



**CBIO LIMITED
(ACN 094 730 417)**

PROSPECTUS

A non-renounceable rights issue of approximately 60,058,036 New Shares on the basis of three (3) New Shares for every eight (8) Shares held at an issue price of \$0.18 per New Share to raise up to approximately \$10.8 million. Applications may also be made for shares from the shortfall in acceptances (if any). The Rights Issue (and shortfall) is underwritten to \$10.8 million by Zheng He Securities Pty Ltd (ABN 48 147 566 178), Australian Financial Services Licence No. 392360 on the terms set out in this Prospectus.

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY

If you do not understand its contents, you should consult your stockbroker, accountant or other professional adviser without delay. This prospectus ("this Prospectus") is dated 5 September 2011. A copy of this Prospectus was lodged with the Australian Securities & Investments Commission ("ASIC") on the same date. Neither ASIC nor ASX Limited ("ASX") nor their respective officers take any responsibility as to the contents of this Prospectus. This Prospectus has been prepared in accordance with Section 713 of the Corporations Act.

The securities offered under this Prospectus are considered speculative.

The Rights Issue described in this Prospectus is only addressed to, and directed at, persons who are Shareholders of the Company on the Record Date whose address in the Company's register of members is in Australia or New Zealand. Applicants for shortfall must satisfy the conditions stated in this Prospectus.



**This Offer is Underwritten by Zheng He Securities Pty Ltd (ACN 147 255 178)
Australian Financial Services Licence No. 392360**

CORPORATE DIRECTORY

Company

CBio Limited, ABN 76 094 730 417

Registered Address

CBio Limited
85 Brandl Street
Eight Mile Plains
Brisbane Qld 4113
www.cbio.com.au

Directors

Mr Stephen Jones	Executive Chairman
Mr Jason Yeates	Managing Director and CEO
Dr Göran Ando	Non-Executive Director
Dr Peter Corr	Non-Executive Director
Dr Thomas Lönngren	Non-Executive Director
Dr Terje Kalland	Non-Executive Director
Professor John Funder	Non-Executive Director
Dr Michael Monsour	Non-Executive Director
Mr James Greig	Finance Director

Company Secretary

Mr Ben Graham

Share Registry

Link Market Services Limited
Level 15, 324 Queen Street
Brisbane Qld 4000
Ph 1300 554 474 or +61 2 8280 7454
www.linkmarketservices.com.au

Auditor

Ernst & Young
1 Eagle Street
Brisbane Qld 4000
www.ey.com/au

Lead Manager and Underwriter to the Offer

Zheng He Securities Pty Ltd
Australian Financial Services Licence No. 392360
Level 9, 468 St Kilda Road
Melbourne VIC 3004
Ph +61 3 9988 5888
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TIMETABLE

Event	Date
Lodgement of Prospectus	5 September 2011
Notice of Rights Issue sent to shareholders	5 September 2011
“Ex” date (the date Shares are quoted ex-rights)	7 September 2011
Record date to identify Shareholders entitled to participate in the Rights Issue	13 September 2011
Despatch of Prospectus, Entitlement and Acceptance Forms	19 September 2011
Closing Date	7 October 2011
Securities quoted on a deferred settlement basis	10 October 2011
Notification to ASX of under subscriptions	12 October 2011
Despatch date of holding statements. Deferred settlement trading ends.	17 October 2011

The above dates should be regarded as indicative only. Subject to the Corporations Act, the Listing Rules and other applicable laws, the Company reserves the right to change the above dates, to close the Offer before the date stated above, to extend the Closing Date and subsequent dates, or not to proceed with the Offer described in this Prospectus. No securities will be issued on the basis of this Prospectus after 4 October 2012, being the expiry date of this Prospectus.

For the purposes of Listing Rule 7.2 (exception 3) and subject to the terms of the Underwriting Agreement detailed in Section 12, the Company reserves the right to place shortfall shares at its discretion within three months of the close of this Offer.

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1. LETTER FROM THE EXECUTIVE CHAIRMAN

Dear Shareholder,

I am pleased to provide to Eligible Shareholders this Offer for New Shares in CBio Limited. The Company is conducting a non-renounceable rights issue of 3 New Shares for every 8 existing Shares at an Issue Price of \$0.18 to raise up to approximately \$10.8 million.

The primary purpose of this Offer is to fund the continuation of development and commercialisation activities of CBio's leading drug candidate, XToll. Specifically, funds raised from this Offer will go towards costs associated with on-going engagement and discussions with numerous pharmaceutical companies, a Phase I study in a new disease indication, mechanism of action studies, drug manufacturing and production activities, IP activities and general working capital.

The Company recently announced the headline results of its phase IIa clinical trial in rheumatoid arthritis. Your Board's view is that the results achieved are sufficient to warrant the continuation of activities in pursuit of a commercial transaction with a pharma company. These interactions with pharma companies are integral to the Company's future and will be the main focus for the Company's resources over the rest of the 2011 calendar year. Other planned development activities will produce data which will help us to better understand XToll and therefore its commercial potential.

In order to realise the value of the asset which CBio is developing, the company must conclude a commercial transaction with a pharmaceutical or development partner. Detailed discussions are planned and in some cases underway and the need to be adequately funded whilst these discussions are taking place is paramount. Accordingly, any opportunity to realise value cannot take place unless adequate and timely funding is available.

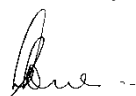
The Issue Price has been determined having regard to the market price for the Company's shares and represents approximately a 31% discount to the last traded price on 31 August 2011.

Eligible Shareholders may accept their entitlement and in doing so avoid a relative dilution in their holding. Eligible Shareholders may also wish to apply for additional shares in excess of their entitlement. The Directors believe the Issue Price is attractive having regard to the Company's continued progression through program milestones since IPO.

The Company is pleased to advise that this Offer is underwritten by Zheng He Securities Pty Ltd ("ZHS"), on the terms set out in Section 12 of this Prospectus, and ZHS has been appointed as Lead Manager to the Offer. To the extent there are any Shortfall Shares remaining at the close of the Offer after taking into account Eligible Shareholders taking up their rights and additional shares and subscriptions for Shortfall Shares, then ZHS will subscribe to take-up the remaining shortfall subject to the terms and conditions of the Underwriting Agreement in place with ZHS.

I encourage you to read this Prospectus in full and consult your stockbroker, accountant or professional adviser, before making your investment decision. On behalf of the Board of Directors, I commend this Offer to you.

Yours sincerely



Stephen Jones
Executive Chairman

2. COMPANY UPDATE

Company status

- Phase IIa RA clinical trial headline results announced Q3 2011. Final report due in Q4 2011
- External feedback on trial data is that CBio should continue its commercialisation and development activities
- Commercial discussions regarding the licensing and onward development of XToll continue with potential pharmaceutical partners and clinical trial data is under review by a number of global companies
- CBio continues to add value to its primary asset by preparing for further stages of clinical development including preparations for phase IIb/III trials, FDA interactions, mechanism of action studies, drug formulation studies, the continued enhancement of the patent portfolio, and the initiation of a phase Ib safety study in a new indication (lupus)
- CBio has an Option Agreement with Novo Nordisk that grants Novo Nordisk the first right to negotiate a licence for the XToll technology

Novo Nordisk Option Agreement: decision timeframe

- The final clinical trial report will be provided to Novo Nordisk in October 2011
- Pursuant to the terms of the Option Agreement, Novo Nordisk has up to 60 days from the receipt of the final report to exercise its Option to negotiate a licensing deal for the XToll technology

Phase IIa RA clinical trial in XToll

- 155 patient placebo-controlled study
- Trial design: 3 month primary trial plus 3 month extension trial
- As per FDA guidance all patients were on a stable dose of the gold-standard RA therapy methotrexate (MTX) for the duration of the trial
- Primary trial endpoint 12 weeks
- Total trial duration 24 weeks
- A 52 week long-term follow-up study was offered to some patients

Feedback by the CBio Board of Directors and external consultants in the fields of RA pharmaceutical development and rheumatology

- Biological and clinical signals are evident
- Safety is strong
- Trial data supports the view that XToll appears to work to restore a balanced immune system
- XToll remains novel, unique and scientifically without global pipeline competition
- CBio should move forward with development plans and focus on securing a commercial partner
- CBio should continue to add value to its asset while carrying out commercialisation activities
- Data received and analysed to date forms a solid foundation for future dose-ranging and registration (phase IIb/III) clinical trials and that CBio should begin planning now for these events to add value to the asset by minimising potential time to market for any potential commercial partner

Week 12 primary endpoint - headline results

ACR20 response (a composite score requiring at least a 20% improvement across 5 separate disease measures)

- 42% in 75mg XToll (+MTX) group, 35% in 25mg XToll (+MTX) group, 30% in placebo (+MTX) group achieved an ACR20 score at week 12. Whilst there were a greater number of ACR20 responders in the XToll patient groups, the difference in the mean values was not statistically significant between patient groups, therefore the primary endpoint of the trial was not met. This result does not impede the clinical development pathway for XToll and planning for phase IIb/III dose-ranging and registrations trials continues.

Week 12 secondary endpoints – headline results

Statistically significant or clinically meaningful improvement was shown in a number of secondary endpoints and measures of disease.

