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U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarter and nine month period ended September 30, 2009

☐ **TRANSITION REPORT PURSUANT TO 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.

(Exact name of small business issuer as specified 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)

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒

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

As of November 16, 2009, 8,526,958 shares of common stock, no par value per share, of the registrant were outstanding.

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PART I FINANCIAL INFORMATION

Item 1. *Financial Statements*

COMMONWEALTH BIOTECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2009 (Unaudited)	December 31, 2008
Assets		
Current Assets		
Cash and cash equivalents	$ 320,750	$ 243,751
Investments	409	64,790
Accounts receivable	1,073,534	1,447,615
Other current assets	47,957	89,426
Total current assets	1,442,650	1,845,582
Property and Equipment, net	6,335,508	6,357,752
Other Assets		
Restricted cash	92,685	72,469
Deferred financing fees	—	93,050
Total other assets	92,685	165,519
Total Assets	**$ 7,870,843**	**$ 8,368,853**
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 1,383,982	$ 1,119,409
Current maturities of long term debt	2,396,233	5,212,498
Other current liabilities	153,124	246,896
Accrued payroll liabilities	558,916	417,827
Deferred revenue	—	2,331
Interest payable	139,635	102,676
Total current liabilities	4,631,890	7,101,637
Long-term debt less current maturities	2,526,760	3,937
Total Liabilities	**7,158,650**	**7,105,574**
Commitments, and contingencies	—	—
Stockholders equity		
Preferred stock, no par value, 1,000,000 shares authorized - none outstanding	—	—
Common stock, no par value, 100,000,000 shares authorized; September 30, 2009 - 8,171,796 December 31, 2008 - 6,465,734 shares issued and outstanding	—	—
Additional paid-in-capital	25,258,820	24,453,298
Restricted stock	(25,083)	(100,333)
Other comprehensive income (loss)	1,021,025	(83,251)
Accumulated deficit	(25,542,569)	(23,006,435)
Total stockholders' equity	712,193	1,263,279
Total Liabilities and Stockholders' Equity	**$ 7,870,843**	**$ 8,368,853**

See Notes To Financial Statements

COMMONWEALTH BIOTECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Nine Months Ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
	(Unaudited)		(Unaudited)	
Revenues				
Commercial contracts	$ 1,108,062	$ 1,046,869	$ 3,145,959	$ 4,134,651
Government contracts	392,819	600,336	1,198,141	1,290,911
Genetic identity	391,819	542,414	1,415,526	1,442,194
Clinical services	44,923	9,351	102,727	325,208
Other revenue	93,040	7,844	402,875	158,666
Total revenues	2,030,663	2,206,814	6,265,228	7,351,630
Cost of services				
Direct materials	493,100	620,488	1,469,498	1,672,036
Direct labor	476,327	524,042	1,447,238	1,620,729
Overhead	660,952	721,476	2,022,724	2,241,684
Total cost of services	1,630,379	1,866,006	4,939,460	5,534,449
Gross profit	400,284	340,808	1,325,768	1,817,181
Selling, general and administrative expenses	932,078	1,274,743	2,472,448	3,691,089
Operating loss	(531,794)	(933,935)	(1,146,680)	(1,873,908)
Other income (expense)				
Realized losses	(8,045)	(51,861)	(201,519)	(51,861)
Interest expense	(85,816)	(142,522)	(309,587)	(415,788)
Loss on debt extinguishment	—	(1,202,419)	—	(1,202,419)
Amortization/Private Placement	(7,708)	(336,941)	(349,044)	(886,144)
Other income	159	1,775	1,418	12,143
Total other income (expense)	(101,410)	(1,731,968)	(858,732)	(2,544,069)
Loss from continuing operations	(633,204)	(2,665,903)	(2,005,412)	(4,417,977)
Loss from discontinued operations (Note 10)	—	(1,121,759)	—	(1,292,023)
Net loss	$ (633,204)	$ (3,787,662)	$ (2,005,412)	$ (5,710,000)
Basic and diluted loss per common share from continued operations	$ (0.08)	$ (0.45)	$ (0.28)	$ (0.77)
Basic and diluted loss per common share from discontinued operation	$ —	$ (0.19)	$ —	$ (0.23)
Basic and diluted loss per common share after discontinued operation	$ (0.08)	$ (0.64)	$ (0.28)	$ (1.00)

See Notes to Financial Statements

COMMONWEALTH BIOTECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended	
	September 30, 2009	September 30, 2008
Cash flows from operating activities:		
Net loss	$ (2,005,412)	$ (5,710,000)
Loss on debt extinguishment	—	1,202,419
Loss on disposal of subsidiary	—	293,298
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	752,183	1,584,477
Unrealized loss (gain) on interest rate swap agreement	(121,161)	23,065
Realized loss on investments	286,282	161,071
Stock-based compensation	198,550	51,861
Interest expense satisfied with the issuance of stock	—	106,831
Changes in:		
Accounts receivable	473,436	1,286,985
Prepaid expenses and inventory	25,052	158,471
Accounts payable and other current liabilities	357,057	(531,918)
Deferred revenue	—	(297,365)
Net cash used in operating activities	(34,013)	(1,670,805)
Cash flows from investing activities:		
Proceeds from the sale of investments	64,381	36,699
Purchases of property and equipment	—	(6,083)
Net cash provided by investing activities	64,381	30,616
Cash flows from financing activities:		
Issuance of common stock	173,422	500,000
Principal payments on long term debt	(59,390)	(1,412,448)
Deferred financing fees paid	—	(23,153)
Proceeds from long term debt	—	500,000
Change in restricted cash	(1,246)	282,038
Net cash provided by (used in) financing activities	112,786	(153,563)
Effects of exchange rates	(66,155)	(3,318)
Net increase (decrease) in cash and cash equivalents	76,999	(1,797,070)
Cash and cash equivalents, beginning of period	243,751	2,533,910
Cash and cash equivalents, end of period	$ 320,750	$ 736,840
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	$ 230,786	$ 430,756
Non-cash investing and financing activities		
Purchase of equipment through capital lease	$ —	$ 44,979
Reduction of convertible debt through issuance of common stock	$ 508,800	$ 145,000
Receipt of available-for-sale-securites through issuance of common stock	$ —	$ 500,000

See Notes to Financial Statements

COMMONWEALTH BIOTECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis which contemplates realization of assets and satisfaction of liabilities in the normal course of business. If Commonwealth Biotechnologies, Inc., (the "Company" or "CBI") is unable to improve operating results and meet its debt obligations, it may have to cease operations. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Losses for the Company were $633,204 and $3,787,662 for the quarters ended September 30, 2009 and 2008, respectively. For the quarters ended September 30, 2009 and 2008, losses from continuing operations were $633,204 and $2,665,903, respectively. Losses resulting from the discontinued operations were $0 and $1,121,759 for the quarters ended September 30, 2009 and 2008, respectively.

Total losses for the Company for the nine months ended September 30, 2009 and 2008 were $2,005,412 and $5,710,000 respectively. 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 nine months ended September 30, 2009 and 2008, losses from continuing operations were $2,005,412 and $4,417,977, respectively. Losses resulting from the discontinued operations were $0 and $1,292,023 for the nine months ended September 30 2009 and 2008, respectively.

The Company generated positive cash flows in 2009 of $76,999 and negative cash flows in 2008 of $1,797,070. Net working capital as of September 30, 2009 and 2008 was ($2,672,513) and ($1,533,970) respectively.

The 2009 Period reflects cash used in operating activities of $34,013 as compared to cash used in operating activities of $1,670,805 during the 2008 Period. The reduction over the prior period resulted from savings in selling, general and administrative costs by the Company. Cash provided by investing activities for the 2009 Period was $64,381 in comparison to cash provided by investing activities of $30,616 in the 2008 Period. The net change relates primarily to the proceeds from the sale of the VenturePharm Stock. Cash provided by financing activities for the 2009 Period was $112,786 as compared to cash used in financing activities of $153,563 in the 2008 Period. This change is primarily a result of the decrease in principal payments on long term debt for the 2009 Period in comparison to the 2008 Period.

On November 10, 2009, the Company refinanced its Mortgage Obligation with the same bank for a three year term at prime plus 1.25% (see Note 7).

The Company also believes that it will be able to satisfy its current debt obligations with certain institutional investors (the "PIPE Investors") and Fornova through the issuance of common stock in lieu of cash payment. Subject to compliance with NASDAQ listing standards, the Company believes it will be able to satisfy its debt obligations.

The cash position of the Company will remain uncertain for the remainder of 2009. However, the Company will continue to address the immediate needs for cash and liquidity through an aggressive approach on a number of fronts. As indicated previously, when confronted with static revenues and declining cash reserves, management reduced staffing through layoffs and attrition and reduced or eliminated non-production related expenditures. Fiscal practices have been strictly enforced which restricts all material purchases to service on-going work only and serve to minimize all material inventories. Management will continue adhering to these policies for the foreseeable future.

The lack of adequate cash resulting from the inability to generate cash flow from operations or to raise capital from external sources would force the Company to substantially curtail or cease operations and would, therefore, have a material adverse effect on its business. The Company is actively exploring the availability of varying financial and strategic transactions, which, if consummated, would address the Company's need to improve its financial condition and/or its operations.

In July 2009, the PIPE Investors exercised it options on the principal and interest outstanding in the amount of $56,900 resulting in the issuance of 113,000 shares of the Company's stock. As of September 30, 2009, total principal outstanding to LH Financial was approximately $1,296,200.

