

Aduro Conference Call

Remarks by Stephen Isaacs, President and CEO

September 10, 2009

Good morning, this is Stephen Isaacs, and I'm pleased to welcome you to our conference call today. Joining me on today's call are Dr. Dirk Brockstedt, Aduro's Director of Research, Mr. David Model, Aduro's acting CFO, Dr. Steven Barry, Aduro's Vice President for Strategic Development, and Dr. Kang Lee, the CEO of Aspen Systems and CanSol Incorporated. We're also joined today by Joe Luchesse and Philip Taub from Foundation Ventures of New York, who are assisting Aduro with venture financing. I'm holding this call today to provide an update on Aduro's activities and to inform you about recent developments at the company. I'm going to proceed by giving everyone on the call an overview of what we're doing in several areas of interest to our shareholders, and then I'll talk about our plans for financing the company. This overview should take about twenty minutes, and then I'll open the call up for questions.

I need to remind you that during this call, I will be making forward-looking statements that involve certain risks and uncertainties, and that our actual results may differ significantly and materially from the results described in these statements. While we remain optimistic about our ability to make Aduro a viable and successful biotechnology company, there's obviously no way we can guarantee this outcome.

I've organized today's call into three primary sections. The first topic I'll discuss is the thermotherapy development program, which has been the central focus of Aduro's activity since the merger with Triton Biosystems in March of 2008. As you may recall, the

thermotherapy program, which was initially developed by Triton, was brought into Aduro as a more advanced technology than the STAR program at Oncologic. While thermotherapy does indeed hold promise as a future cancer therapy, it has proved difficult to fund in the current financial environment. Due to the dearth of funding options for the thermotherapy program, and because of a new and more compelling opportunity for Aduro, which I'll discuss in a few moments, we have decided to out-license the thermotherapy technology to a new company being formed by Dr. Lee. Aduro will be a significant shareholder in the new company, and Dr. Barry will remain with the program and lead the product development effort. Dr. Lee is with us today, and will share his vision for the program a little later in the call. The second topic I'll discuss is Aduro's decision to focus on a new opportunity in the field of immunotherapy. This change in direction provides Aduro with a significantly more advanced technology that has already been in three clinical trials for both cancer and infectious disease. To take advantage of this opportunity, Aduro successfully put bridge funding in place in late June, and in July hired the technical team to continue development of the immunotherapy technology. The team is lead by Dirk Brockstedt, and includes several key scientists and advisors who have been working on the program for over seven years. Aduro has signed an agreement to acquire the intellectual property portfolio that protects the immunotherapy platform, and we've brought in a significant amount of grant and contract funding to support the development effort. As a result, Aduro is now an immunotherapy company fully committed to the development of a new and exciting technology for the prevention and treatment of both cancer and infectious disease. My third and final topic today will be financing, and I'll discuss our strategy for funding the company. I'll also elaborate on some very good news that we received yesterday,

confirming federal awards in excess of 2.7 million dollars from the Department of Defense and the National Institutes of Allergy and Infectious Diseases to help fund our immunotherapy development programs.

I'll now address the status of the thermotherapy program, and discuss our decision to out-license the program to Dr. Lee. Following my remarks, Dr. Lee will spend a few minutes telling you about his vision for the future of the thermotherapy program, and how he intends to move it forward. As you may recall, Aduro was formed to take advantage of the thermotherapy technology developed by Triton Biosystems, and to move beyond the early-stage STAR technology that was the focus of Oncologic for several years. In March 2008, the two companies agreed to merge and form Aduro BioTech, and the thermotherapy development program became the central focus of Aduro. At the time of the merger, the thermotherapy program was viewed as a promising approach to a new type of cancer therapy, which offered a number of potential advantages. In earlier work, Triton Biosystems had established proof-of-concept in animals, and had published the results in the scientific literature. There was interest from Dartmouth University in collaborating to develop the thermotherapy technology, and to eventually start a human clinical trial. Aduro believed it could be in the clinic within twenty-four months and gather data that would provide additional funding opportunities. It was further thought that thermotherapy would provide multiple product and partnering opportunities, and there was a significant intellectual property portfolio underlying the technology. And finally, there were a number of investors who were interested in supporting the development program, and these investors were willing to participate in the merger.