- Statistically significant signals of efficacy
 - SJC (swollen joint count) and TJC (tender joint count)
 - ACR-N (a sensitive measure of disease activity across a range of signs and symptoms)
 - SF-36 (patient survey of health and well-being)
 - time to ACR50 (time to at least 50% improvement)
- Clinically meaningful signals of efficacy
 - HAQ (Health Assessment Questionnaire focussing on physical function and disability outcomes)
 - ESR (measures changes in inflammation in blood)
- Trends to improvement
 - DAS28 (composite score across a range of disease measures)
- Safe and well tolerated

24 week data – continued improvement

Current observations on week 24 data indicate:

- A statistically significant improvement in ESR and other inflammatory disease markers demonstrated in the 75mg group compared to placebo
- Number of ACR50s and ACR70s increased over time, i.e. the longer that patients received drug the greater their improvement
- Continued improvement in disease measures over time including SJC, TJC, ACR-N, SF-36
- DAS28 continued to decrease over time approaching 'low disease activity' score

Clinical trial results: implications

- The Board of Directors agree that clinical trial data is strong enough to warrant the onward investigation of XToll
- There is no regulatory impediment at this time to planning for and undertaking a phase IIb RA study
- To that end planning is underway for later development stages to be carried out with any future partner
- Further research is simultaneously being carried out to provide a potential partner with a deeper understanding of the drug

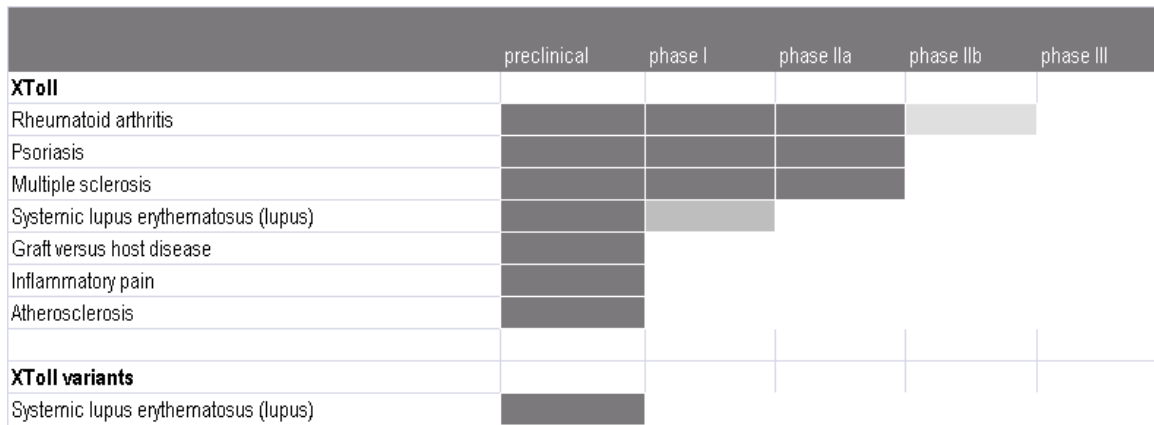
Adding value to XToll – lupus study

- Phase Ib safety study in lupus currently in planning
- Will utilise the positive data from lupus animal study that were presented to the 2010 American College of Rheumatology conference and have been accepted for publication in *Nephrology Dialysis Transplantation* journal
- Low patient numbers, short-term study
- Anticipated trial sites in Australia, Taiwan, Hong Kong
- Study will provide data to inform phase II lupus studies and complement existing XToll data package

Intellectual Property portfolio

- The cornerstone 'immunosuppression' patent which includes the 'composition of matter' claim on XToll has been granted in the major markets of the US, Europe and Japan plus other world markets including India, China, Australia, New Zealand and Singapore
- The life of this core patent has been extended by 911 days in the US providing key protection through to May 2026
- Patent portfolio now consists of 80 patents granted and a further 91 patents currently pending
- This comprehensive patent protection is wider and stronger than the protection when the company listed on the ASX in February 2010 (42 granted and 86 pending)

R&D status: CBio current drug pipeline



complete					
in planning. Any phase IIb trial would be carried out with a commercial partner					
in planning to be carried out by CBio in Q2 2012					

3. THE OFFER

The Rights Issue and the opportunity to acquire Shortfall Shares, as described below, are collectively referred to as “the Offer”.

3.1. Pro Rata Entitlement

CBio Limited (“the Company” or “CBZ”) offers its Shareholders, as recorded on the share registry records on the Record Date, the right to participate in a non-renounceable rights issue of three (3) new fully paid ordinary shares for every eight (8) shares held at the Record Date at an issue price of 18 cents (\$0.18) each (“Share”). Fractional entitlements will be rounded up.

3.2. Additional Shares

In addition to being able to apply for Shares in the manner described in this Prospectus, Shareholders also will have the opportunity to apply for Shares that are not subscribed for under the Rights Issue (“Shortfall Shares”). The Shortfall Shares will be issued at the same price and on the same terms as the Shares. Shareholders may only make an application for Shortfall Shares if they accept their maximum entitlement of Shares under the Rights Issue. Shortfall Shares will only be issued if the Rights Issue is undersubscribed. The Company is not obliged to accept, or issue Shares in response to, applications for Shortfall Shares. The issue of any Shortfall Shares will be at the discretion of the Directors in consultation with the Underwriters. Non-Shareholder applicants can also apply for Shortfall Shares at the same price as Shareholders under the Rights Issue. Applications by non-shareholders must be made by completing a Shortfall Application Form which accompanied or was downloaded with a copy of this Prospectus and returning it, together with a cheque for the application amount. The Directors reserve the right to issue less than the number of Shortfall Shares applied, or not to accept an application for Shortfall Shares, at their discretion in consultation with the Underwriters. The opportunity for non-shareholders to apply for Shortfall Shares is a separate offer pursuant to this Prospectus. The Directors in consultation with the Underwriters may accept applications by Non-Shareholders after the closing date. If the Company receives applications for Shortfall Shares that would result in the Rights Issue being oversubscribed, the Company will not accept any oversubscriptions and will scale back applications received for Shortfall Shares at the Directors’ discretion in consultation with the Underwriters. In the event an application for Shortfall Shares not being accepted, including because of a scale back, the application monies received for unsuccessful application for Shortfall Shares (or the applicable portion if the application is partly successful) will be refunded as soon as practicable. No Shortfall Shares will be issued to an applicant if to do so would result in a breach of the restrictions on obtaining or increasing relevant interests of greater than 20% of the Company’s issued voting shares under Chapter 6 of the Corporations Act or would otherwise be contrary to the Corporations Act or the Listing Rules of ASX. No interest will be paid on application monies held and returned. The acceptance of Shortfall applications will reduce the number of Shares to be taken up by the Underwriter.

3.3. Underwriting of Rights Issue

The Rights Issue is underwritten by ZHS (“the Underwriter”) up to \$10.8 million, subject to the terms of the Underwriting Agreement. Further details of the Underwriting Agreement are set out in Section 12 of this Prospectus.

3.4. No Rights Trading

The Rights Issue is non-renounceable, meaning that there will be no trading of Rights on the ASX. Any New Shares not taken up by the Closing Date including applications for the Shortfall Shares will be subscribed by the Underwriter in accordance with the Underwriting Agreement.

3.5. Application for Quotation

The Company will, within seven days of the date of this Prospectus, apply to ASX for admission of the Shares offered under this Prospectus to official quotation.

The Company participates in CHESS and will despatch holding statements in lieu of share certificates that will set out the number of New Shares issued to each successful applicant under this Prospectus. It is the responsibility of Applicants to determine their allocation before trading in the New Shares. Applicants who sell New Shares before they receive their statement do so at their own risk.

4. TERMS OF SECURITIES OFFERED

The Shares including the Shortfall Shares will be fully paid ordinary shares in the capital of the Company, which will rank equally with, and will have the same voting and other rights as the existing issued shares of the Company. The rights attaching to the Company's shares are set out in the Company's constitution, the Listing Rules of ASX and the Corporations Act. The Company's constitution has been lodged with ASIC. The Constitution contains provisions of the kind common for public companies in Australia and are taken to be included in this Prospectus by operation of Section 712 of the Corporations Act. Any person may request a copy of the constitution during the application period of the Prospectus, which the Company will provide free of charge. The constitution is also available at the Company's web site, www.cbio.com.au.

5. PURPOSE OF THE OFFER

After payment of the costs of the Offer, the funds raised will be applied to on-going development and commercialisation activities of CBio's leading drug candidate, XToll. Specifically, funds raised from this Offer will go towards costs associated with on-going engagement and discussions with numerous pharmaceutical companies, a Phase I study in lupus, drug manufacturing and production activities, IP activities including mechanism of action and other studies and general working capital. These activities and anticipated associated use of funds are summarised below.

	Use of Funds
	\$m
Phase 1 clinical trial in lupus at clinical trial sites in Australia, Taiwan and Hong Kong	2.7
Drug manufacturing and production costs	1.4
Intellectual property patent costs, mechanism of action research studies and other research	2.5
Overhead costs including personnel, office, administrative, compliance and other corporate costs including commercialisation engagement with pharma companies	2.9
Interest on convertible notes	0.1
Costs associated with this offer	1.2
	\$10.8

There is no minimum funding set for this Offer. To the extent there are any Shortfall Shares remaining at the close of the Offer after taking into account Eligible Shareholders taking up their rights and additional shares and subscriptions for Shortfall Shares, the Company has an underwriting agreement with ZHS and the effect of this agreement, subject to terms and conditions of the agreement as set out in section 12 of this Prospectus, is that the amount of Shortfall Shares will be met and subscribed for by the Underwriter. Given the nature of the business it operates, the Company reviews its development and commercialisation plans and available resources on an on-going basis, and reserves the right to vary the applications of funds summarised above to suit changes to circumstances and outcomes impacting on the business.

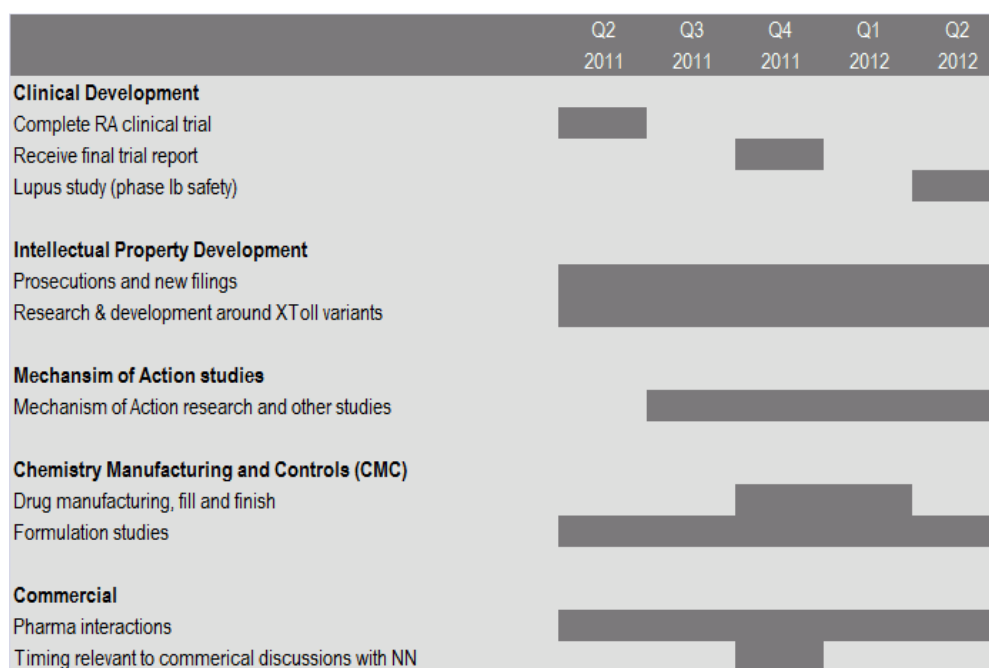
6. EFFECT OF THE OFFER ON CBZ

The effect of the Offer on CBZ will be to:

- Provide the funds to undertake the activities described in Section 5; and
- Alter the capital structure of CBZ as described in Section 10.