On July 16, 2009 the Company announced that an agreement has been signed with Bostwick Laboratories, Inc. ("Bostwick") for the sale of the assets of CBI's Fairfax Identity Laboratories ("FIL") and CBI Services divisions. Bostwick agreed to purchase such assets for a purchase price of $1,110,000, in cash and certain royalty payments to CBI over a five-year period. In addition, CBI will lease to Bostwick the building located at 601 Biotech Drive,

COMMONWEALTH BIOTECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Richmond, Virginia, housing the CBI Services and Fairfax Identity Laboratories. Approval of this asset sale was obtained at the 2009 Annual Meeting of Shareholders. Closing of this transaction occurred on November 5, 2009 resulting in net proceeds to the Company of approximately $344,000.

On July 22, 2009, the Company reached an agreement with its PIPE investors to extend for 6 months its convertible note facilities of approximately $1.3M that matured on June 30 and has also received consent to suspend the financial covenants under such note facilities through the fourth quarter. During this period obligation under the note will continue to accrue. As part of the sale to Bostwick, the PIPE Investors received $200,000 that will be held in escrow until the notes mature or are satisfied through the issuance of common shares. Consequently, the Company may receive these funds should the PIPE Investors decide to satisfy the notes with common shares instead of cash.

There can be no assurance that any funds required during the next twelve months or thereafter can be generated from operations or that if such required funds are not internally generated that funds will be available from external sources, such as debt or equity financing or other potential sources.

During the last year, the Company's business has undergone substantial change in relation to size, scale and scope of activities. The Company has developed significant capacity in peptide chemistry through the acquisition of Mimotopes. In addition, resources have been invested in the establishment of VenturePharm Asia.

As a result of the above, there is substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability or classification of asset carrying amounts or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

The Company's independent auditors have included a paragraph emphasizing "going concern" in their report on the 2008 financial statements. These financial statements do not include any adjustments relating to the recoverability or classification of asset carrying amounts or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Business

The Company 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's 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 was a leading drug discovery services business that provided pharmaceutical and biotechnology companies with novel approaches to drug discovery. In September 2008, the decision was made to discontinue the operation. (see Note 10)

The sale of the assets of CBI's FIL and CBI Services divisions were approved at the 2009 Annual Meeting of Shareholders. The sale of these assets to Bostwick Laboratories, Inc. was completed in November 2009.

Consolidation Policy

The consolidated financial statements include the accounts of CBI and its wholly owned subsidiaries, Mimotopes Pty, Ltd, Australia and Exelgen, England, until Exelgen was deconsolidated on September 23, 2008 (see Note 10). 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 assets 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.

COMMONWEALTH BIOTECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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 dates. Related revenues and expenses are translated at average rates of exchange in effect during the periods. Cumulative translation adjustments have been recorded as a separate component within accumulated other comprehensive income (loss) of stockholders' equity. Realized gains and losses from foreign currency translations are included in other income (expense).

Fair Value Measurements

On January 1, 2008, the Company adopted FASB ASC 820, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. FASB ASC 820 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances. The adoption of FASB ASC 820 did not have a material effect on the carrying values of the Company's assets.

FASB ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, FASB ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

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.

Restricted Cash

Restricted cash in Mimotopes represents the amount that is held by a third party in escrow as required under the terms of the Company's land lease agreement. The total amount held in escrow as of September 30, 2009 is $92,685. Interest income earned on restricted cash is recorded in other interest income.

COMMONWEALTH BIOTECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Investments

The Company classifies its investments in securities as available-for-sale. These investments are carried at the estimated fair value, with unrealized gains and losses reported in other comprehensive income (loss). Upon the sale of a security, the realized net gain or loss is reported in results from operations.

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 that are 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, the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

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:

Asset	Years
Buildings	39.5
Laboratory and computer equipment	3 – 10
Furniture, 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.

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.

Impairment of Long-Lived Assets

The Company reviews and accounts for the impairment of long-lived assets other than goodwill, including property and equipment and certain other non current assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Long-lived assets besides goodwill are reviewed for impairment when events or changes in circumstances indicate the carrying value of an asset may not be recoverable. For long-lived assets other than goodwill that are to be held and used in operations, an impairment is indicated when the estimated total undiscounted cash flow associated with the asset or group of assets is less than carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value.

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 "accumulated 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 fair value of the derivative are accounted for through interest expense. The notional principal value of the Company's swap agreement outstanding as of September 30, 2009 is equal to the outstanding principal balance of the corresponding debt instrument.

COMMONWEALTH BIOTECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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.

Loss per Common Share

Basic loss per common 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 because their inclusion would have been anti-dilutive. Weighted average shares outstanding for basic and diluted loss per common share were 8,127,919 and 5,879,918 for the three months ended September 30, 2009 and 2008, respectively. Weighted average shares outstanding for basic and diluted loss per common share were 7,247,807 and 5,704,202 for the nine months ended September 30, 2009 and 2008, respectively. (see Note 4).

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.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements ("SFAS 157"). 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. Adoption of SFAS No. 157 for financial assets and liabilities did not have a material effect on the Company's results of operations or financial position.

COMMONWEALTH BIOTECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141(R), Business Combinations ("SFAS 141(R)"), 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 April 2008, the FASB issued Staff Position 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP FAS 142-3"), which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets under FASB No. 142 "Goodwill and Other Intangible Assets". The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of the expected cash flows used to measure the fair value of the asset under FASB No. 141, "Business Combinations" and other U.S. generally accepted accounting principles. The Company has determined there to be no material impact to the consolidated financial statements upon the recent adoption of FSP FAS No. 142-3.

In December 2007, the FASB issued SFAS No. 160, "Non controlling Interests in Consolidated Financial Statements – an amendment of ARB No. 51" ("SFAS No. 160"), to create accounting and reporting standards for the non 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 non 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 non-controlling 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 non-controlling 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 completed its review of the new guidance and determined there to be no material impact 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" ("SFAS No. 159"). 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. Management has adopted SFAS No. 159, and the effect of implementation is not material to the Company's results of operations or financial position as no such elections have been made.

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"). 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

COMMONWEALTH BIOTECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

- Cross-reference from the derivative footnote to other footnotes in which derivative-related information is disclosed.

In June 2008, the FASB ratified the consensus reached on Emerging Issues Task Force ("EITF") Issue No. 07-05, Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock ("EITF No. 07-05). EITF No. 07-05 clarifies the determination of whether an instrument (or an embedded feature) is indexed to an entity's own stock, which would qualify as a scope exception under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. EITF No. 07-05 is effective for financial statements issued for fiscal years beginning after December 15, 2008. Early adoption for an existing instrument is not permitted. The Company has determined EITF No. 07-05 does not apply at September 30, 2009.

In May 2008, the FASB issued Financial Accounting Standards Board Staff Position Accounting Principles Board 14-1 "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)" ("APB 14-1"). APB 14-1 requires the issuer of certain convertible debt instruments that may be settled in cash, or other assets, on conversion to separately account for the debt and equity components in a manner that reflects the issuer's non-convertible debt borrowing rate. APB 14-1 is effective for fiscal years beginning after December 15, 2008 and is applied retrospectively to all periods presented with a cumulative effect adjustment to the beginning retained earnings. We believe that the impact of adopting APB 14-1 could have a material effect on the consolidated financial statements, but are currently evaluating.

In May 2008, the FASB issued FASB Statement No. 162, "The Hierarchy of Generally Accepted Accounting Principles" (SFAS No. 162"). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. SFAS No. 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. Management does not expect the adoption of the provision of SFAS No. 162 to have a material impact on the consolidated financial statements.

In October 2008, the FASB issued FSP FAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active" ("FSP 157-3"). FSP 157-3 clarifies the application of SFAS No. 157 in determining the fair value of a financial asset during periods of inactive markets. FSP 157-3 was effective as of September 30, 2008 and did not have a material impact on the Company's consolidated financial statements.

In May 2009, the FASB issued Statement No. 165, "Subsequent Events" ("SFAS 165"), which establishes general standards of accounting for, and requires disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. We adopted the provisions of SFAS 165 for the quarter ended June 30, 2009 and evaluated our subsequent events through November 16, 2009, the date the condensed consolidated financial statements were issued. The adoption of SFAS 165 did not have a material effect on our consolidated financial statements.

NOTE 3. STOCK OPTIONS

Stock-Based Compensation Plans - Stock-based compensation expense recognized during a period is based on the value of the portion of stock-based awards that is ultimately expected to vest during the period. Stock-based compensation expense recognized in the three and nine months ended September 30, 2009 included compensation expense for stock-based awards granted prior to, but not yet vested as of December 31, 2008, based on the fair value on the grant date.

Stock-based compensation expense related to employee stock options recognized under SFAS No. 123(R) for the three months ended September 30, 2009 and September 30, 2008 was approximately $17,100 and $32,329, respectfully, and for the nine months ended September 30, 2009 and 2008 was approximately $51,300 and $67,500 respectively and is included in selling, general and administrative. As of September 30, 2009, total unamortized stock-based compensation cost related to non-vested stock awards was $17,100, net of expected forfeitures, which is expected to be recognized over the fiscal year.

The total intrinsic value of stock awards (which is the amount by which the stock price exceeded the exercise price of the options on the date of exercise) exercised during the three and nine months ended September 30, 2009 was $0. During the three and nine months ended September 30, 2009, the Company did not receive cash from the exercise of stock awards.