Following the completion of the merger, Aduro's sole activity was the development of the thermotherapy technology. Aduro's priority was to move the basic science pioneered by Triton into human clinical trials as quickly as possible. Aduro believed that demonstration of efficacy against human tumors would be a major leap forward and would provide further opportunities for the company. Accordingly, the decision was made to prioritize a direct inject approach, as this was deemed to be fastest path, and to conduct the clinical trial at Dartmouth. Breast cancer was selected as the lead indication, in which the thermotherapy process would be applied in advance of a lumpectomy or mastectomy procedure. We engaged the clinical staff at Dartmouth, prepared a clinical protocol that focused on breast cancer and we held a series of meetings with the Dartmouth clinicians to review and discuss the clinical details and to prepare for the trial. We manufactured the appropriate particles for the trial under GMP regulations, and we initiated the construction of the clinical device that would be used to generate the requisite alternating magnetic field to heat the particles. We retained a regulatory consultant to prepare for interactions with the FDA, and we put a package together for submission to FDA that was provided to the agency to facilitate discussion concerning the clinical trial protocol. The FDA interaction occurred on January 23 of this year between Aduro and the Center for Devices and Radiological Health. CDRH is the division of FDA that regulates devices or drug-device combination product. In the course of the meeting, Aduro received valuable advice on what CDRH wanted to see before the clinical trial could be approved, and their comments were both reasonable and prudent, and no major roadblocks were established.

The next step in the process was for Aduro to obtain funding to conduct the clinical trial, and this is where serious issues arose. While Aduro had done a good job of preparing for

the trial, it was necessary to raise significant capital to pay the trial costs. The projected budget for the next 12-month period was approximately 12 million dollars. To meet this need, Aduro attempted to raise new financing in October of 2008, which unfortunately coincided with the severe downturn in the global economy. While the thermotherapy story was well received by the investment community, there were simply no takers. As a result, the company put a bridge round in place in early 2009, while continuing to try to raise the funds required to continue operations and to conduct the clinical trial. However, by May of 2009, it was clear that obtaining the required funding was very unlikely. The unfortunate reality was that there was simply no appetite for an unproven, early-stage technology that lacked a clinical foundation, and that the thermotherapy program was not going to go forward in the current economic environment. The decision was made in late May to lay off most of the staff, and to terminate work on the program.

Coincident with the termination of laboratory work, Aduro entered into discussions with Dr. Kang Lee, who was formerly on the Board of Triton Biosystems. Dr. Lee expressed an interest in licensing the technology, and to use his contacts in Korea to procure funding for product development. In late August 2009, an agreement was reached to license the technology to Dr. Lee. Under the terms of the License Agreement, Aduro will receive a one-time cash payment, a 5% royalty on future sales, and, potentially, two payments of 1 million dollars each if Dr. Lee elects to maintain global rights and potentially buy out the royalty, in 2011 and 2012, respectively. Dr. Lee will assume all outstanding expenses related to the program, and Aduro will hold a 25% interest in the new company formed by Dr. Lee. Finally, Aduro will also have a right to appoint a director of the new company.

While the thermotherapy program did not work out as we hoped for Aduro, I'm pleased to report that we've found a good solution, and we're now in a position to benefit from future success. Dr. Lee is highly motivated to fund the program, and is well connected to do so. He has a history of successful fund-raising for start-ups and has raised very significant amounts of capital for his current company's spin-offs. Finally, we'll work closely with Dr. Lee to help him succeed. I'd now like to ask Dr. Lee to share with you his vision for the thermotherapy program going forward.

(Kang Lee) I have been an enthusiastic supporter of the magnetically energized thermotherapy ever since it was developed within Triton Systems, Inc. In fact, I have assisted the previous CEO of Triton Biosystems, Inc. in fundraising efforts. I have always strongly believed that our thermotherapy technology can bring about a revolution in medicine especially in the treatment of cancer. As Steve Isaacs mentioned, however, the venture capital climate for biotech companies has been dismal over the past several years. As we go forward, I would like to pursue slightly different method of funding vehicles to get the thermotherapy technology to the market. The proposed method is a combination of private funding leveraged by a large amount of government funding. As an example, Aspen Systems, Inc., since I founded it in 1984, has a demonstrated track record of developing advanced technologies under government funding and then successfully commercializing them by combination of government funding and private funding to the tune of 250 million dollars that we raised since 2001. Since 2002, Aspen Systems, Inc. has been ranked at 100% by the US Department of Defense among close to 20,000 small businesses in the US in terms of successful commercialization of world leading multi-discipline technology products and has been a subject of Harvard Business School since 2002.

In addition to private funding, we will utilize our proven expertise and connections to get a significant amount of the non-dilutive funding from the US government to further develop and commercialize the Magnetically Energized thermotherapy.

I plan to start two companies: one in Korea, called CanSol, Inc. (with geographical territory of Asia and Oceania) and the other in the US, called Aspen Medical, Inc. (with geographical territory of Americas and Europe). These two companies will be set up in such a way to help each other in the development of new therapies through cross-licensing arrangement. This way, we will be able to take the thermotherapy to the market much faster and for more indications or diseases than is possible with one company.