7. TIMELINES

The Company's anticipated application of funds is described in Section 5 is illustrated below. This is the Company's anticipated timeline and, as it is subject to third party input, is subject to change. Potential risks associated with the Company's operations are described in Section 15.



8. MARKET INFORMATION

XTOLL- A POTENTIAL BREAKTHROUGH IN THE TREATMENT OF AUTOIMMUNE DISEASES

XToll is a variant of chaperonin 10 - a naturally occurring protein present in all cells. Unlike current registered anti-inflammatory drugs which "block" immune responses and can increase the risk of infection and the development of cancers, XToll has a novel mechanism of action that appears to dampen excessive inflammatory responses thereby working to restore balanced to the immune system, leaving it capable of surveillance for infections, viruses and cancer. It is this ability of XToll to work with the body's immune system rather than against it that offers the potential for therapeutic benefit with a strong safety profile. XToll will initially be developed as a therapy to treat rheumatoid arthritis (RA) however it has shown signs of having a wide application in a number of autoimmune diseases. Phase I and early Phase II clinical trials have been completed in RA, psoriasis and multiple sclerosis, with a good safety profile demonstrated in all trials, and no pattern of serious adverse events linked to treatment. In Q2 2011, CBio completed a 155-patient phase IIa clinical trial aimed to demonstrate the safety and efficacy of XToll in patients with moderate to severe rheumatoid arthritis despite treatment with methotrexate. The preliminary results of this trial indicate that XToll is showing biological activity and signals of clinical effect. An announcement regarding the preliminary results was made on 1 August 2011. Final results are expected in Q4 2011.

RHEUMATOID ARTHRITIS: CURRENT GLOBAL MARKET INFORMATION

Global sales for biological therapies for RA were US\$8.6 billion in 2005¹ and forecast to reach over US\$18.5 billion by 2013.² This RA market is currently dominated by the anti-TNF therapies Remicade, Enbrel and Humira. Whilst the primary market for these drugs is in the treatment of RA, they are used as therapies for other autoimmune diseases including Crohn's disease, ulcerative colitis, psoriatic arthritis and ankylosing spondylitis. In 2008, sales from RA in these top 3 drugs were US\$10.9 billion.³ However, the total global sales of these 3 drugs in all disease states were in excess of US\$17 billion.⁴ Despite the success of these blockbuster drugs, there are significant safety side effects associated with their use and therefore there remains a significant unmet need for new, safer, clinically efficacious therapies for RA.⁵ In addition, in 2010, the American College of Rheumatology (ACR) and the European League against Rheumatism (EULAR) revised the 1987 classification criteria for RA to enable early detection. The new classification facilitates the early diagnosis of RA patients and has given a boost to the global treatment market. The pipeline for rheumatoid arthritis therapies therefore remains strong.

RHEUMATOID ARTHRITIS: GLOBAL TREATMENT TRENDS

Biological DMARDs have revolutionised the treatment of RA throughout the world. Since their emergence in the market, the leading biological DMARDs for the treatment of RA have been the tumor necrosis factor TNF inhibitors (or anti-TNF therapies). Until now, anti-TNFs have been the mainstay of early management of RA with 86% of patients receiving these products.⁶ However, rheumatologists predict that TNF use is set to change and estimate that first-line use of anti-TNFs will fall to 64% by 2015 in the face of higher usage of drugs that work by other mechanisms of action. Indeed 2010 saw a general decline in the use of anti-TNFs across treatment lines.⁷ This provides an indication of the future direction of the rheumatoid arthritis market suggesting that physicians will introduce drug therapies that act via other mechanisms of action earlier at an earlier stage of the disease.⁸ Rheumatologists predict that by 2015, more patients will be prescribed products that work by alternative mechanisms and they anticipate earlier usage of non-TNF biologics at first-line going forward, predicting a rise from 14% of first-line RA patients to potentially 36% in 2015.⁹ In all countries, across all lines of therapy research shows that rheumatologists believe that TNF inhibitors will be used in fewer RA patients in 2015.¹⁰ The US market appears to offer the biggest opportunity for therapies that do not act on TNF targets.¹¹ This is promising for companies developing therapies with novel mechanisms of action.

LUPUS: DISEASE AND MARKET INFORMATION

Lupus is a chronic, potentially life-threatening disease in which the body's immune system attacks healthy tissue causing debilitating joint pain, organ damage and skin rashes. The Lupus Foundation of America estimates that at least 5 million people worldwide have a form of lupus.¹² Systemic lupus accounts for approximately 70 percent of all cases of lupus and in approximately half of these cases, a major organ such as the heart, lungs, kidneys or brain, will be affected. About 5% of children born to individuals with lupus will develop the illness, and it is believed that between 10-15 percent of people with lupus will die prematurely due to complications of the disease.¹³ The mainstay treatment for lupus is the steroid prednisone, which has serious side effects, and doctors and patient advocates say patients are desperate for new medicines.

¹ Arrowhead Publishers Rheumatoid Arthritis Therapeutics: Market Trends and R&D Insights 2006, p51

² Arrowhead Publishers, 2009. The Rheumatoid Arthritis Market Competitive Landscape and Clinical Stage Analysis. p124

³ Mehta Partners Morning Meeting, 24 April 2009. p4

⁴ Arrowhead Publishers, 2009. The Rheumatoid Arthritis Market Competitive Landscape and Clinical Stage Analysis. p67

⁵ Selective Costimulation Modulators: Addressing Unmet Needs in RA Management. Emery et al, Medscape General Medicine 2005; 6(4 Suppl):1

⁶ Datamonitor, 2010. Stakeholder Insight: Rheumatoid Arthritis.

⁷ Datamonitor, 2010. Stakeholder Insight: Rheumatoid Arthritis.

⁸ Datamonitor, 2010. Stakeholder Insight: Rheumatoid Arthritis

⁹ Datamonitor, 2010. Stakeholder Insight: Rheumatoid Arthritis

¹⁰ Datamonitor, 2010. Stakeholder Insight: Rheumatoid Arthritis

¹¹ Datamonitor, 2010. Stakeholder Insight: Rheumatoid Arthritis

¹² Lupus Foundation of America <http://www.lupus.org>

¹³ Lupus Foundation of America <http://www.lupus.org>

GlobalData estimate the SLE lupus market to be worth \$2.5 billion in 2017.¹⁴ Products for lupus in the developmental pipeline are strong and pipeline molecules have a distinct advantage over the currently used off-label marketed drugs in that they are primarily first-in-class molecules, as in the case of XToll. In March 2011 the FDA approved the first new drug for lupus in more than 50 years – a reflection of the complexity of the disease and also a clear indication of a major unmet clinical need. Analysts expect the new drug, Benlysta, to reach blockbuster status, with sales eventually topping \$1 billion a year.¹⁵

9. BOARD OF DIRECTORS

Mr Stephen Jones, Executive Chairman (Appointed 11 October 2000)

Stephen Jones is a founding Director of CBio and was appointed its chairman in 2000. Mr Jones has extensive hands-on management experience in corporate recovery and reconstruction – including for International Card Systems Australia Limited (a credit card provider); Greyhound Pioneer Australia Limited (transport and tourism); and Bresagen Limited (biotechnology). He has been involved with several public capital raisings totalling in excess of \$100 million. Mr Jones is a non-executive Director of Injet Digital Aerosols Ltd and Australia Biofund Investment Limited (Hong Kong); and is chairman of Australian Technology Innovation Fund Limited. Previously, Mr Jones was a Director of the listed companies Greyhound Pioneer Australia Limited, Analytica Limited, Psiron Limited and Bresagen Limited, and of Fortune Advanced Technologies Pty Ltd, Retirewise Capital Australia Ltd, Ingot Capital Management Pty Ltd, and other funds management and venture capital companies. Mr Jones is a member of the Audit & Risk Management Committee. During the past three years, Mr Jones has not served as a Director of another listed company.

Mr Jason Yeates, Managing Director and Chief Executive Officer (Appointed 5 October 2007)

Jason Yeates oversees the implementation of the strategic planning involved in the commercial and clinical development of CBio's key product XToll and its targeted use as a treatment for chronic autoimmune diseases such as rheumatoid arthritis. Jason joined CBio in 2004 and soon after was named Chief Operating Officer before being appointed CEO in 2006. A year later he was named Managing Director. Jason has held senior financial and commercial positions in Australia, Europe, and Asia with significant experience gained in mergers and acquisitions, fundraising, commercialisation, sales & marketing and business management. Before joining CBio, he was Asia-Pacific Finance Director with MCI Limited during the company's successful expansion into Asia and held the same position at Asia Global Crossing Limited. Earlier commercial management and accounting expertise was gained in the United Kingdom in roles at Harrods, Paramount/Universal and Rutland Trust. Jason holds a Bachelor of Business Degree from Queensland University of Technology. During the past three years, Mr Yeates has not served as a Director of another listed company.