COMMONWEALTH BIOTECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	For the Three Months Ended September 30, 2009			
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term Years	Aggregate Intrinsic Value Shares (in thousands)
Options and warrants outstanding at June 30, 2009	848,936	$ 5.02	2	$ —
Granted	—	—		
Exercised	—	—		
Expired	(91,847)	9.90		
Options and warrants outstanding at September 30, 2009	757,089	4.43	2	—
Options and warrants exercisable at September 30, 2009	737,059	$ 4.47	2	$ —
Weighted average fair value per option and warrants granted during the quarter		$ —		

	For the Nine Months Ended September 30, 2009			
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term Years	Aggregate Intrinsic Value Shares (in thousands)
Options and warrants outstanding at December 31, 2008	828,936	$ 5.27	2	$ —
Granted	20,000	0.36		
Exercised	—	—		
Expired	(91,847)	9.90		
Options and warrants outstanding at September 30, 2009	757,089	4.43	2	—
Options and warrants exercisable at September 30, 2009	737,059	$ 4.47	2	$ —
Weighted average fair value per option and warrants granted during the period		$ 0.36		

COMMONWEALTH BIOTECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

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

	For the three months ended		For the nine months ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Assumptions:				
Expected volatility	—	—	311.11%	82.17%
Expected annual dividend yield	—	—	0.00%	0.00%
Risk free rate of return	—	—	3.31%	3.99%
Expected option term (years)	—	—	10	10

In conjunction with the PIPE Investors debt, the Company issued Class A warrants to purchase 975,000 shares of common stock at an exercise price of $2.85 per share that 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 warrants include the stock asset price at $2.55 and a stock option price of $2.85 with a maturity date of 5 years and effective interest rate of 3.40%. 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 $0.36 per share. The fair value of the Class B warrants is calculated using the Black-Scholes method.

On September 18, 2008, the Company entered into a modification, waiver and acknowledgement agreement with LH Financial for the convertible debt listed above. The terms of the modified Agreement are subject to the Company's obligation to comply with NASDAQ listing requirements. Under the modified Agreement, the exercise price of the Class A Warrants was reduced from $2.85 to $0.71 per common share, The fair value of the Class A warrants is $0.74 per share. The fair value of the Class A warrants is calculated using the Black-Scholes method. The exercise price of the Class B Warrants was reduced from $5.00 to $1.01 per common share. The fair value of the Class B warrants is $0.13 per share. The fair value of the Class B warrants is calculated using the Black-Scholes method.

Reduction in the exercise price to $0.50 per common share was approved at the 2009 annual meeting of shareholders.

The following table summarizes information about Restricted Stock Unit (RSU) activity for the nine months ended September 30, 2009:

	Number of Restricted Stock Units	Weighted Average Grant Date Value
Non-vested at December 31, 2008	22,251	$ 4.52
Granted	—	
Vested	16,656	$ 4.52
Expired	—	
Non-vested at September 30, 2009	5,595	$ 4.52

COMMONWEALTH BIOTECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

At September 30, 2009, there was approximately $25,000 of total unrecognized compensation cost related to non-vested RSUs granted under our stock plans which is expected to be recognized over a the remainder of 2009. Compensation expense related to RSUs for the nine months ended September 30, 2009, and 2008 was approximately $75,000 for each period, and is included in selling, general and administrative expenses.

NOTE 4. LOSS PER SHARE

The Company follows the guidance provided in the Statement of Financial Accounting Standards 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.

	Three Months Ended September 30,	
	2009	2008
Basic and diluted loss per share:		
Loss from continuing operations	**$ (633,204)**	$(2,665,903)
Loss from discontinued operations	**—**	(1,121,759)
Net loss	**$ (633,204)**	$(3,787,662)
Basic and diluted loss per common share from continued operations	**$ (0.08)**	$ (0.45)
Basic and diluted loss per common share from discontinued operations	**$ —**	$ (0.19)
Basic and diluted loss per common share after discontinued operations	**$ (0.08)**	$ (0.64)
Weighted average share outstanding	**8,127,919**	5,879,918

	Nine Months Ended September 30,	
	2009	2008
Basic and diluted loss per share:		
Loss from continuing operations	**$(2,005,412)**	$(4,417,977)
Loss from discontinued operations	**—**	(1,292,023)
Net loss	**$(2,005,412)**	$(5,710,000)
Basic and diluted loss per common share from continued operations before discontinued operations	**$ (0.28)**	$ (0.77)
Basic and diluted loss per common share from discontinued operations	**$ —**	$ (0.23)
Basic and diluted loss per common share after discontinued operations	**$ (0.28)**	$ (1.00)
Weighted average share outstanding	**7,247,807**	5,704,202

COMMONWEALTH BIOTECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 5. COMPREHENSIVE INCOME (LOSS)

The components of comprehensive loss, net of tax, for the three and nine months ended September 30, 2009 and 2008 were as follows:

	For the three months ended		For the nine months ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Net loss	$ (633,204)	$(3,787,662)	$(2,005,412)	$(5,710,000)
Increase (Decrease) in unrealized loss on the fair value of investments	—	(255,494)	252,409	(255,494)
Foreign Currency Translation adjustments	439,019	(959,464)	851,868	(537,283)
Total comprehensive loss	**$ (194,185)**	**$(5,002,620)**	**$ (901,135)**	**$(6,502,777)**

NOTE 6. INCOME TAXES

The Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") effective January 1, 2007. FIN 48 provides a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. The Company did not have any unrecognized tax benefits and there was no effect on our financial condition or results of operations as a result of implementing FIN 48.

The Company files income tax returns in U.S. federal jurisdiction and the Commonwealth of Virginia. The Company is no longer subject to U.S. or state tax examinations for years before 2005. The Company does not believe there will be any material changes in its unrecognized tax positions over the next twelve months.

NOTE 7. SHORT TERM DEBT WITH CONVERSION FEATURES

PIPE Investors Agreement

On December 31, 2007 the Company issued $1,950,000 of convertible debt in a subscription agreement between the Company and the PIPE Investors. The debt carries an interest rate of 10% annually and matures in July 31, 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 share. 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 that 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 warrants include the stock asset price at $2.55 and a stock option price of $2.85 with a maturity date of 5 years and effective interest rate of 3.40%. The Company also issued Class B warrants to purchase 243,750 shares of common stock at an exercise price of $5.00 per share. The fair value of the Class B warrants is $0.36 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 $1,950,000 which 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 which resulted in amortization of approximately $748,000 for the nine months ended September 30, 2009. The Company registered the required minimum number of shares based upon the agreement on April 30, 2008 and will register the remaining shares by as soon as possible as required under the agreement. During the second Quarter of 2008, the Company received notice of conversion of $100,000 of the principle amount of the note which resulted in the issuance of 50,000 shares of common stock.

COMMONWEALTH BIOTECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Modification, Waiver and Acknowledgement Agreement

On September 18, 2008, the Company entered into a modification, waiver and acknowledgement agreement with LH Financial for the convertible debt listed above. Under the modified Agreement, the restructured terms of the Agreement is that the exercise price of the Class A Warrants was reduced from $2.85 to $0.71 per common share, and the exercise price of the Class B Warrants was reduced from $5.00 to $1.01 per common share, subject to further reduction as described in the Transaction Documents. The restructured terms of the Agreement are as follows:

(1) the conversion price for every 33% of remaining principal amount of each Investor's pro rata portion of the Notes was reduced from $2.00 to $0.50 per common share, subject to further reduction as described in the transaction documents:

(2) all interest accrued through March 31, 2008 on the debt shall be paid at a rate of 10% in shares of the Company's common stock and all interest further accrued between April 1, 2008 and September 30, 2008 on the debt shall be paid at the rate of 12% in shares of the Company's common stock: and

(3) the exercise price of the Class A Warrants was reduced from $2.85 to $0.71 per common share, and the exercise price of the Class B Warrants was reduced from $5.00 to $1.01 per common share, subject to further reduction as described in the Transaction Documents.

On June 16, 2009, LH Financial exercised it options on the principal and interest outstanding in the amount of 750,447 common shares. As of September 30, 2009 the outstanding principal balance on the note was $1,296,200,

On June 22, 2009, the registrant completed the issuance of an aggregate principal amount of $369,950 of subordinated notes (the "Notes") convertible into shares of the registrant's common stock, without par value per share ("Common Stock"), to 6 institutional investors (the " PIPE Investors"). The Notes mature on December 31, 2009, and have an interest rate of 8% per annum. The registrant will pay any interest and principal on the maturity date. Prior to maturity, a holder of a Note may convert such Note into shares of the registrant's Common Stock at a conversion price of $0.50 per share. The purchase price for the Notes was paid by the partial surrender of certain outstanding promissory notes and deemed payment of interest in connection therewith. According to the registrant's transfer agent, on June 22, 2009, the registrant had issued and outstanding 7,416,896 shares of common stock. The amount of common stock underlying the Notes represents less than 9.99% of the registrant's issued and outstanding common stock on June 22, 2009. All shares were exercised and no additional interest will be accrued for the rest of the year. Total shares exercised amounted 750,447.

On July 22, 2009, the Company reached an agreement with its PIPE investors to extend for 6 months its convertible note facilities of approximately $1.3M that matured on June 30 and has also received consent to suspend the financial covenants under such note facilities through the 4th Quarter. During this period, obligations under the note will continue to accrue.

Second Modification, Waiver and Acknowledgement Agreement

On October 9, 2009, the second Modification Agreement relating to the above mentioned debt was approved at the 2009 Annual Meeting of Shareholders. The restructured agreement calls for the conversion price for the remaining balance of PIPE notes to be lowered from $2.00 per share to $0.50 per share.

