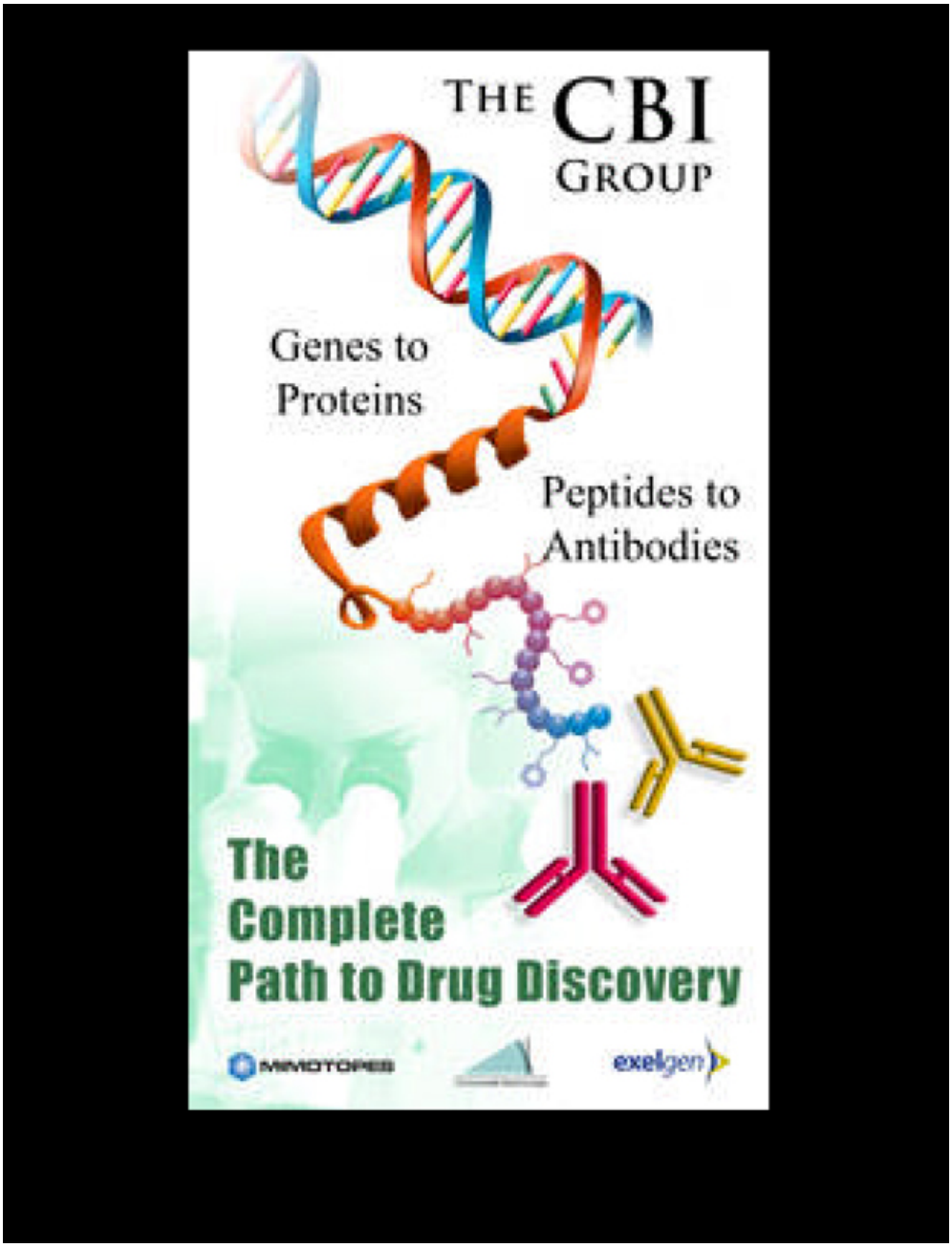
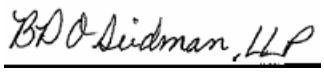

THE CBI GROUP
Genes to Proteins
Peptides to Antibodies
The Complete Path to Drug Discovery
MIMOTOPES
exelgen

Exhibit 23.1

CONSENT OF INDEPENDENT
REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-51074) and S-3 (No. 333-51078) of Commonwealth Biotechnologies, Inc. of our report dated April 8, 2008, relating to the financial statements, which appears in the Annual Report to Shareholders, which is incorporated by reference in this Form 10-KSB.



BDO Seidman, LLP

Richmond, Virginia
April 8, 2008

Exhibit 31.1

CERTIFICATION

I, Paul D'Sylva, Ph.D., certify that:

(1) I have reviewed this Annual Report on Form 10-KSB of Commonwealth Biotechnologies, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

(4) The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal annual report that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

(5) The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: April 9, 2008

/s/ Paul D'Sylva, Ph.D.
Paul D'Sylva, Ph.D.
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, James H. Brennan, certify that:

(1) I have reviewed this Annual Report on Form 10-KSB of Commonwealth Biotechnologies, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

(4) The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent year end annual report that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

(5) The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: April 9, 2008

/s/ James H. Brennan
James H. Brennan
Vice President Financial Operations

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Commonwealth Biotechnologies, Inc. (the "Company") on Form 10-KSB for the period ending December 31, 2007 as filed with the Securities and Exchange Commission on April 8, 2008 (the "Report"), I, Paul D'Sylva, Ph.D., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

April 9, 2008

/s/ Paul D'Sylva, Ph.D.
Paul D'Sylva, Ph.D.
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Commonwealth Biotechnologies, Inc. (the "Company") on Form 10-KSB for the period ending December 31, 2007 as filed with the Securities and Exchange Commission on April 8, 2008 (the "Report"), I, James H. Brennan, Vice President Financial Operations of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

April 9, 2008

/s/ James H. Brennan
James H. Brennan
Vice President Financial Operations