Dr Michael Monsour, Non-Executive Director (Appointed 31 January 2007)

Dr Michael Monsour is a medical practitioner with business interests in Queensland-based medical centres. He operates a medical management company that provides management support to medical practitioners, and is also one of Australia's leading providers of software systems for occupational health and safety and medical accounting. Dr Monsour is the chairman of the unlisted entity InJet Digital Aerosols Limited and is also a Director of Australian Technology Innovation Fund Limited and the Australia Biofund Investment Limited (Hong Kong). Dr Monsour was appointed to the Audit & Risk Management Committee in November 2009. During the past three years Dr Monsour has also served as a Director of the following listed company: Analytica Limited- appointed as a Director (2004) and subsequently as Chairman (2006).

¹⁴ Global Data. Systemic Lupus Erythematosus - Pipeline Assessment and Market Forecasts to 2017. November 2010.

¹⁵ Wall Street Journal "Gene Work Yields New Treatment For Lupus" 10 March 2011

Dr Göran Ando, Non-Executive Director (Appointed 5 October 2007)

Dr Göran Ando qualified as a medical doctor and a specialist in general medicine from Linköping Medical University in Sweden. He is a founding fellow of the American College of Rheumatology in the United States. From 1989 until 1995, Dr Ando was medical Director and later R&D Director of Glaxo Group in the United Kingdom. From 1995 until 2003 he was executive vice-president and then president of R&D with Pharmacia (Pfizer) and from 2003 until 2004, CEO of Celltech Group plc in the United Kingdom. Dr Ando also previously served as Chairman of the Board of Novexel S.A. Dr. Ando is Chairman of the Board of Symphogen A/S and is Vice-Chairman of the Boards of Novo Nordisk A/S and S*Bio Pte. Ltd. Dr. Ando is a member of the Boards of Archimedes Pharma Ltd, UK (appointed 2010), Chroma Therapeutics, UK (appointed 2010), EDBI Pte Ltd, Singapore (appointed 2011), EUSA Pharma, UK (appointed 2006), Molecular Partners, Zurich (appointed 2010) and Novo A/S, Denmark (appointed 2006). Dr Ando also serves as a Senior Advisor to Essex Woodlands Health Ventures UK Ltd. During the past three years, Dr Ando has served as a Director of the following listed companies: Novo Nordisk A/S (Denmark)- appointed a Director and subsequently Vice Chairman; NicOx S.A. (France)- appointed a Director; Enzon Pharmaceutical, Inc. (US) – appointed a Director.

Professor John Funder, AO, Non-Executive Director (Appointed 5 October 2007)

Professor John Funder, AO, is currently Professor of Medicine at Monash University, Senior Fellow at Prince Henry's Institute of Medical Research, a Professorial Associate at the Centre for Neuroscience at the University of Melbourne and an Honorary Professor at the Institute for Molecular Biosciences at the University of Queensland. Professor Funder has worked for over 40 years in endocrinology with particular interests in steroid hormones and receptors, and hormonal mechanisms in hypertension and heart failure. He has been a member of advisory panels, including PIIP and P3 for the Commonwealth Government, has had a number of roles in Victoria, including chairing the Victorian Health Promotion Foundation and the Hospitals Admission Risk Program (HARP), and is currently Executive Chairman of Obesity Australia. Currently he sits on the Boards of the Finkel Foundation, the Harold Mitchell Foundation, and the Garnett Passe and Rodney Williams Memorial Foundation. He has published over 500 scientific papers, maintains an active research program nationally and internationally, and acts as a consultant for a number of international pharmaceutical firms in Australia, Europe, Japan and the United States. In 2008 he received the Novartis Award from the American Heart Association for his contributions to research on hypertension, and chaired the Endocrine Society's taskforce on Recommendations for the Management of Primary Aldosteronism. During the past three years, Professor Funder has not served as a Director of another listed company.

Dr Peter B. Corr, Non-Executive Director (Appointed 30 October 2007)

Dr Peter B. Corr is Co-Founder and Managing General Partner, Celtic Therapeutics, a private equity firm focused on the development of innovative therapeutics. Prior to that appointment Dr Corr served as Senior Vice-President for Science and Technology at Pfizer Inc from 2002 to 2007. Before assuming that role, Dr Corr served as Executive Vice-President, Pfizer Global Research & Development; and President, Worldwide Development. Prior to joining Pfizer in 2000, he was President of Pharmaceutical Research and Development at Warner Lambert/Parke Davis until the merger with Pfizer. Earlier, he served as Senior Vice-President, Discovery Research, at Monsanto/Searle. Dr Corr, who received his doctorate from Georgetown University School of Medicine, spent 18 years as a researcher in molecular biology and pharmacology at Washington University in St Louis. When he left the university, Dr Corr was Professor, Department of Medicine (Cardiology) and Professor, Department of Pharmacology and Molecular Biology. His research has been published in more than 160 scientific manuscripts. Dr Corr is the recipient of numerous awards, including membership in the Alpha Omega Alpha National Medical Honorary Society, an Established Investigator Award from the American Heart Association and a Research Career Development Award from the National Institutes of Health. He received the Washington University School of Medicine Teacher of the Year Award and, in 1990, the Washington University Distinguished Faculty Award. In 2004, Dr Corr was named a William Pitt Fellow at Pembroke College, Cambridge University. Dr Corr served on the Board of Regents of Georgetown University, and was Chairman of the Board of Trustees of the New York Academy of Sciences and is currently on the Boards of Furiex Pharmaceuticals, the Critical Path Institute (C-Path) and the International Partnership for

Microbicides (incoming Chairman). In the past three years, Dr Corr has served as a director of the following listed companies: Furiex Pharmaceuticals (USA)- appointed a Director.

Dr Terje Kalland, Non- Executive Director (Appointed 1 December 2010)

Dr Terje Kalland, MD, PhD, is Chief Scientific Officer at Karolinska Development. He is a former professor of tumour immunology and has served 22 years in the pharmaceutical industry. From 2005-2011 he was senior vice president of the Biopharmaceuticals Research Unit at Novo Nordisk. His leadership has been with a focus on discovery and preclinical development, and he also has experience in phase I/II clinical development. He has brought more than 40 large and small molecule-based drug candidates into development. Prior to his appointment at Novo Nordisk, Dr Kalland was Chief Scientific Officer at Biovitrium AB in Stockholm, Sweden. From 1988 to 2001, he worked at Pharmacia, where he spent the last seven years of his appointment as the global head of Oncology Research. During the past three years, Dr Kalland has served as a Director of the following listed company: Innate Pharma S.A., France.

Dr Thomas Lönnngren, Non-Executive Director (Appointed 27 January 2011)

Dr Thomas Lönnngren served as the Executive Director of the European Medicines Agency (EMA) from 2001 through to his retirement in December 2010. He qualified as a pharmacist from the University of Uppsala in 1976 and holds a MSc in social and regulatory pharmacy. From 1976-78 he was a lecturer at Uppsala University, Sweden. He served with the Swedish National Board of Health and Welfare from 1976-90 with responsibilities including herbal medicines, cosmetics, medical devices, narcotics and contraceptives. During 1982-94 he acted as senior pharmaceutical consultant for the Swedish International Development Agency's health cooperation programme in Vietnam. In 1990 he was appointed Director of Operations of the Swedish Medical Products Agency, later becoming Deputy Director-General of the Agency. He was an Honorary Member of the Royal Pharmaceutical Society of Great Britain in 2003 and made an Honorary Fellow of the Royal College of Physicians in 2004. He was granted an Honorary Doctorate from the University of Uppsala in 2008 and received Drug Information Association's Distinguished Career Award in 2008. During the past three years, Dr Lönnngren has not served as a Director of another listed company.

Mr James Greig, Executive Director (Appointed 31 January 2011)

James Greig joined CBio as Financial Controller in February 2006 and was appointed Chief Financial Officer in November 2006. He was appointed executive Finance Director in January 2011. James is a Chartered Accountant whose business insight was gained as an auditor with Peat Marwick, now KPMG. Subsequently undertaking commercial roles, he now has over 20 years commercial experience in senior financial and commercial manager positions, and has specialised in facilitating the growth of small and medium sized businesses. James has experience across a broad range of industries including property, oil & gas, insurance and biotechnology. During the past three years, Mr Greig has not served as a Director of another listed company.

10. EFFECT ON THE CAPITAL STRUCTURE OF CBZ

10.1. Issued Capital

The table below sets out the existing issued shares of the Company, and the effect on the Company's capital structure of issuing the securities offered under this Prospectus.

Number of existing Shares	160,154,762
Number of New Shares offered under this Offer	60,058,036
Number of Shares on issue after this capital raising	220,212,798
Issue Price per New Share	\$0.18
Market capitalisation at the Issue Price after this capital raising (undiluted)*	\$39.6 million

*As described in section 12.1 up to an additional 4,804,644 shares may be issued if ZHS exercises its right to receive its underwriting fees in Shares and not in cash. *There is no guarantee that shares will trade at the Issue Price upon quotation on the ASX.*

The impact on the capital structure of this Offer is that cash will initially increase by up to approximately \$10.8m. The number of Shares on issue will increase by up to 60,058,036 up to 220,212,798. This assumes that none of the Options currently on issue (refer section 10.2) are exercised or that the Convertible Notes currently on issue (refer section 10.3) are converted or Performance Rights (refer section 10.4) are acquired prior to the Record Date.

The Board considers it unlikely that a significant number of existing Options, Convertible Notes, or Performance Rights, if any, will be exercised prior to the Record Date. In the event that any securities are exercised to acquire ordinary shares resulting in the receipt of funds by the Company, any funds raised will be applied to the general working capital of the Company.

10.2. Options currently on issue

At the date of this Prospectus there are 36,884,849 Options on issue. Options have varying exercise prices ranging from \$0.517 to \$3.00 per Option and mostly expire on 31 December 2012. If all currently issued Options were exercised, then the Company would receive \$37,973,749 and the total number of Shares would increase by 36,884,849.

As a result of this Offer, the exercise price of 1,700,000 Options with an exercise price of \$0.517 per Option issued under a previous funding agreement will be reduced in accordance with the ASX Listing Rules in relation to pro-rata issues. A final determination of any change in exercise price will be made as soon as practicable after the Record Date on 8 September 2011. There is no impact as a result of this Offer to the number of Shares to be issued upon subsequent exercise of these Options.