In July 2009, the investors exercised their options on the principal and interest outstanding in the amount of 113,800 common shares.

As of September 30, 2009 the outstanding principal balance on the note was $1,296,200.

In October 2009, the investors exercised their options on the principal and interest outstanding in the amount of 105,162 common shares.

In connection with the sale of CBI Services and FIL, the PIPE Investors were issued 250,000 shares of restricted stock.

COMMONWEALTH BIOTECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Fornova Agreement

On September 4, 2008, the Company completed the issuance of a $500,000 convertible promissory note (the "Note") payable to Fornova Pharmaworld Inc. ("Fornova"). The maturity date of the Note was August 29, 2009. The Note has an interest rate of 10% per annum compounded monthly. The Company will pay interest on a monthly basis beginning on September 28, 2008. At any time between October 27, 2008 and August 21, 2009, the Holder may convert the Notes into shares of the Company's Common Stock at a conversion price of $1.01 per share. Additionally, the Note features a call date of January 29, 2009, if exercised, the Holder can call the note in the amount of the outstanding principal balance plus accrued interest. If the Holder's call feature is exercised, the Company would most likely satisfy the debt and accrued interest with common stock.

At the 2009 Annual Meeting of Shareholders, approval was granted to reduce the conversion price from $1.01 per share to $0.50 per share.

Mortgage with Financial Institution

The $3,043,487 mortgage payable requires meeting certain financial covenants in upcoming periods prior to the scheduled maturity at November 10, 2009. Based on the Company's current financial condition and recent trend of its operating results, it is uncertain as to whether the covenants will be met at which time the lender could call the loan in default. 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 ratios. At September 30, 2009, the Company was in violation of covenants; however, the Company was granted a waiver of the covenants by the bank to November 10, 2009.

In connection with the sale of CBI Services and Fairfax Identity Labs, a principal payment of $250,000 was made to the bank. On November 10, 2009, the Company refinanced the remaining outstanding principal balance with the same bank for a three year term at prime plus 1.25%. This loan is classified in the consolidated balance sheet at September 30, 2009 as follows:

Current maturities of long term debt	$ 516,727
Long term debt less current maturities	2,526,760
	$ 3,043,487

NOTE 8. FAIR VALUE DISCLOSURE

The following table presents information about the Company's assets and liabilities which are measured at fair value, on a recurring basis as of September 30, 2009, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Investment securities, available for sale	$ 409	$ —	$ —
Liabilities:			
Interest Rate Swap	$ —	$ 27,526	$ —

Level 1 - Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. The types of assets and liabilities carried at Level 1 fair value generally are listed in active markets.

Level 2 - Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instruments anticipated life. Fair value assets and liabilities that are generally included in this category are certain corporate debt securities, and certain financial instruments classified as derivatives where fair value is based on observable market inputs.

NOTE 9. JOINT VENTURE

On March 28, 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 as of October 2008.

COMMONWEALTH BIOTECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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 be 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.

Exercise of the Put Option

On July 7, 2008, the Company completed a sale of stock subject to the $1 million put right with VPL. Under the terms of the put agreement, the Company sold 463,426 shares of common stock to VPL at a price of $2.15 per share. In consideration of the sale of shares, the Company received $500,000 in cash and 2,229,664 of VPL's ordinary shares. As of September 30, 2009, 5,832 shares remain to be sold.

NOTE 10. DISCONTINUED OPERATIONS

On September 23, 2008, the Company's wholly owned subsidiary, Exelgen Limited ("Exelgen") entered into administration under the jurisdiction of the High Court of Justice, Bristol District Registry, Chancery Division, in the United Kingdom (the "High Court"). Exelgen filed a Notice of appointment of an administrator, appointing PricewaterhouseCoopers LLP effective September 23, 2008.

Administration is the United Kingdom's insolvency process, which is governed by the Enterprise Act 2002. A company must be insolvent as defined in the Insolvency Act of 1986 in order to qualify for administration. Administration is designed to enable a business to be held together while plans are formed either to put in place a financial restructuring to rescue the company, or to sell the business and assets to produce a better result for creditors that would be achieved at liquidation. Exelgen is subject to the protection of the High Court and creditors' enforcement actions and will be automatically stayed while the administrators formulate plans to the sell the business and assets.

The Company's decision and approval by the Board of Directors to enter administration for the Exelgen operation was based upon various profitability analyses and projections. The subsidiary's inability to support existing operational costs despite restructuring, combined with the lack of securing new contracts, were key factors supporting this action. In the coming period, the appointed administrator will actively pursue the sale of these assets on an individual basis. Due to the lack of control of Exelgen by the Company, the Company has no further commitment to Exelgen.

As of September 23, 2008, the Company has deconsolidated the operations of Exelgen and recorded a loss related to the remaining net investment as a discontinued operation for the subsidiary.

COMMONWEALTH BIOTECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The components of the loss from the discontinued operations are as follows:

	For the three months ended		For the nine months ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Revenues	$ —	$ 341,328	$ —	$ 1,731,169
Cost of services	—	(1,023,678)	—	(2,325,441)
Gross Profit	—	(682,350)	—	(594,272)
Sales, general and administrative	—	127,891	—	316,176
Operating loss	—	(810,241)	—	(910,448)
Other income/(expense)	—	5,730	—	32,871
Interest expense	—	(23,950)		(121,148)
Loss on disposal of subsidiary	—	(293,298)	—	(293,298)
Loss from discontinued operations	**$ —**	**$(1,121,759)**	**$ —**	**$(1,292,023)**

NOTE 11. CANCELATION OF AGREEMENT WITH BIOSIGNAL LTD.

On July 22, 2009, the Company reached an agreement with Biosignal Ltd., an Australian biotechnology company, pursuant to which Biosignal was to complete a $1,600,000 investment in the Company and will agree to assign its biofilm technology to the Company. The biofilm technology is based around a family of natural products which disrupt bacterial colonization and thereby inhibit growth. Such biofilm disrupters are expected to be commercialized to support a variety of medical and industrial application.

Pursuant to the terms of a Share Subscription Agreement, Biosignal was to purchase 1,600,000 shares of the Company's common stock, without par value, for the purchase price of $1,600,000, paid in the form of a 12 month unsecured convertible note bearing interest at 10% per annum. To the extent Biosignal obtained shareholder approval, Biosignal could, at its option, convert the note and all accrued interest into the aggregate of 65,339,458 shares of Biosignal.

In addition, the Company and Biosignal were to enter into a Deed of Assignment to which Biosignal would convey certain intellectual property and contracts related to the development and possible exploitation of Biosignal's biofilm technology to the Company subject to the satisfactory completion of due diligence and other conditions. Biogignal would retain licensed rights to use this intellectual property to service some contracts that were not assigned to the company.

This transaction was canceled by the Company and Biosignal in August 2009.

NOTE 12. DELISTING AND REINSTATEMENT FROM NASDAQ

On July 24, 2009, The NASDAQ Stock Market notified CBI that CBI was to be delisted from the NASDAQ Capital Market as a result of (i) a failure to comply with NASDAQ Listing Rule 5550(b) due to a failure to maintain minimum stockholders' equity of $2.5 million and a failure to file a Form 8-K affirming compliance with Rule 5550(b), (ii) a failure to comply with NASDAQ Listing Rule 5635(a) due to a failure to obtain shareholder approval of an issuance of stock in excess of 20% of the pre-transaction shares outstanding in connection with the structure of a prior agreement with Biosignal, Ltd, an Australian company, and (iii) a failure to comply with NASDAQ Listing Rule 5250(e)(2)(D) due to a failure to timely file a Form LAS for that Biosignal issuance.

COMMONWEALTH BIOTECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

After receiving the July 24, 2009 notice, CBI and Biosignal agreed to terminate the earlier agreement and, subsequently, CBI filed a Form LAS in connection with a proposed amended and re-stated Biosignal Transaction thus bringing the company back into compliance with NASDAQ Rules 5635(a) and 5250(e)(2)(D). However, NASDAQ has determined that the Company has not met the requirements of Rule 5550(b). The Company appealed this decision under NASDAQ Rule 5800. The hearing was convened on September 3, 2009. On October 20, 2009, CBI was notified that the Hearing Panel granted the request of CBI to remain listed on The NASDAQ Stock Market through January 20, 2010, subject to the condition that, on or before January 20, 2010, CBI evidence shareholders' equity of at least $2.5 million or demonstrate compliance with one of the alternative listing criteria of NASDAQ Listing Rule 5550(b). Failure to meet the Listing Rule 5550(b) may result in CBI's delisting after such date.

NOTE 13. SUBSEQUENT EVENTS-BOSTWICK LABORATORIES

On July 16, 2009 the Company announced that an agreement has been signed with Bostwick Laboratories, Inc. ("Bostwick") for the sale of the assets of CBI's Fairfax Identity Laboratories ("FIL") and CBI Services divisions. Bostwick agreed to purchase such assets for a purchase price of $1,110,000, in cash and certain royalty payments to CBI over a five-year period. In addition, CBI will lease to Bostwick the building located at 601 Biotech Drive, Richmond, Virginia, housing the CBI Services and Fairfax Identity Laboratories. The lease is for a term of five years at $48,000 per month.