It is a real pleasure and privilege to work with a worldwide team of experts consisting of Dr. Na of Korea, who has been just appointed to the United Nations Panel on Biotechnology Initiative, Dr. Tom Budinger, Dr. Jack Hoopes of Dartmouth, Dr. Susan Braunhut of UMass Lowell, Allan Foreman, and Dr. Steve Barry. I am committed to make it a success with their enthusiastic participation and with assistance from Steve Isaacs.

(Stephen Isaacs) Thank you Kang. We share your enthusiasm for the future of thermotherapy, and we'll of course do all we can to help you succeed. As a final note on licensing agreements, I want to inform our shareholders that Aduro has recently licensed the STAR technology to David Rose. Aduro received a one-time cash payment, maintains a non-exclusive license for certain applications, and will receive a favorable royalty on any products that come from the technology.

I'm now going to turn to the immunotherapy program, which is the current focus of Aduro. The immunotherapy technology is a clinical stage program that was previously developed by the Cerus Corporation and Anza Therapeutics. I was actually responsible for

starting this program back in 2002 when I was of CEO Cerus, and we took on this project as a new opportunity program. Together, Cerus and Anza have invested approximately 50 million dollars in preclinical and clinical development over the past seven years, and there have been three clinical trials in cancer and infectious disease. Aduro recently signed an agreement to acquire rights to the intellectual property for the immunotherapy technology, and in July we hired the key members of the technical team. This action was financed by an 825 thousand dollar bridge that was put in place in late June, and we currently have funding to support operations through October.

The immunotherapy technology is directed at the treatment and prevention of a variety of cancers and infectious diseases, and it utilizes the genetically engineered bacterium *Listeria monocytogenes* to specifically stimulate the immune system so that it recognizes and kills pathogen-infected and cancerous cells. Aduro has developed two distinct *Listeria* platforms that we refer to as live attenuated and killed but metabolically active. Both of the platforms are “modular”, and with the proprietary molecular tools already developed, Aduro can engineer the *Listeria* vector to specifically target a variety of disease indications. The goal of the *Listeria* program is to develop therapeutic and prophylactic vaccines based on the two proprietary vaccine platforms derived from *Listeria*, which has properties that are superior to competing technologies, including 1) enhanced ability to stimulate both the innate and adaptive immune response, 2) the ability to boost immunity upon repeat administration and 3) the simplicity of manufacturing at a fraction of the cost compared to competing technologies. In late April 2009, Seattle-based Dendreon announced a successful Phase 3 clinical trial of its Provenge® prostate cancer vaccine, which is predicted to become a one billion dollar product. Provenge® is a “custom vaccine”

and must be manufactured from the patient's own tumor cells in a laborious and expensive process. Unlike Provenge®, the Aduro *Listeria* vaccine will be provided as an "off the shelf" lyophilized powder that is relatively inexpensive to manufacture and is suitable for administration by intravenous or intramuscular injection for a variety of indications. GMP [good manufacturing practice] grade clinical material has been produced at production scale for the treatment of Hepatitis C and is currently available for use. Finally, proof-of-concept for both the prevention and treatment of different types of cancer has been established in animal models.

Aduro's current focus is to prioritize the clinical evaluation of the immunotherapy platform for treating patients chronically infected with the Hepatitis C virus in partnership with the Johns Hopkins University, and Aduro believes significant human results can be obtained within 18 months. Successful validation in humans will potentially provide a significant increase in Aduro's valuation, which would provide the opportunity to raise additional capital, engage a corporate partner for program support, or pursue an early exit strategy. Aduro is currently in negotiations with Novartis Vaccines for a sponsored research agreement concerning certain applications of the immunotherapy technology, and this association may lead to a more significant relationship between the two companies in the coming months.

Aduro's immunotherapy technology has been published in first-tier scientific journals, and has also been the cover story in Nature Medicine. There are many advocates for the technology, and it's received positive reviews from many leading workers in the field, and we most recently presented the program to Dr. Robert Gallo, the co-discoverer of the AIDS virus. The *Listeria* technology entered clinical trials about two years ago and was

first evaluated for safety in cancer patients. There were nine patients treated in an escalating dose study, and no adverse events were observed. A second safety trial in patients with four different kinds of cancer again showed good safety results, and gave hints of efficacy as well. The third trial was in patients that were chronically infected with Hepatitis C, and this is where Aduro intends to focus. One patient in the third trial experienced a non-productive cough, which may or may not have been related to the experimental treatment. As a result of this event and other financial and timing issues of importance to the venture group, Anza and its venture partners elected to discontinue the program, which is the reason that the technology became available. Aduro does not believe that this single event will prove significant in terms of the safety and value of the technology, and believes that the availability of the technology is an extraordinary opportunity for Aduro.