10.3. Convertible Notes currently on issue

As at the date of this Prospectus there are two convertible notes on issue and if the convertible notes were all converted into Shares in CBio, the total number of Shares would increase by 7,000,000 and the total number of Options would increase by 2,500,000. If these Options were in turned exercised, the Company would receive \$2,500,000 and the total number of Shares on issue would increase by another 2,500,000. If a reorganisation occurs, an adjustment will be made to the number of Shares to which a Note Holder is entitled upon conversion of the notes so that the entitlement of the Shares issues on conversion of the notes to participate in the profits and assets of the Company will be the same as the entitlement of the Shares into which the notes would have converted had there been no reorganisation.

10.4. Performance Rights

On 15 July 2011 the Company held a General Meeting of Members that passed ordinary resolutions approving the issue of 3.1 million Performance Rights to Non-Executive Directors and Employees. Should these Performance Rights vest the number of Shares on issue will increase by up 3,100,000. Performance rights will vest upon the achievement any one of the following Vesting Events:

- a) if, under a Takeover Bid or otherwise, a person (together with his or her Associates) acquires Shares or a relevant interest (within the meaning of the Corporations Act) in Shares that, when aggregated with Shares already acquired by such person (and their associates), constitute at least 19.9% of the issued Shares of the Company and, in the case of a Takeover Bid, the Takeover Bid is or has become unconditional; or
- b) pursuant to an application made to the court under section 411 of the Corporations Act, the court orders a meeting to be held in relation to a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company; or
- c) The Company enters into a major collaboration (which may include any joint research & development agreement), license transaction or sale of the operations of the Company's business, or
- d) The CBio Limited share price reaching \$1.00 at any time during the life of the Performance Right.

The rights will be issued at a 'zero' grant price. There will be no exercise price payable on exercise of the Performance Rights.

10.5. Historical And Pro-Forma Statements of Financial Position

Set out below is the unaudited Actual Statement of Financial Position of CBio Limited as at 30 June 2011. The Company's Appendix 4E for the year to 30 June 2011 was reported to the market on 31 August 2011. The Pro-Forma Statement of Financial Position assumes the Offer is fully subscribed, and raises approximately \$10.8 million under this Offer. This would initially result in the increase to cash of \$10,810,446 from proceeds of the Offer, and an increase to creditors of \$1,182,000 for the estimated costs of the Offer, resulting in an increase in Net Assets and Equity of \$9,628,446. Further, a pro-forma adjustment of \$283,560 to cash and issued capital has been made to reflect actual movements in issued capital since 30 June 2011.

	Actual (unaudited) 30 June 2011	Pro-forma Adjustments	Pro-forma 30 June 2011
Current assets			
Cash and cash equivalents	3,909,426	11,094,006	15,003,432
Trade and other receivables	28,030	-	28,030
Other current assets	340,598	-	340,598
Total current assets	4,278,054	11,094,006	15,372,060
Non-Current Assets			
Property, plant and equipment	132,556	-	132,556
Trade and other receivables	150,000	-	150,000
Intangible assets	-	-	-
Other non-current assets	169,074	-	169,074
Total Non-Current Assets	451,630	-	451,630
Total Assets	4,729,684	10,810,446	15,823,690
Current Liabilities			
Trade and other payables	1,369,158	1,182,000	2,551,158
Financial liabilities	2,326,681	-	2,326,681
Short-term provisions	219,369	-	219,369
Unearned income	2,805,736	-	2,805,736
Total current liabilities	6,720,944	1,182,000	7,902,944
Non-Current Liabilities			
Long-term provisions	151,156	-	151,156
Total Non-Current Liabilities	151,156	-	151,156
Total Liabilities	6,872,100	1,182,000	8,054,100
Net Assets/(Deficiency)	(2,142,416)	9,912,006	7,769,590
Equity			
Issued Capital	84,302,952	9,912,006	94,214,958
Reserves	19,402,454	-	19,402,454
Accumulated Losses	(105,847,822)	-	(105,847,822)
Total Equity/(Deficiency)	(2,142,416)	9,912,006	7,769,590

11. ACCEPTANCE INSTRUCTIONS

Shareholders may:

- exercise their right to participate in the Rights Issue by accepting their entitlement in full; or
- exercise their rights to participate in the Rights Issue in full and apply for Shortfall Shares as described in Section 3; or
- exercise their right to participate in the Rights Issue in part by accepting part of their entitlement and allow the balance to lapse; or
- take no action under this Offer, thereby allowing their Rights entitlement to lapse.

Non-Shareholders who wish to apply for Shortfall Shares may do so by completing and returning a “Shortfall Application Form” which accompanied or was downloaded with a copy of this Prospectus, together with a cheque or money order for the application amount. Do not use the example Entitlement and Acceptance Form or Shortfall Application Form attached to this Prospectus. Sub-underwriters will receive an application form which is to be returned in accordance with the instructions in the form, by the date specified in the form.

11.1. If paying by cheque or money order

To apply and pay by cheque or money order, you should read this Prospectus and the Entitlement and Acceptance Form in their entirety and seek appropriate professional advice if necessary, and complete the personalised Entitlement and Acceptance Form which accompanies this Prospectus. Instructions for completing and returning the Entitlement and Acceptance Form are set out on the form. You should then return the completed Entitlement and Acceptance Form together with a cheque or money order for the applicable amount (being the Issue Price of \$0.18 per Share multiplied by the number of Shares you are applying for) to:

CBio Limited

C/-Link Market Services Limited

Locked Bag 3415

Brisbane Qld 4001

so that it is received by the Company’s Share Registry no later than 5:00pm AEST on the Closing Date or such later date as the Directors notify. If you choose to pay by cheque or money order you must submit the completed Entitlement and Acceptance Form. Cheques should be made payable to “CBio Limited Share Offer A/c” and crossed “Not Negotiable”. Cheques must be payable in Australian dollars, drawn on an Australian branch of an Australian bank. Neither the Company nor Link Market Services Limited accepts responsibility for delayed or misdelivered Entitlement and Acceptance Forms or payments.

11.2. If paying by BPAY®

To apply and pay via BPAY, you should read this Prospectus and the Entitlement and Acceptance Form in their entirety and seek appropriate professional advice if necessary, and then make your payment via BPAY for the number of Shares you wish to subscribe for (being the Issue Price of \$0.18 per Share multiplied by the number of Shares you are applying for) so that it is received no later than 5:00pm AEST on the Closing Date or such later date as the Directors notify. If you choose to pay via BPAY you are not required to submit the Entitlement and Acceptance Form.

Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. You may also have your own limit on the amount that can be paid via BPAY. It is your responsibility to check that the amount you wish to pay via BPAY does not exceed your limit. If you have multiple holdings you will have multiple BPAY reference numbers. To ensure that you receive

your entitlement in respect of each holding, you must use the customer reference number shown on each personalised Entitlement and Acceptance Form when paying for any Shares that you wish to apply for in respect of that holding.

11.3. For all applicants

Your application or payment may not be accepted if received after 5:00pm AEST on the Closing Date or such later date as the Directors notify, in which case no New Shares would be issued to you in respect of that application or payment, and any payment received will be refunded to you after the allotment date in accordance with the Corporations Act, without interest. The Company and Link Market Services Limited accept no responsibility for delayed or misdelivered applications or payments. The amount payable on application will be deemed not to have been received until the Company is in receipt of cleared funds. Payments in cash will not be accepted. If the amount of payment is insufficient to pay in full for the number of Shares you applied for, or is more than the number of Shares you applied for, you will be taken to have applied for such whole number of Shares which you are entitled to and which is covered in full by your payment. Alternatively, the Company may in its discretion and in consultation with the Underwriter reject your application, in which case any payment will be refunded to you after the allotment date in accordance with the Corporations Act, without interest. If you apply for Shortfall Shares in excess of your entitlement and you are not allocated all or some of the Shortfall Shares applied for, the relevant payment will be refunded to you after the allotment date in accordance with the Corporations Act, without interest.

11.4. If you have any questions

If you have any questions about your entitlement, please contact the CBio Limited Offer Information Line on 1800 426 150 (within Australia) or +61 2 8280 7485 (from outside Australia). Alternatively, contact your stockbroker or other professional adviser. The issue of New Shares will occur as soon as practicable after the Offer has closed. Thereafter, statements of Share holdings will be despatched. It is the responsibility of recipients to determine their allocation prior to trading in Shares. Recipients trading Shares before they receive their statements will do so at their own risk. The Company may reject an acceptance where payment of the application monies is not received or a cheque is not honoured, or without prejudice to its rights, issue Shares in response to the acceptance and recover outstanding application monies from the recipient. Subject to the requirements of the Corporations Act and the Listing Rules of ASX, the Directors reserve the right at any time up to three months after the closing date to issue (at their discretion) Shares for which acceptances or payments have not been received by the closing date, up to the maximum number referred to in this Prospectus at an issue price not less than the issue price at which the Shares are offered under this Prospectus. The recipients of these Shares need not be shareholders of the Company. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. Persons resident in countries outside Australia and New Zealand should consult their professional advisers as to whether any governmental or other consents are required or whether formalities need to be observed to enable them to acquire Shares. Return of a duly completed Entitlement and Acceptance Form or payment will be taken by the Company to constitute a representation that there has been no breach of such requirements. No account has been taken of the particular objectives, financial situation or needs of recipients of this Prospectus. Because of this, recipients of this Prospectus should have regard to their own objectives, financial situation and needs. Recipients of this Prospectus should make their own independent investigation and assessment of the Company, its business, assets and liabilities, prospects and profits and losses, and the risks associated with investing in the Company. Independent expert advice should be sought before any decision is made to accept the Offer, or to acquire Shares or other securities of the Company.

12. UNDERWRITING

ZHS, as Underwriter to the Offer, has agreed to underwrite the Rights Issue. Under the terms of the Underwriting Agreement, the Underwriter has agreed to underwrite the Offer up to \$10.8 million. The maximum number of Shares which the Underwriter may be required to apply for (assuming no entitlements are taken up by any Shareholder and no Shortfall Shares are subscribed) would be 60,058,036 Shares, being the total number of Shares underwritten ("Underwritten Securities"). The Underwriter has informed the Company it has commitments from sub-underwriters equal to the entire amount underwritten. Accordingly the Underwriters will not be acquiring any relevant interest in voting Shares of the Company as a result of the underwriting. A summary of the Underwriting Agreement is set out below.