The sale to Bostwick was completed on November 2, 2009 resulting in net proceeds to the Company of $343,780. A reconciliation of the gross purchase price to net proceeds received by the Company is as follows:

Purchase Price	$1,110,000
Professional Fees	(282,235)
Payment to Mortgage Holder	(255,000)
Convertible Noteholders Escrow Funds	(200,000)
Real Estate Taxes	(26,426)
Filing Fees	(2,559)
	$ 343,780

The funds held in escrow may be paid to CBI if the note is satisfied through the issuance of stock instead of cash.

In connection with this sale, the Company issued 250,000 shares of restricted stock to the Convertible Note Holders.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following should be read in conjunction with the Company's Financial Statements and Notes included herein.

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 Mimotopes Pty Limited ("Mimotopes"), a subsidiary of CBI. In March 2008, the Company entered into a Joint Venture with Beijing-based, Venturepharm Laboratories, Ltd. in order to offer high throughput, low cost drug discovery services through new facilities in China. As of September 30, 2008 Exelgen Limited ("Exelgen") (formerly Tripos Discovery Research Ltd) was closed and is recorded on the financial statements as a discontinued operation.

Through September 30, 2009, CBI also provided services through CBI Services and Fairfax Identity Labs ("FIL"), two divisions that were sold to Bostwick Laboratories effective November 2, 2009. The remainder of this section discusses these divisions because they were part of CBI during the period covered by this report.

Business Units

Revenues from all 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, CBI Services and FIL have all developed a strong reputation as leading providers in their respective markets. Finally, in 2008 CBI entered into a Joint Venture with Beijing based Venturepharm Laboratories, Inc. in anticipation of being able to provide scale and scope to its current offerings. The areas of expertise and value propositions are outlined below.

At its Richmond, Virginia location, CBI Services' core competencies are in the area of genomics and proteomics, principally serving the early stage research and development needs of its clients. These support true drug discovery at the most fundamental stage but also support many of the pre-clinical needs of our clients and, most recently, several clinical trials are being supported. We provide these services under the FDA's Good Laboratory Practices (GLP) Guidelines (21CFR Part 58). CBI is also able to provide clinical trial support under Good Clinical Practices (GCP) Guidelines by virtue of its Clinical Laboratory Improvement Act (CLIA) certification. Finally, CBI is increasing its capability to provide Good Manufacturing Practices (GMP) support for drug product release and drug product testing criteria.

A unique feature of the Richmond location is its Bio-Safety Level 3 (BSL-3) laboratory and its CDC Registration for Select Agents. The Company has capabilities in the area of bacterial and viral organisms and a very strong program in bio-threat toxin analysis. This capability has been at the core of the Company's government-based contracts.

Also at the Richmond location is Fairfax Identity Laboratories (FIL). 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, and the Department of Health, State of New York. All testing is done under CLIA guidelines. Its employees have extensive laboratory and courtroom experience.

The sale of assets relating to CBI Services and Fairfax Identity Laboratories was approved at the 2009 Annual Meeting of Shareholders. This transaction was completed effective November 2, 2009 resulting in net proceeds to the Company of $343,780.

The Melbourne-based Mimotopes Pty Ltd was acquired by CBI in 2007. It provides world class research grade peptide synthesis and analysis. They also have several proprietary technologies for the preparation of peptide and small molecule libraries for drug discovery and for epitope analysis in support of its clients' vaccine development programs. They also have a formal peptide alliance with Genzyme Pharmaceuticals, a world class provider of GMP pharmaceutical grade peptides and also enjoys a strong relationship with GL Biochem, a Shanghai-based peptide synthesis and reagent company.

CBI's China based Joint Venture (JV) with Venturepharm Laboratories, Ltd was signed in March, 2008. As of September 30, 2009, no revenues have been generated as the development of the operations have taken longer than anticipated.

All business units 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 deliverables:

(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.

(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.

Going Concern

The accompanying financial statements have been prepared on a going concern basis which contemplates realization of assets and satisfaction of liabilities in the normal course of business. If Commonwealth Biotechnologies, Inc., (the "Company" or "CBI") is unable to improve operating results and meet its debt obligations, it may have to cease operations. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Losses for the Company were $633,204 and $3,787,662 for the quarters ended September 30, 2009 and 2008, respectively. For the quarters ended September 30, 2009 and 2008, losses from continuing operations were $633,204 and $2,665,903, respectively. Losses resulting from the discontinued operations were $0 and $1,121,759 for the quarters ended September 30, 2009 and 2008, respectively.

Total losses for the Company for the nine months ended September 30, 2009 and 2008 were $2,005,412 and $5,710,000 respectively. 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 nine months ended September 30, 2009 and 2008, losses from continuing operations were $2,005,412 and $4,417,977, respectively. Losses resulting from the discontinued operations were $0 and $1,292,023 for the nine months ended September 30, 2009 and 2008, respectively.

The Company generated positive cash flows in 2009 of $76,999 and negative cash flows in 2008 of $1,797,070. Net working capital as of September 30, 2009 and 2008 was ($2,672,513) and ($1,533,970) respectively.

The 2009 Period reflects cash used in operating activities of $34,013 as compared to cash used in operating activities of $1,670,805 during the 2008 Period. The reduction over the prior period resulted from savings in selling, general and administrative costs by the Company. Cash provided by investing activities for the 2009 Period was $64,381 in comparison to cash provided by investing activities of $30,616 in the 2008 Period. The net change relates primarily to the proceeds from the sale of the VenturePharm Stock. Cash provided by financing activities for the 2009 Period was $112,786 as compared to cash used in financing activities of $153,563 in the 2008 Period. This change is primarily a result of the decrease in principal payments on long term debt for the 2009 Period in comparison to the 2008 Period.

On November 10, 2009, the Company refinanced its Mortgage Obligation with the same bank for a three year term at prime plus 1.25% (see Note 7).

The Company also believes that it will be able to satisfy its current debt obligations with certain institutional investors (the "PIPE Investors") and Fornova through the issuance of common stock in lieu of cash payment. Subject to compliance with NASDAQ listing standards, the Company believes it will be able to satisfy its debt obligations.

The cash position of the Company will remain uncertain for the remainder of 2009. However, the Company will continue to address the immediate needs for cash and liquidity through an aggressive approach on a number of fronts. As indicated previously, when confronted with static revenues and declining cash reserves, management reduced staffing through layoffs and attrition and reduced or eliminated non-production related expenditures. Fiscal practices have been strictly enforced which restricts all material purchases to service on-going work only and serve to minimize all material inventories. Management will continue adhering to these policies for the foreseeable future.

The lack of adequate cash resulting from the inability to generate cash flow from operations or to raise capital from external sources would force the Company to substantially curtail or cease operations and would, therefore, have a material adverse effect on its business. The Company is actively exploring the availability of varying financial and strategic transactions, which, if consummated, would address the Company's need to improve its financial condition and/or its operations.

In July 2009, the PIPE Investors exercised it options on the principal and interest outstanding in the amount of $56,900 resulting in the issuance of 113,000 shares of the Company's stock. As of September 30, 2009, total principal outstanding to LH Financial was approximately $1,296,200.

On July 16, 2009 the Company announced that an agreement has been signed with Bostwick Laboratories, Inc. ("Bostwick") for the sale of the assets of CBI's Fairfax Identity Laboratories ("FIL") and CBI Services divisions. Bostwick agreed to purchase such assets for a purchase price of $1,110,000, in cash and certain royalty payments to CBI over a five-year period. In addition, CBI will lease to Bostwick the building located at 601 Biotech Drive, Richmond, Virginia, housing the CBI Services and Fairfax Identity Laboratories. Approval of this asset sale was obtained at the 2009 Annual Meeting of Shareholders. Closing of this transaction occurred on November 5, 2009 resulting in net proceeds to the Company of approximately $344,000.

On July 22, 2009, the Company reached an agreement with its PIPE investors to extend for 6 months its convertible note facilities of approximately $1.3M that matured on June 30 and has also received consent to suspend the financial covenants under such note facilities through the fourth quarter. During this period obligation under the note will continue to accrue. As part of the sale to Bostwick, the PIPE Investors received $200,000 that will be held in escrow until the notes mature or are satisfied through the issuance of common shares. Consequently, the Company may receive these funds should the PIPE Investors decide to satisfy the notes with common shares instead of cash.

There can be no assurance that any funds required during the next twelve months or thereafter can be generated from operations or that if such required funds are not internally generated that funds will be available from external sources, such as debt or equity financing or other potential sources.

During the last year, the Company's business has undergone substantial change in relation to size, scale and scope of activities. The Company has developed significant capacity in peptide chemistry through the acquisition of Mimotopes. In addition, resources have been invested in the establishment of VenturePharm Asia.

As a result of the above, there is substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability or classification of asset carrying amounts or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

The Company's independent auditors have included a paragraph emphasizing "going concern" in their report on the 2008 financial statements. These financial statements do not include any adjustments relating to the recoverability or classification of asset carrying amounts or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

Results of Operations

Three Months Ended September 30, 2009 Compared with Three Months Ended September 30, 2008.

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 decreased by $176,151 or 8.0% from $2,206,814 during the third Quarter of 2008 (the "2008 Quarter") to $2,030,663 during the third Quarter of 2009 (the "2009 Quarter").

Revenues realized from commercial contracts remained relatively flat during the 2009 Quarter showing a slight increase of $61,193 or 5.8%, from $1,046,869 in the 2008 Quarter to $1,108,062 in the 2009 Quarter.

Revenues realized from government contracts decreased by $207,517 or 34.6%, from $600,336 in the 2008 Quarter to $392,819 in the 2009 Quarter. This decrease is a result of the completion of two contracts in the beginning of the 2009 Quarter that were not replaced with additional work or contracts.