An important change in the new clinical protocol will alter the route of administration from intravenous to intramuscular injection and we anticipate this change will have a major impact on the clinical outcome. Aduro's plan is to be in human clinical trials for Hepatitis C in approximately one year, and to generate important clinical results within 18 months. Two additional cancer trials are also planned to start within this timeframe.

We're very excited about the potential that immunotherapy holds for both the patients receiving the therapy and for Aduro as a company. The immunotherapy approach is an advanced program with significant clinical experience, and can provide a realistic opportunity to finance the company. In today's environment, it's critical to have clinical data, and Aduro is now in that position. The combination of multiple targets in both cancer and infectious disease with existing clinical data provides Aduro a real chance to obtain

significant funding to move the programs forward. In recognition of the significance and importance of the approach, Cerus and Anza obtained over 15 million dollars in non-dilutive financing through various governmental and non-governmental agencies. These included the National Institutes of Health, the Department of Defense and several NGO's sponsored by the Gates Foundation. Disease targets that have been studied include cancer, hepatitis, HIV and several bio-terror pathogens. Aduro will benefit from this history with federal agencies, and has already been successful in obtaining 2.7million dollars in existing grants and contracts. There are two additional programs for malaria and tuberculosis that Aduro expects to transfer shortly, which should provide an additional million dollars of support. Beyond existing grants, Aduro is also applying for new support from several agencies, and the technology is currently included in the 2010 Defense Appropriations Request for additional funding. Based on the successful history with grants and contracts, we're very optimistic that this will remain a viable means of support for product development as we move the technology forward,

FINANCING

I'm now going to review our plans for financing the company. In order to continue the immunotherapy program, Aduro must raise money in September. There are existing obligations to maintain the intellectual property estate that must be met, and there's a need to raise operating funds as well. To address these needs, we've come up with a two-part financing strategy. In part 1, we plan to deal with our immediate needs by raising an initial 2 million dollars. To ensure this is accomplished, we're providing very favorable terms for this offering. This initial 2 million dollars will be supplemented with between 2.7 and 3.7

million dollars in existing and new grants and contracts, which will provide adequate funding for approximately one year. The offering will be attractively priced and investors in this A-1 round will receive a significant position in the company in return for their investment. Because of the attractive pricing, an investment in the A-1 round offers existing shareholders a way to maintain their position in the company; however, this unfortunately will translate into a significant dilution for existing shareholders who do not participate. Following the initial 2million dollar placement, we're planning a more substantial raise of 8-10 million dollars in the venture market. We're currently working with Foundation Ventures of New York to place this second tranche, and anticipate doing so in the coming months

These financing transactions will require that the Company obtain shareholder approval on several matters. You will shortly receive a package of documents from us asking you to provide these approvals. I hope we can count on you to approve those matters promptly so that we can meet our transaction deadlines. Please contact me if you have any questions about the materials when you receive them

Aduro believes that the immunotherapy technology is a significant investment opportunity for a number of reasons. First, there was a prior investment of over 50 million dollars in technology development over the past seven years. This investment resulted in a highly successful basic science program with over 20 publications in leading journals. The technology is advanced in terms of product development, and manufacturing hurdles have already been met. The program is clinical stage and has already been in three clinical trials, which generated safety and efficacy data. There's a strong intellectual property position in place, and the immunotherapy program has repeatedly received significant amounts of non-

dilutive grant and contract funding. And finally, there is the opportunity for near-term human clinical validation of the immunotherapy platform, with significant upside potential.

In summary, Aduro is currently seeking 2 million dollars in Series A-1 preferred stock funding, and will seek an additional 8-10 million dollars in venture-backed Series B funding after the initial 2 million dollars has been placed. Aduro anticipates receiving between 2.7 and 3.7 million dollars in non-dilutive grant and contract revenue during the first year, and will use this combined revenue to accomplish number of major milestones. Aduro expects to enter clinical trials within the first year of the program, and to have significant human data within 18 months. Aduro believes a successful clinical trial outcome in Hepatitis C will have a major impact on Aduro's valuation, and will enable further funding and corporate partnering opportunities.

Of course there are risks, and a positive outcome cannot be assured. Because of the risks and the minimal offering documentation that we will be preparing, we are limiting the financing to a small group of accredited investors, and we will not be making a general rights offering to our shareholders. However, if any of you are interested in participating, please let me know and we will provide you with additional materials about the financing including the Term Sheet for the transaction.

I'll now be happy to take your questions.