12.1. Management and Underwriting Fees

Pursuant to the Underwriting Agreement, for underwriting the Issue, the Company has agreed to pay the Underwriter:

- a. a Management Fee of 1% plus GST of total funds raised pursuant to the Offer; and
- b. an Underwriting fee:
 - (a) in cash of 6% plus GST of the Underwritten Amount, being the Underwritten Securities multiplied by the Price, payable in cash; or
 - (b) 8% plus GST of the Underwritten Amount, being the Underwritten Securities multiplied by the Price in the event that payment of the Underwriting fee is made by way of issuance of new Shares in the Company

as consideration for the underwriting obligation undertaken by the Underwriter under this Agreement. In respect of satisfying the payment of the Fees to the Underwriter; the Underwriter is entitled to retain an equivalent amount of money to the Management and Underwriting Fees from any shortfall monies accompanying the Shortfall Applications received by the Underwriter. The Shortfall monies received from the Issue less the fees payable to the Underwriter will be forwarded to the Company immediately upon settlement of the shortfall of the Issue. If there are insufficient monies in respect of the shortfall monies, the Company will pay the Management and Underwriting Fees within 5 business days of the New Shares being listed on the ASX. The issue of New Shares is subject to the Corporations Act and ASX Listing Rules.

12.2. Costs and expenses

In addition to the fees payable, the Company must pay and must indemnify and keep indemnified the Underwriter in relation to, all reasonable costs and expenses incurred by the Underwriter in connection with and incidental to the Offer and the Issue. It is expected that the expenses will not exceed \$10,000 however the Underwriter will first advise the Company if the expenses are to exceed the \$10,000. The Expenses will include, but not be limited to:

- a. costs incurred by the Underwriter where applicable in preparing, advertising, printing and distributing any document (including postage and travelling) and in public relations and advertising in relation to the Issue generally;
- b. professional fees such as legal, accounting and other fees incurred in relation to due diligence, this Agreement and the Issue;
- c. travel and accommodation expenses; and
- d. any costs and expenses upon termination of this Agreement.

12.3. Advisory Fees

The Company shall pay an Advisory Fee of \$250,000 plus GST to ZHS for the provision by ZHS of corporate advisory services including but not limited to assistance with the preparation and construction of appropriate road show materials including presentation content and delivery, organization of road show to institutions and brokers, and input into the preparation of documentation.

12.4. Costs and expenses if Issue is not completed

If the Issue is not completed for any reason, including because of termination of this Agreement by the Underwriter but excluding failure by the Underwriter to perform its obligations under this Agreement, the Company undertakes to immediately

pay and indemnify the Underwriter against and in relation to all other costs and expenses described above as payable by the Company which have been incurred up to and including the date of termination of this Agreement or the date upon which the Issue is otherwise brought to an end, or in respect of which liability exists as at the date in question.

12.5. Representations and Warranties of the Company:

The Company has provided representations and warranties as at the date of this Agreement with respect to:

- a. the Disclosure Document complies with the Corporations Act;
- b. the issue of securities;
- c. material licences and approvals;
- d. mortgage, charge, material lien or other material security over its assets;
- e. disposal of the whole or any part of its business;
- f. litigation, arbitration, industrial or administrative proceedings;
- g. corporate restructure;
- h. actions and authorisations for this Agreement and for the Company to make the Offer;
- i. no action or proceeding likely to lead to the winding up or dissolution of or appointment of an official manager or receiver or administrator;
- j. no conflict with or result in a breach of or default under any of the terms or provisions of any mortgage, deed or trust or other instrument;
- k. not in breach of any of the Listing Rules in any material respect;
- l. the New Shares will be free from all liens, charges and other encumbrances;
- m. the contents of the Certificate will be true and correct;
- n. compliance with material provisions of the Corporations Act and other applicable laws which are material to the Offer and the Issue;
- o. the Public Information concerning the Company;
- p. the information supplied to the Underwriter by or on behalf of the Company;
- q. Company validly existing under the laws of its place of incorporation or establishment;
- r. Agreement is a valid and binding obligation;
- s. No violation in any material respect any provision of any judgment or its constituent documents; and
- t. disputes involving the major shareholders and/or of the Company.

12.6. The ability of the Underwriter to terminate the Underwriting Agreement

Without cost or liability to itself and without prejudice to any right as agreed or for damages arising out of any breach by the Company of this Agreement, the Underwriter may by Notice to the Company given upon or at any time after the occurrence of the following events if they are considered by the Underwriter to have a material adverse impact but prior to the allotment of all of the New Shares, terminate its obligations under this Agreement if:

- a. the Underwriter becomes aware of any information in respect of the Issue, the Disclosure Document or any related document which, in the reasonable opinion of the Underwriter, is untrue, incorrect or misleading or deceptive in its content in a material way or the Underwriter becomes aware of any omission or non-disclosure therein or there is made public any item, transaction or event of a material nature not previously made public, which the Underwriter reasonably considers to be material (not being an item, transaction or event the full particulars of which have been advised to the Underwriter in writing prior to the date of this Agreement or referred to in the Issue, the Disclosure Document or any related document and the Company has specifically drawn such matter(s) to the attention of the Underwriter);
- b. any default by the Company in the performance of its obligations under this Agreement which the Underwriter reasonably considers to be material;

- c. save in the context of any restructure of the Company to achieve objectives agreed with the Underwriter to facilitate the Issue, the occurrence or announcement of any material adverse change in the condition, management or financial position, business, operations or prospects of the Company or a Subsidiary including without limitation:
 - i. any one or more of the provisions of the constituent documents of the Company or a Subsidiary being altered;
 - ii. the Company or a Subsidiary resolving to reduce its share capital in any way;
 - iii. the Company or a Subsidiary disposing, or agreeing to dispose of the whole, or a substantial part, of its business or any of its property, unless agreed to in advance by the Underwriter in writing;
 - iv. the Company or a Subsidiary charging, or agreeing to charge, any part of its business or property, unless agreed to in advance by the Underwriter in writing; or
 - v. any change in the current board of directors or senior management of the Company without the prior written consent of the Underwriter;
- d. there is a contravention by the Company of any provision of its constitution or of any legislation of the Commonwealth of Australia or any State or Territory thereof relating to the securities industry or taxation or any of the Listing Rules;
- e. there is any new outbreak or escalation of hostilities or new acts of terrorism after the date of this Agreement involving any of Australia, Japan, the United Kingdom, the United States of America, any member of the European Union, Afghanistan, Iraq, Iran, North Korea, Canada, Indonesia, any member of the Organisation of Petroleum Exporting Countries or any other country of the Middle East, People's Republic of China, Russia or other countries of the Commonwealth of Independent States which, in the reasonable opinion of the Underwriter, would have a material adverse effect on the Issue;
- f. any of the following indices close below the following values:
 - 12.6.1.1. 4,163.57 in the case of the Australian All Ordinaries Index;
 - 12.6.1.2. 4,092.13 in the case of the S & P ASX 200
 - 12.6.1.3. 10,918.89 in the case of the Dow Jones Industrial Average;
 - 12.6.1.4. 8,607.76 in the case of the Nikkei Dow; and
 - 12.6.1.5. 7,363.45 in the case of the S & P ASX 300 HealthCare Index (Iress Code "/XHK")
- g. on two or more days (consecutive or non-consecutive) on which the relevant exchange or exchanges is or are open after the date of this Agreement;
- h. the share price of the Company falls below \$0.20 on any two or more days (consecutive or non-consecutive);
- i. any person acquires a relevant interest (as that term is defined in the Corporations Act) in more than 20% of the issued share capital of the Company (excepting the existing owners of the Company at the date of this Agreement);
- j. any law being introduced into the Parliament of the Commonwealth of Australia or any of the legislatures of the States or Territories of Australia or any prospective law or other measures being passed or becoming effective, having the effect of restricting capital issues or company profits or imposing any excess profits, tax or any other measure which, in the reasonable opinion of the Underwriter, is likely to have an adverse effect on the success of the Issue, the underwriting of the Issue, or the financial position or prospects of the Company;
- k. any law or budget being introduced into the Parliament of the Commonwealth of Australia or any of the legislatures of the States or Territories of Australia or any prospective law or other measure being passed or becoming effective, or there being adopted by any government authority any major change in monetary or fiscal policy;
- l. at any time, excepting any event required to restructure or structure the Company to achieve agreed objectives to facilitate the Issue:
 - i. the Company or its Subsidiaries or any of them, are wound up, or suffer any act whereby any of them might be wound up;
 - ii. a meeting is called to consider a resolution for the winding up of a Relevant Company;
 - iii. proceedings are commenced against a Relevant Company which would materially impact upon or inhibit the Relevant Company carrying on its business; or

- iv. a Relevant Company otherwise becomes an externally administered body corporate (within the meaning of the Corporations Act);
- m. a Relevant Company fails to comply with a statutory demand in accordance with the Corporations Act or any proceedings are commenced or threatened against a Relevant Company for its winding up;
- n. an increase in the interest rate for the issue of Australian Government or semi-Government securities by more than one half of one percent above that prevailing on the date of the signing of this Agreement;
- o. any material breach of any warranty given by the Company to the Underwriter;
- p. ASIC makes any stop order or gives notice of an intention to hold a hearing in relation to the Disclosure Document under the Law;
- q. unconditional approval or conditional approval (provided such conditions would not, in the reasonable opinion of the Underwriter, have a material adverse effect on the success of the Issue or the Underwriting of the Issue) by the ASX for Quotation is refused, or is not granted prior to 5pm on a date which is within 7 days after the Closing Date or such approval is granted but then withdrawn;
- r. a court or ASIC concludes that the Disclosure Document fails to comply with the Corporations Act or any other applicable laws;
- s. a supplementary or replacement document in relation to the Issue is required to be lodged under section 719 of the Corporations Act;
- t. in the opinion of the Underwriter, the Company has not taken all necessary steps to satisfactorily complete the Due Diligence Programme and a review of any associated documentation;
- u. in the reasonable opinion of the Underwriter, the Company has not taken all necessary steps to satisfactorily complete ongoing due diligence;
- v. in the sole opinion of the Underwriter, there has been any breach of the Law which may effect the Company share price, which includes but is not limited to market misconduct and/or other prohibited conduct as described in Chapter 7 of the Corporations Act; and
- w. the ASX does not indicate in writing that it will grant Quotation (subject only to customary listing conditions) on or before 5.00 pm on the Listing Approval Date.
- x. The terms of each of the paragraphs of this section are intended to be interpreted independently, and without limitation to the generality, of the terms of each other of the paragraphs of this section.