Genetic identity revenues decreased by $150,595 or 27.8%, from $542,414 in the 2008 Quarter to $391,819 in the 2009 Quarter. This decrease is primarily the result of a slowdown in international work orders.

Other revenue increased by $85,196, or 1,086.1%, from $7,844 in the 2008 Quarter to $93,040 in the 2009 Quarter. This increase is primarily the result of renting excess lab space at Mimotopes during the 2009 Quarter.

Cost of Services

Cost of services consists primarily of costs associated with direct materials, direct labor and overhead. Cost of services decreased by $235,627 or 12.6%, from $1,866,006 in the 2008 Quarter to $1,630,379 in the 2009 Quarter. Cost of services as a percentage of revenue decreased from 84.6% in the 2008 Quarter to 80.3% in the 2009 Quarter.

Direct materials decreased by $127,388 or 20.5% from $620,488 in the 2008 Quarter to $493,100 in the 2009 Quarter. The cost of direct materials as a percentage of revenue decreased from 28.1% in the 2008 Quarter to 24.3% in the 2009 Quarter. This decrease correlates to the decreases in the related revenue accounts.

Direct labor decreased by $47,715 or 9.1%, from $524,042 in the 2008 Quarter to $476,327 in the 2009 Quarter. The cost of direct labor as a percentage of revenue however, decreased from 23.7% in the 2008 Quarter to 23.5% in the 2009 Quarter. This decrease is primarily due to staff reductions in the 2009 Quarter.

Overhead represents costs such as indirect labor, depreciation, freight charges, repairs and miscellaneous supplies indirectly related to a particular project. Overhead remained relatively flat showing a slight decrease of $60,524 or 8.4% from $721,476 in the 2008 Quarter to $660,952 in the 2009 Quarter. The cost of overhead as a percentage of revenue decreased from 32.7% in the 2008 Quarter to 32.5% in the 2009 Quarter.

Selling, General and Administrative Expenses

Selling, 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. The Company sees SGA as a vital portion of the business however management has made the decision to reduce all costs associated with in these categories.

Total SGA costs decreased by $342,665 or 26.9%, from $1,274,743 in the 2008 Quarter to $932,078 in the 2009 Quarter. The cost of SGA as a percentage of revenue decreased from 57.8% in the 2008 Quarter to 45.9% in the 2009 Quarter.

Total selling and marketing costs decreased by $76,459 or 39.0%, from $196,183 in the 2008 Quarter to $119,724 in the 2009 Quarter. This decrease is primarily due to the reorganization of the sales and marketing team.

Total general and administrative expenses decreased by $92,559 or 12.4%, from $746,375 in the 2008 Quarter to $653,816 in the 2009 Quarter. Compensation costs decreased by $129,503, or 29.7%, from $436,293 in the 2008 Quarter to $306,790 during the 2009 Quarter. This decrease was primarily due to the resignation of Paul D'Sylva in early January and the reduction of salaries by management over the quarter. Professional fees increased by $69,563 or 31.9% from $217,726 in the 2008 Quarter to $287,289 in the 2009 Quarter. This increase results from the legal costs associated with the selling of the Company's assets. Associated office expenses decreased by $33,787 or 28.5% from $118,630 in the 2008 Quarter to $84,843 in the 2009 Quarter. This decrease resulted from the decision in 2009 to curtail all travel costs.

Other Income (Expenses)

Other income decreased by $1,616 or 91.0% from $1,775 during the 2008 Quarter to $159 in the 2009 Quarter resulting from the decrease in interest earning investments.

Other expenses remained decreased from $531,234 in the 2008 Quarter to $101,569 in the 2009 Quarter. Other expenses incurred by the Company include interest, amortization and loss on investment. Interest expense decreased by $56,706, or 39.8%, from $142,522 in the 2008 Quarter to $85,817 in the 2009 Quarter. Debt amortization decreased by $329,233 or 97.7% from $336,941in the 2008 Quarter to $7,708 in the 2009 Quarter. The reduction in interest expense and amortization is a result of the modification of LH Financial Debt in 2008. As a result of this modification the Company incurred a loss on debt extinguishment of $1,202,419 during the 2008 Quarter.

Realized losses decreased $43,816, or 84.5%, from $51,861 in the 2008 Quarter to $8,045 in the 2009 Quarter. This was due to the sale of the VenturePharm stock.

Discontinued Operations

On September 23, 2008, the Company's wholly owned subsidiary, Exelgen Limited ("Exelgen") entered into administration under the jurisdiction of the High Court of Justice, Bristol District Registry, Chancery Division, in the United Kingdom (the "High Court"). Exelgen filed a Notice of appointment of an administrator, appointing PricewaterhouseCoopers LLP effective September 23, 2008.

Administration is the United Kingdom's insolvency process, which is governed by the Enterprise Act 2002. A company must be insolvent as defined in the Insolvency Act of 1986 in order to qualify for administration. Administration is designed to enable a business to be held together while plans are formed either to put in place a financial restructuring to rescue the company, or to sell the business and assets to produce a better result for creditors that would be achieved at liquidation. Exelgen is subject to the protection of the High Court and creditors' enforcement actions and will be automatically stayed while the administrators formulate plans to the sell the business and assets.

The Company's decision and approval by the Board of Directors to enter Administration for the Exelgen operation was based upon various profitability analyses and projections. The subsidiary's inability to support existing operational costs despite restructuring, combined with the lack of securing new contracts, were key factors supporting this action. In the coming period, the appointed administrator will actively pursue the sale of these assets on an individual basis. The Company reported a loss from discontinued operations of $1,121,759 in the 2008 Quarter with the Exelgen operation.

Nine Months Ended September 30, 2009 Compared with Nine Months Ended September 30, 2008.

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 decreased by $1,086,402 or 14.8% from $7,351,630 in the 2008 Period to $6,265,228 in the 2009 Period.

Revenues realized from commercial contracts decreased by $988,692 or 23.9%, from $4,134,651 in the 2008 Period (the "2008 Period") to $3,145,959 in the 2009 Period (the "2009 Period"). Due to the current economic conditions many clients placed future projects on a temporary hold during the first six months of the 2009 period. Although the impact of these delays resulted in the above mentioned decrease for the 2009 period, the start up of some of these projects in the third quarter resulted in relatively flat revenues for the 2009 quarter.

Revenues realized from government contracts decreased by $92,770 or 7.2%, from $1,290,911 in the 2008 Period to $1,198,141 in the 2009 Period. This decrease is a result of the completion of two contracts in the beginning of the 2009 Quarter that were not replaced with additional work or contracts.

Genetic identity revenues decreased by $26,668 or 1.8%, from $1,442,194 in the 2008 Period to $1,415,516 in the 2009 Period. Decreases in international work during the 2009 Quarter were offset by increases during the first six months of 2009 resulting in relatively flat revenues for the 2009 period compared to the 2008 period. Increases in the first six months of 2009 were primarily the result of increased private and immigration testing.

Clinical testing revenues decreased by $222,481 or 68.4%, from $325,208 in the 2008 Period to $102,727 in the 2009 Period. This decrease resulted from the completion of a clinical trial testing that has not been renewed or replaced during the 2009 Period. As mentioned in commercial contracts, many clients have placed any future projects on a temporary hold.

Other revenue increased by $244,209 or 153.9%, from $158,666 in the 2008 Period to $402,875 in the 2009 Period. This increase resulted from two grants payments awarded from the Australian Government for Mimotopes in the amount of $150,000 and $85,707, respectively, and the renting of excess lab space by Mimotopes in the 2009 Quarter. Theses grants were export market development grants and were for the 2005 and 2006 years.

Cost of Services

Cost of services consists primarily of costs associated with direct materials, direct labor and overhead. Cost of services decreased by $594,989 or 10.8%, from $5,534,449 in the 2008 Period to $4,939,460 in the 2009 Period. Cost of services as a percentage of revenue increased from 75.3% in the 2008 Period to 78.8% in the 2009 Period. This percentage increase is a direct result of additional materials and labor needed to complete the existing work.

Direct materials decreased by $202,538 or 12.1% from $1,672,036 in the 2008 Period to $1,469,498 in the 2009 Period. The cost of direct materials as a percentage of revenue increased from 22.7% in the 2008 Period to 23.5% in the 2009 Period, respectively. This increase, as a percentage of revenue, correlates to the shift on a greater usage of materials for the existing projects.

Direct labor decreased by $173,491 or 10.7%, from $1,620,729 in the 2008 Period to $1,447,238 in the 2009 Period. The cost of direct labor as a percentage of revenue however, increased from 22.0% in the 2008 Period to 23.1% in the 2009 Period. The increase as a percentage of revenue primarily relates to the shift in revenues for projects on hand that are more labor intensive.

Overhead represents costs such as indirect labor, depreciation, freight charges, repairs and miscellaneous supplies indirectly related to a particular project. Overhead decreased by $218,960 or 9.8% from $2,241,684 in the 2008 Period to $2,022,724 in the 2009 Period. The cost of overhead as a percentage of revenue increased from 30.5% in the 2008 Period to 32.3% in the 2009 Period. Overhead costs in 2009 showed a modest reduction in all accounts from the 2008 Period to the 2009 Period.

Selling, General and Administrative Expenses

Selling, 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. The Company sees SGA as a vital portion of the business; however, management has made the decision to reduce all costs associated with in these categories.

Total SGA costs decreased by $1,218,641 or 33.0%, from $3,691,089 in the 2008 Period to $2,472,448 in the 2009 Period. The cost of SGA as a percentage of revenue decreased from 50.2% in the 2008 Period to 39.5% in the 2009 Period.

Total selling and marketing costs decreased by $440,883 or 55.1%, from $799,866 in the 2008 Period to $358,983 in the 2009 Period. This decrease is primarily due to the reorganization of the sales and marketing team.

Total general and administrative expenses decreased by $777,758 or 26.9%, from $2,891,223 in the 2008 Period to $2,113,465 in the 2009 Period. Compensation costs decreased by $472,293, or 34.2%, from $1,381,440 in the 2008 Period to $909,147 during the 2009 Period. This decrease was primarily due to the resignation of Paul D'Sylva (Chief Executive Officer) in early January and the reduction of salaries by management over the Period. Professional fees decreased by $26,391 or 3.8% from $703,283 in the 2008 Period to $676,892 in the 2009 Period. Across the board reduction in costs associated with legal, accounting and the Sarbanes Oxley requirements contributed to this decrease. Taxes and Licenses increased by $16,431 or 43.7% from $37,364 in the 2008 Period to $54,065 in the 2009 Period. The increase over 2008 was primarily due to a credit in 2008 on business taxes that was received by the Company. Associated office expenses decreased by $171,285 or 54.1% from $316,352 in the 2008 Period to $145,247 in the 2009 Period. This decrease primarily resulted from the decision in 2009 to curtail all travel costs.

Other Income (Expenses)

Other income decreased by $10,726 or 88.3% from $12,143 during the 2008 Period to $1,417 in the 2009 Period resulting from the decrease in interest earning investments throughout the year.

Other expenses incurred by the Company include interest, amortization and loss on investment. Interest expense decreased by $106,201, or 25.5%, from $415,788 in the 2008 Period to $309,587 in the 2009 Period. This resulted from a reduction in the swap agreement in the 2009 Period. Debt amortization decreased by $537,101 or 60.6% from $886,144 in the 2008 Period to $349,044 in the 2009 Period. The reduction in interest expense and amortization resulted from a reduction in the swap agreement in the 2009 Period and the refinancing and modification of the LH Financial Debt. As a result of this modification, the Company incurred a loss on debt extinguishment of $1,202,419 during the 2008 Period.

Realized losses increased by $149,657, or 288.6%, from $51,861 in the 2008 Period to $201,519 in the 2009 Period. This increase was primarily due to the sale of VenturePharm stock.

Discontinued Operations

On September 23, 2008, the Company's wholly owned subsidiary, Exelgen Limited ("Exelgen") entered into administration under the jurisdiction of the High Court of Justice, Bristol District Registry, Chancery Division, in the United Kingdom (the "High Court"). Exelgen filed a Notice of appointment of an administrator, appointing PricewaterhouseCoopers LLP effective September 23, 2008.

Administration is the United Kingdom's insolvency process, which is governed by the Enterprise Act 2002. A company must be insolvent as defined in the Insolvency Act of 1986 in order to qualify for administration. Administration is designed to enable a business to be held together while plans are formed either to put in place a financial restructuring to rescue the company, or to sell the business and assets to produce a better result for creditors that would be achieved at liquidation. Exelgen is subject to the protection of the High Court and creditors' enforcement actions and will be automatically stayed while the administrators formulate plans to the sell the business and assets.

The Company's decision and approval by the Board of Directors to enter Administration for the Exelgen operation was based upon various profitability analyses and projections. The subsidiary's inability to support existing operational costs despite restructuring, combined with the lack of securing new contracts, were key factors supporting this action. In the coming period, the appointed administrator will actively pursue the sale of these assets on an individual basis. The Company reported a loss from discontinued operations of $1,292,023 in the 2008 Period with the Exelgen operation.

Liquidity and Capital Resources

Operating, Investing and Financing Activities

Losses for the Company were $633,204 and $3,787,662 for the quarter ended September 30, 2009 and 2008 respectively. For the quarter ended September 30, 2009 and 2008, losses from continuing operations were $633,204 and $2,665,903 respectively. Losses resulting from the discontinued operation were $0 and $1,121,759 for the Quarters ended September 30, 2009 and 2008, respectively.

Total losses for the Company for the nine months ended September 30, 2009 and 2008 were $2,005,412 and $5,710,000 respectively. 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 nine months ended September 30, 2009 and 2008, losses from continuing operations were $2,005,412 and $4,417,977 respectively. Losses resulting from the discontinued operation were $0 and $1,292,023 for the nine months ended September 30, 2009 and 2008, respectively.

The Company generated positive cash flows in 2009 of $76,999 and negative cash flows in 2008 of $1,797,070. Net working capital as of September 30, 2009 and 2008 was ($2,672,513) and ($1,533,970) respectively.

The 2009 Period reflects cash used in operating activities of $34,013 as compared to cash used in operating activities of $1,670,805 during the 2008 Period. The reduction over the prior period resulted from savings in selling, general and administrative costs by the Company. Cash provided by investing activities for the 2009 Period was $64,381 in comparison to cash provided by investing activities of $30,616 in the 2008 Period. The net change relates primarily to the proceeds from the sale of the VenturePharm Stock. Cash provided by financing activities for the 2009 Period was $112,786 as compared to cash used in financing activities of $153,563 in the 2008 Period. This change is primarily a result of the decrease in principal payments on long term debt for the 2009 Period in comparison to the 2008 Period.

On June 16, 2009, LH Financial exercised it options on the principal and interest outstanding in the amount of 750,447 shares reducing the liability owed to LH Financial from $1,805,000 to $1,315,900.

On June 22, 2009, the registrant completed the issuance of an aggregate principal amount of $369,950 of subordinated notes (the "Notes") convertible into shares of the registrant's common stock, without par value per share ("Common Stock"), to 6 institutional investors (the "Investors"). The Notes mature on December 31, 2009, and have an interest rate of 8% per annum. The registrant will pay any interest and principal on the maturity date. Prior to maturity, a holder of a Note may convert such Note into shares of the registrant's Common Stock at a conversion price of $0.50 per share. The purchase price for the Notes was paid by the partial surrender of certain outstanding promissory notes and deemed payment of interest in connection therewith. According to the registrant's transfer agent, on June 22, 2009, the registrant had issued and outstanding 7,416,896 shares of common stock. The amount of common stock underlying the Notes represents less than 9.99% of the registrant's issued and outstanding common stock on June 22, 2009. Total shares exercised amounted were 750,447.

On July 22, 2009, the Company reached an agreement with its PIPE investors to extend for 6 months its convertible note facilities of approximately $1.3M that matured on June 30 and has also received consent to suspend the financial covenants under such note facilities through the 4th Quarter.

The Company also believes that it will be able to satisfy its current debt obligations with LH Financial and Fornova through the issuance of common stock in lieu of cash payment. Subject to compliance with NASDAQ listing standards, the Company believes it will be able to satisfy its debt obligations. Consequently, the outstanding principal balance at September 30, 2009 of $3,043,487 was reclassified from short-term to long-term debt.

The cash position of the Company will again remain uncertain in 2009. However, the Company will continue to address the immediate needs for cash and liquidity through an aggressive approach on a number of fronts. As indicated previously, when confronted with static revenues and declining cash reserves, management reduced staffing through layoffs and attrition and reduced or eliminated non-production related expenditures. Fiscal practices have been strictly enforced which restricts all material purchases to service on-going work only and serve to minimize all material inventories. Management will continue adhering to these policies for the foreseeable future.

The lack of adequate cash resulting from the inability to generate cash flow from operations or to raise capital from external sources would force the Company to substantially curtail or cease operations and would, therefore, have a material adverse effect on its business. The Company is actively exploring the availability of varying financial and strategic transactions, which, if consummated, would address the Company's need to improve its financial condition and/or its operations.

Sale of Assets

On July 16, 2009 the Company announced that an agreement has been signed with Bostwick Laboratories, Inc. ("Bostwick") for the sale of the assets of CBI's Fairfax Identity Laboratories ("FIL") and CBI Services divisions. Bostwick agreed to purchase such assets for a purchase price of $1,110,000, in cash and certain royalty payments to CBI over a five-year period. In addition, CBI will lease to Bostwick the building located at 601 Biotech Drive, Richmond, Virginia, housing the CBI Services and Fairfax Identity Laboratories. Approval of this asset sale was obtained at the 2009 Annual Meeting of Shareholders. Closing of this transaction occurred on November 5, 2009 resulting in net proceeds to the Company of approximately $344,000.

Overall Liquidity

During the last year, the Company's business has undergone substantial change in relation to size, scale and scope of activities. The Company has developed significant capacity in peptide chemistry through the acquisition of Mimotopes. This strategic transaction compliments the core capabilities in genomics and proteomics at CBI Services and FIL. In addition, resources have been invested in the establishment of VenturePharm Asia. The Company views this relationship as a key strategy in expanding production capabilities and services which will further the Company's ability to compete in the global market.

There can be no assurance that any funds required during the next twelve months or thereafter can be generated from operations or that if such required funds are not internally generated that funds will be available from external sources, such as debt or equity financing or other potential sources.

As a result of the above, there is substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability or classification of asset carrying amounts or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

The Company's independent auditors have included a paragraph emphasizing "going concern" in their report on the 2008 financial statements. These financial statements do not include any adjustments relating to the recoverability or classification of asset carrying amounts or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

Critical Accounting Policies

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

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.