12.7. Termination by Underwriter

Notwithstanding the provisions of clause 12.6 the Underwriter's right to terminate this Agreement is subject to the following:

- a. if a Notice is given under clause 12.6 in respect of a matter specified in paragraphs (a), (b) or (d) of that clause and in the sole discretion of the Underwriter such event is capable of remedy by the Company that Notice shall be of no force or effect if the event is remedied by the Company within five Business Days after the Notice is given. This paragraph shall not prejudice the right of the Underwriter to give a Notice under clause 12.6 in respect of any other event which may have occurred, or which occurs subsequently;
- b. the Underwriter may continue to underwrite the subscription of the New Shares after the happening of any one or more of the events set out in clause 12.6, at its sole discretion. In doing so, the Underwriter may reserve its rights to terminate this Agreement at any time thereafter (and whether or not the event referred to in clause 12.6 is continuing), upon the provision of written notice to the Company.

12.8. Waiver by Underwriter

- a. Notwithstanding clause 12.6, by written notice to the Company, the Underwriter may waive the exercise of its rights under clause 12.6 unconditionally or conditionally (on such conditions as may be agreed between the Underwriter and the Company)
- b. Any waiver under clause 12.8(a) shall not in any way affect any other right the Underwriter has under this Agreement or its right to act under clause 12.6 with respect to any other termination events.

12.9. Indemnity by the Company

The Company shall indemnify the Underwriter, Zheng He Global Capital Ltd and its related bodies corporate, and their directors, employees and agents ("the Indemnified Parties") against each claim, judgment, damage, loss, expense (including, without limitation, all reasonable legal costs and disbursements of lawyers on a full indemnity basis) or liability incurred or suffered by or brought or made or recovered against the Indemnified Parties in connection with or resulting from:

- a. the Company failing to perform or observe any of its obligations under this Agreement or any other obligations binding on it;
- b. any representations or warranty made or given by the Company under this Agreement proving to have been untrue or incorrect in any material respect;
- c. any misleading or deceptive statement in or any omission in connection with the Offer or the Issue;
- d. any misleading or deceptive statement in or any omission from any announcement, advertisement or publicity in connection with the Offer or the Issue:
 - i. made or distributed by the Company; or
 - ii. made or distributed by the Underwriter with the prior consent of the Company; and
 - iii. any non-compliance by the Company with the Law, the Listing Rules or any other legal obligation in connection with the Offer or the Issue.

The Underwriter acts as agent for the other Indemnified Parties in relation to this indemnity.

12.10. Extent of Indemnity

The indemnity to an Indemnified Party in clause 12.9 does not extend to any claim, judgment, damage, loss, expense or liability resulting from:

- a. any criminal penalty or fine for any contravention of any law to which the Indemnified Party becomes liable by reason of its own acts or omissions;
- b. any fraud or negligent act or omission or wilful misconduct of the Indemnified Party;
- c. where an Indemnified Party is a body corporate, an act or omission of the type referred to in paragraphs (a), (b) or (c) of this clause by any of the body corporate's directors or employees acting in that capacity.

The aggregate liability of the Indemnified Parties to the Company is (to the extent allowed by the law) limited to an amount ("Agreed Amount") equal to the Management Fees received by the Underwriter as stated in clause 12.1. The Company releases the Indemnified Parties from and indemnifies the Indemnified Parties against all liability to the Company in excess of the Agreed Amount.

12.11. Cessation of obligations

All obligations, but not the rights, of the Underwriter under this Agreement will cease on the first to occur of:

- a. the date on which all of the New Shares have been subscribed for;
- b. the Underwriter, in accordance lodging or causing to be lodged with the Company, Applications for Shortfall Securities;
- c. the Underwriter lawfully terminating its obligations under this Agreement; or
- d. upon the Company failing to give the Notice and Certificate in accordance with that agreed terms.

13. CONTINUOUS DISCLOSURE OBLIGATIONS

This Prospectus is issued by the Company in accordance with the provisions of the Corporations Act applicable to a prospectus for continuously quoted securities. Section 713 of the Corporations Act enables a company to issue a special prospectus where the securities or options offered to acquire securities under that prospectus are continuously quoted securities within the meaning of the Corporations Act. This generally means that the relevant securities are in a class of securities that were quoted enhanced disclosure securities at all times during the 12 months before the date of the prospectus. In summary, special prospectuses are required to contain information in relation to the effect of the offer of securities on the company, and the rights and liabilities attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company. Accordingly, this Prospectus does not contain the same level of disclosure as a prospectus of an unlisted company or an initial public offering prospectus.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the date of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

For the purpose of satisfying Section 713(5) of the Corporations Act a prospectus must incorporate information if such information:

- a. has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
- b. is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
 - the assets and liabilities, financial position and performance, profit and losses and prospects of the Company; and
 - the rights and liabilities attaching to the securities being offered.

The Prospectus must contain this information only to the extent to which it is reasonable for investors and their professional advisors to expect to find such information in the Prospectus. The Company is not aware of any matters that need to be disclosed under this section of the Corporations Act that have not been previously disclosed or which have not been set out in this Prospectus. The Company also seeks and engages in discussions in respect of potential opportunities for strategic development and expansion of the Company's activities. While the Company continues to seek potential commercial partners and to advance discussions or negotiations, there is no certainty that any arrangement(s) will be finalised on particular terms, at a specific time, or at all. The Company will make further announcements in respect of any such discussions or negotiations in accordance with its disclosure obligations as developments occur. As a disclosing entity under the Corporations Act, the Company is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC. Any person may request, and the Company will provide free of charge, a copy of each of the following documents during the acceptance period of this Prospectus:

- the Appendix 4E – preliminary report for year ended 30 June 2011;
- the financial statements of the Company for the financial year ended 30 June 2010, being the most recent annual financial report of the Company lodged with ASIC before the lodgement of this Prospectus with ASIC;
- the half yearly financial report of the Company for the period ending 31 December 2010 lodged with ASIC on 25 February 2011
- any continuous disclosure notices given by the Company since the lodgement of the annual financial report referred to above and before lodgement of this Prospectus. Continuous disclosure notices given by the Company since the lodgement of the annual financial report to the date of this Prospectus are listed in Section 14 of this Prospectus.

14. ASX ANNOUNCEMENTS

The following announcements (continuous disclosure notices) have been made by the Company to ASX since lodging its Annual Report for the year ended 30 June 2010 with ASIC:

Date	Headline
02/09/2011	Becoming a substantial holder
01/09/2011	Trading Halt
31/08/2011	Preliminary Final Report
25/08/2011	Termination of Convertible Note Facility
03/08/2011	Repayment of Convertible Note
01/08/2011	Reinstatement to official quotation
01/08/2011	Headline Clinical Trial Results
28/07/2011	Appendix 4C – quarterly
25/07/2011	Suspension from Official Quotation
21/07/2011	Trading Halt
19/07/2011	Change of Director`s Interest Notice x 6
19/07/2011	Section 708A Notice
19/07/2011	Appendix 3B
19/07/2011	Appendix 3Y- Correction
15/07/2011	Results of Meeting
13/07/2011	Withdrawal of Resolutions
12/07/2011	Clinical Trial Update
07/07/2011	Section 708A Notice
07/07/2011	Appendix 3B
06/07/2011	Appendix 3B
04/07/2011	Response to ASX Price Query
01/07/2011	Notice of Conversion of Notes
30/06/2011	Repayment of Convertible Note
28/06/2011	Letter to Shareholders
28/06/2011	Change of Director`s Interest Notice
10/06/2011	Notice of General Meeting/Proxy Form
03/06/2011	Change of Director`s Interest Notice x 2
03/06/2011	Appendix 3B
30/05/2011	Repayment of Convertible Note
26/05/2011	Section 708A Notice 2 PDF
26/05/2011	Appendix 3B
26/05/2011	Final Placement Share Issue
23/05/2011	Section 708A Notice
23/05/2011	Appendix 3B
23/05/2011	Allotment of placement shares
20/05/2011	Section 708(A) Notice
20/05/2011	Appendix 3B
12/05/2011	CBio Completes \$5.1 Million Share Placement
10/05/2011	Response to Appendix 4C query
10/05/2011	Trading halt
03/05/2011	Appendix 3B
29/04/2011	Appendix 4C - quarterly

29/04/2011 Section 708A Notice
 29/04/2011 Appendix 3B
 27/04/2011 Convertible Note Repayment
 20/04/2011 Final Director`s Interest Notice
 20/04/2011 Resignation of Stephen Streeter as a Director
 31/03/2011 Appendix 3B
 28/03/2011 Section 708(A) Notice
 28/03/2011 Appendix 3B- Exercise of Share Options
 28/03/2011 Appendix 3B Correction
 28/03/2011 CBio Reaches Important Clinical Trial Milestone
 25/03/2011 Repayment of Convertible Note
 25/03/2011 Response to ASX Price Query
 23/03/2011 Section 708(A) Notice
 23/03/2011 Appendix 3B
 23/03/2011 Change of Director`s Interest Notice
 09/03/2011 Change in substantial holding
 09/03/2011 Change of Director`s Interest Notice
 08/03/2011 Change in substantial holding
 04/03/2011 Japanese Patent Granted
 01/03/2011 Appendix 3B
 28/02/2011 Change in substantial holding
 28/02/2011 Change of Director`s Interest Notice
 25/02/2011 Half Yearly Report and Accounts
 22/02/2011 Response to ASX Price Query
 18/02/2011 Repayment of Convertible Note
 17/02/2011 Change of Director`s Interest Notice
 08/02/2011 Broker Presentation
 01/02/2011 Appendix 3B Correction
 31/01/2011 Appendix 4C - quarterly
 31/01/2011 Initial Director`s Interest Notice
 31/01/2011 Appointment of Mr James Greig as a Director
 31/01/2011 Change in substantial holding
 31/01/2011 Change of Director`s Interest Notice
 27/01/2011 Initial Director`s Interest Notice
 27/01/2011 Appointment of Dr Thomas Lonngren To The CBio Board
 27/01/2011 Section 708(a) Notice
 27/01/2011 Appendix 3B
 24/01/2011 Appendix 3B
 19/01/2011 Section 708A Notice
 19/01/2011 Ceasing to be a substantial holder
 18/01/2011 Appendix 3B
 18/01/2011 Becoming a substantial holder
 04/01/2011 Repayment of Convertible Note
 24/12/2010 Share Trading Policy
 24/12/2010 Appendix 3B
 22/12/2010 Appendix 3B
 14/12/2010 Appendix 3B