Impairment of Long-Lived Assets

The Company reviews and accounts for the impairment of long-lived assets other than goodwill, including property and equipment and certain other non current assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Long-lived assets besides goodwill are reviewed for impairment when events or changes in circumstances indicate the carrying value of an asset may not be recoverable. For long-lived assets other than goodwill that are to be held and used in operations, an impairment is indicated when the estimated total undiscounted cash flow associated with the asset or group of assets is less than carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. As of September 30, 2009, no impairment charges were required. Based upon the financial condition and recent operating trends of the Company, future impairment of long-lived assets is possible.

Corporate Guidance

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:

- CBI's Board is composed of four independent and two employee directors.
- The independent directors serve on the three principal committees: Audit, Compensation and Nominating.
- 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 J. 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
- the Company's ability to hire and retain highly skilled employees,
- the Company's ability to raise additional equity financing, and
- the Company's inability to pay debt obligations.

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-Q, and 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4/4T. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Vice President, Finance (principal executive officer and principal financial officer, respectively) have concluded based on their evaluation as of September 30, 2009 that the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15c) under the Securities Act of 1934, as amended ("Exchange Act") were not effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by the Company under the Exchange Act is accumulated, recorded, processed, summarized and reported to management, including the Company's principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding whether or not disclosure is required.

Changes in Internal Control over Financial Reporting

In connection with the preparation of this Form 10-Q, management identified deficiencies in the design or operation of its internal controls that resulted in a material weakness. The material weakness was due to insufficient resources in the accounting and finance department resulting in ineffective review and preparation of its condensed consolidated financial statements including an inability to account properly for complex transactions.

A "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

The Company's management and Audit Committee are assessing the necessary resources required to properly prepare and review the financial statements. The resources being reviewed include additional staffing and/or identifying outside consultants to assist management in the preparation of the condensed consolidated financial statements.

PART II OTHER INFORMATION

Item 1. ***Legal Proceedings***

Not applicable.

Item 1A. ***Risk Factors***

Not applicable.

Item 2. ***Unregistered Sales of Equity in Securities and Use of Proceeds***

Not applicable. All sales of securities of the company during the period covered by this report have been previously reported on Form 8-K.

Item 3. ***Defaults upon Senior Securities***

Not applicable. The company has not been notified of any material default that remained uncured within 30 days after notification, other than as may have been disclosed on a report on Form 8-K.

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

The Company held its annual meeting on October 9, 2009, at which the following matters were approved by the referenced votes.

1. Election of Directors

Director	For	Against
Richard J. Freer	7,241,098	88,406
Eric V. Tao	7,253,018	76,486
Maria Song	6,973,980	355,524

2. Approval of the issuance of more than 20% of the Company's outstanding securities by modifying existing instruments, ratifying existing agreements, and issuing of new warrants.

2.1 Ratification of the Modification, Waiver and Acknowledgement Agreement between the Company and PIPE investors:

For	5,099,343
Against	23,650
Abstain	5,670

2.2 Ratification of the issuance of a convertible promissory note to Fornova Pharmaworld, Inc.:

For	5,086,193
Against	36,800
Abstain	5,670

2.3 Approval of the proposal to amend the "Fornova Note":

For	4,949,688
Against	175,325
Abstain	3,650

2.4 Approval of a proposal to issue Series A warrants to Fornova:

For	4,401,293
Against	721,720
Abstain	5,650

2.5 Approval of a proposal to issue Series B warrants to Fornova:

For	4,401,893
Against	721,120
Abstain	5,650

2.6 Approval of a proposal to issue Series A warrants Venturepharm Laboratories, Ltd.:

For	4,403,313
Against	721,700
Abstain	3,650

2.7 Approval of a proposal to issue Series B warrants Venturepharm Laboratories, Ltd.:

For	4,401,293
Against	721,700
Abstain	5,670

3. Approval of the issuance of a convertible note and warrants to Alpha Capital Anstalt:

For	4,530,424
Against	597,619
Abstain	620

4. Approval of the sale of the Company's CBI Services and Fairfax Identity Lab divisions:

For	5,066,333
Against	59,730
Abstain	2,600

5. Approval of the Company's 2009 Stock Incentive Plan:

For	4,459,374
Against	654,669
Abstain	14,620

6. Ratify the Appointment of Witt Mares PLC as the independent public accountants of the Corporation:

For	7,277,219
Against	99,968
Abstain	7,316

Item 5. Other Information

Not applicable.

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Item 6. ***Exhibits***

Exhibit Number	Description of Exhibit
3.1	Articles of Incorporation (1)
3.2	Articles of Amendment (2)
3.3	Third Amended and Restated Bylaws (3)
4.1	Form of Common Stock Certificate (1)
10.1	First Amended and Restated Employment Agreement for Richard J. Freer, Ph.D. (4)
10.2	First Amendment to First Amended and Restated Employment Agreement between the Company and Richard J. Freer, Ph.D. (5)
10.3	Second Amendment to First Amended and Restated Employment Agreement for Richard J. Freer, Ph.D. (6)
10.4	Subscription Agreement, dated as of December 31, 2007, by and between the Company and LH Financial (7)
10.5	Ancillary Agreement, dated as of March 28, 2008, by and between the Company and Venturepharm Laboratories Limited (8)
10.6	Convertible Promissory Note, dated as of August 29, 2008, from the Company to Fornova Pharmaworld Inc. (9)
10.7	Modification, Waiver and Acknowledgement Agreement, dated September 18, 2008, by and between the Company and LH Financial (10)
10.8	Convertible Promissory Note, dated as of June 22, 2009, from the Company to LH Financial (11)
10.9	Subscription Agreement, dated as of June 22, 2009, between the Company and LH Financial (11)
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10.11	Asset Purchase Agreement, dated as of July 16, 2009, between the Company and Bostwick Laboratories, Inc. (13)
10.12	Lease Agreement, dated as of July 16, 2009, between the Company and Bostwick Laboratories, Inc. (13)
10.13	Non-Competition Agreement, dated as of July 16, 2009, between the Company and Bostwick Laboratories, Inc. (13)
10.14	First Modification, Waiver and Acknowledgement Agreement, between the Company and Fornova, dated as of August 29, 2009 (14)
10.15	Share Exchange Agreement, between the Company and GL Biochem (Shanghai) Ltd and the shareholders thereof, dated as of September 1, 2009 (15)
31.1	Certification of Richard J. Freer, Ph.D. (16)
31.2	Certification of Vincent McNelley (16)
32.1	Section 906 Certification of Richard J. Freer, Ph.D. (16)
32.2	Section 906 Certification of Vincent McNelley (16)

(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 29, 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.
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(8) Incorporated by reference to the Company's Current Report on Form 8-K, dated April 2, 2008, File No. 001-13467.
(9) Incorporated by reference to the Company's Current Report on Form 8-K, dated September 10, 2008, File No. 001-13467.
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(15) Incorporated by reference to the Company's Current Report of Form 8-K, dated September 1, 2009, File No. 001-13467.
(16) Filed herewith.

COMMONWEALTH BIOTECHNOLOGIES, INC.

SIGNATURES

In accordance with the requirements 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/ VINCENT MCNELLEY

Vincent McNelley
Acting Principal Financial Officer
and Acting Principal Accounting Officer

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COMMONWEALTH BIOTECHNOLOGIES, INC.

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(16) Filed herewith.

Exhibit 31.1

CERTIFICATION

I, Richard J. Freer, Ph.D., certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q 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 smaller reporting company as of, and for, the periods presented in this report;

(4) The smaller reporting company's other certifying officer 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 smaller reporting company 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 smaller reporting company, 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 smaller reporting company'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 smaller reporting company's internal control over financial reporting that occurred during the smaller reporting company's most recent fiscal quarter (the smaller reporting company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the smaller reporting company's internal control over financial reporting; and

(5) The smaller reporting company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the smaller reporting company's auditors and the audit committee of the smaller reporting company'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 smaller reporting company'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 smaller reporting company's internal control over financial reporting.

Date: November 16, 2009

/s/ Richard J. Freer, Ph.D.
Richard J. Freer, Ph.D.
Chief Operating Officer

Exhibit 31.2

CERTIFICATION

I, Vincent McNelley, certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q 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 smaller reporting company as of, and for, the periods presented in this report;

(4) The smaller reporting company's other certifying officer 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 smaller reporting company 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 smaller reporting company, 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 smaller reporting company'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 smaller reporting company's internal control over financial reporting that occurred during the smaller reporting company's most recent fiscal quarter (the smaller reporting company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the smaller reporting company's internal control over financial reporting; and

(5) The smaller reporting company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the smaller reporting company's auditors and the audit committee of the smaller reporting company'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 smaller reporting company'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 smaller reporting company's internal control over financial reporting.

Date: November 16, 2009

/s/ Vincent McNelley
Vincent McNelley
Acting Principal Financial Officer and Acting Principal Accounting Officer

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 Quarterly Report of Commonwealth Biotechnologies, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2009 as filed with the Securities and Exchange Commission on November 16, 2009 (the "Report"), I Richard J. Freer, Ph.D., Chief Operating Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 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.

November 16, 2009

/s/ Richard J. Freer, Ph.D.
Richard J. Freer, Ph.D.
Chief Operating 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-Q for the period ending September 30, 2009 as filed with the Securities and Exchange Commission on November 16, 2009 (the "Report"), I, Vincent McNelley, Acting Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 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.

November 16, 2009

/s/ Vincent McNelley
Vincent McNelley
Acting Principal Financial Officer and Acting Principal Accounting Officer