14/12/2010	CBio completes \$9.3 million capital raising round
07/12/2010	Change in substantial holding
07/12/2010	Change of Director`s Interest Notice x 2
01/12/2010	Appendix 3Y Correction
01/12/2010	Initial Director`s Interest Notice
01/12/2010	Appointment of Dr Terje Kalland To The Board
01/12/2010	Change of Director`s Interest Notice
30/11/2010	Appendix 3B
30/11/2010	Section 708A Notice
26/11/2010	Results of Meeting
26/11/2010	Chairman`s Address to Shareholders
26/11/2010	CEO Address to AGM
26/11/2010	CEO AGM Presentation
24/11/2010	Final Director`s Interest Notice
24/11/2010	Resignation of non-executive Director Dr Dennis Feeney
23/11/2010	Change in substantial holding
22/11/2010	Change of Director`s Interest Notice x 2
22/11/2010	Appendix 3B
16/11/2010	Convertible Loan Repayment
05/11/2010	Change in substantial holding
05/11/2010	Change in substantial holding
04/11/2010	Appendix 3Y x 2
04/11/2010	Allotment of Rights Issue Shares
01/11/2010	Rights Issue Shortfall Notice
29/10/2010	Appendix 4C - quarterly
27/10/2010	Appendix 3B
27/10/2010	Release From Escrow
20/10/2010	Notice of General Meeting/Proxy Form
20/10/2010	Annual General Meeting
20/10/2010	Appendix 3B
19/10/2010	Convertible Loan Repayment
04/10/2010	Appendix 3B
04/10/2010	Release of securities from escrow
30/09/2010	CBio Completes Lupus Research Study
30/09/2010	Annual Report to shareholders

Any person may request, and the Company will provide free of charge, a copy of any of the above announcements during the application period of this Prospectus. The Company may make further announcements to ASX from time to time. Copies of announcements are released by ASX on its website, www.asx.com.au, and will also be made available on the Company's website, www.cbio.com.au. Copies of announcements can also be obtained from the Company upon request. Prospective investors are advised to refer to ASX's website or the Company's website for updated releases about events or matters affecting the Company. In making statements in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act 2001 and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult. The Directors rely upon section 712(3) of the Corporations Act with the inclusion by reference of material referred to above for full disclosure or relevant information to Shareholders for the purposes of section 711 of the Corporations Act, including the nature and extent of any Directors' interests of or persons identified in section 711(4) of the Corporations Act.

15. RISKS

15.1. Risk factors

The CBio business is subject to risk factors, both specific to its business activities, and risks of a general nature. Individually, or in combination, these might affect the future operating performance of CBio and the value of an investment in the Company. There can be no guarantee that CBio will achieve its stated objectives or that any forward-looking statements or forecasts will eventuate. An investment should be considered in light of relevant risks, both general and specific. Each of the risks set out in this section could, if they eventuate, have a material adverse impact on CBio's operating performance and profits, and the market price of the New Shares.

Some of the specific risks include:

- risks relating to the commercialisation of XToll including the ability to successfully negotiate and conclude a commercialisation deal within the anticipated timeframes using funds raised from this Offer;
- risks relating to key personnel. The success of the Company will depend on the continuing commitment of its directors, managers and employees; and
- risks related to the availability of adequate funding CBio's activities. The application of funds in this Prospectus are based on estimates and assumptions about certain events and circumstances which have not yet taken place, and are subject to variation and possible non-fulfilment.

Before deciding to invest in the Company, potential investors should:

- read the entire Prospectus;
- consider the risk factors that could affect the financial performance of CBio;
- review these factors in light of their personal circumstances; and
- seek professional advice from their accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

15.2. General investment risks

Share market investments

As the New Shares will be quoted on the ASX, their price might rise or fall and they might trade at prices below or above the Issue Price. There can also be no assurance that an active market is available for the New Shares. Factors affecting the price at which the New Shares are traded on the ASX include domestic and international economic conditions. In addition, the prices of many listed entities' securities are affected by factors that might be unrelated to the operating performance of the relevant company. Such fluctuations might adversely affect the price of the New Shares.

General economic conditions

CBio's operating and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, interest rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates, could be expected to have a corresponding adverse impact on the Company's operating and financial performance.

Accounting standards

Australian accounting standards are set by the Australian Accounting Standards Board (AASB) and are outside the Directors' and CBio's control. Changes to accounting standards issued by AASB could materially adversely affect the financial performance and position reported in CBio's financial statements.

Taxation risks

A change to the current taxation regime in Australia or overseas may affect CBio and its Shareholders. Personal tax liabilities are the responsibility of each individual investor. CBio is not responsible either for taxation or penalties incurred by investors.

15.3. Specific investment risks

The details contained in this Prospectus concerning the application of funds are based on estimates and assumptions about certain events and circumstances which have not yet taken place, and are subject to variation and possible non-fulfilment. The Company is involved in technology development. There can be no assurances as to the accuracy of estimated expenditure under the table for the application of funds under this Prospectus. If this Offer is not fully subscribed, and in the absence of other sources of funding on a timely basis, then the development of Cpn10 and the drug's clinical development program will be delayed.

XToll / Cpn10 risk

The drug, Cpn10 and its success in testing is important to the prospects of the Company. If the Company's technology does not lead to products and services being accepted in the markets for which they are intended, it is unlikely that CBio will ever become profitable. Specifically, investors must be aware that, despite the promising results of research and development to date, it is distinctly possible that the Cpn10 drug may ultimately not be capable of human application. In parallel with the risk of showing little or no efficacy, there also exists the risk of the occurrence of Serious Adverse Events (SAEs) which can, in the worst case, halt further development or severely limit commercial opportunity.

Commercialisation transaction

The Company may not be able to successfully negotiate and conclude a suitable commercialisation transaction. Any potential commercialisation transaction may not be able to be concluded within anticipated timeframes using funds raised from this Offer, which may necessitate raising further capital. The Company may not be able to raise money when it is needed, the terms may not be favourable and may dilute the ownership of holders of its securities. Additionally, a commercialisation transaction may not realise value in the manner and timeframe expected.

Dependence on key personnel

The success of the Company will depend on the continuing commitment of its key employees. The Company has in place employment contracts with key employees. The Company has an objective of providing equity incentives and attractive employment conditions to assist in retaining key employees.

Product acceptance

The Company's product is new and currently unregistered for commercial use. Once registered for commercial use, in order to be successful, Cpn10 must meet the requirements of the markets for which they are intended, and potential customers must be convinced to use Cpn10 instead of competing technologies.

Development risk

Pharmaceutical products have lengthy development cycles, which could cause the Company's operating results to fluctuate significantly. Sales of the Company's products may typically involve significant evaluation and development. Accordingly, the development cycles associated with the products and their optimisation to achieve market penetration are expected to be lengthy and subject to a number of significant risks, including Australian Therapeutic Goods Administration (TGA) and the United States Food and Drug Administration (FDA) approval, customers' preferences, the Company's potential strategic research partners' choices as to which types of projects to fund, the Company's competitors' developments and significant regulatory approvals, each of which is beyond the Company's control. The Company expects to continue to experience significant fluctuations as a result of a variety of factors, many of which are outside of the Company's control.

The Company will depend in part on third-party products and services and sole or limited sources of supply to manufacture some components of its products. The Company will rely on outside vendors to manufacture many of the components used in the products. Some of these components will be obtained from a single supplier or a limited group of suppliers. Reliance on outside vendors generally, and a sole or a limited group of suppliers in particular, involves several risks, including:

- the inability to obtain an adequate supply of required components due to manufacturing capacity constraints, a discontinuance of a product by a third-party manufacturer or other supply constraints;
- reduced control over quality and pricing of components;
- delays and long lead times in receiving materials from vendors; and
- the cost of supply.

The Company may not be successful in developing new products and services. For example, the Company's customers or strategic partners may choose to expend their resources on competing products to such a degree that it does not make economic sense for it to continue its research and development of certain products. If this happens, the Company may not be able to take advantage of opportunities identified in this Prospectus.

Commercial, manufacturing and distribution capability

CBio's ultimate success is dependant upon its ability and/or that of its commercial partners to manufacture its products on a commercial scale, with continuity of supply and in accordance with current Good Manufacturing Practices, prescribed by regulatory authorities. In the event that the Company or any one or more of its commercial partners discontinue operations for any reason, this may result in substantial cost and delay.

Delays and difficulties in the manufacture of products could delay trials and subsequently market introduction and sales of CBio's products. More particularly, any contamination in the manufacture of the compounds that are supplied or subsequently manufactured could result in delay, increased costs, exposure to liability for breach of obligations as well as regulatory and statutory standards, loss of funding and/or regulatory approval.

The inability of CBio to scale up and maintain production within estimated timeframes may potentially result in an adverse financial impact for the Company both in the short and medium term. Any one of these potential risks could have a material adverse impact on CBio.

Increased or new competition

Competition may arise from a number of sources and may include companies with greater capital resources and expertise. While CBio's Directors believe that the Company's stage of development, intellectual property position, depth of services and industry knowledge effectively reduce the impact of future competition, no assurances can be given that such competition will not adversely affect the performance of the Company.

Grant Funding

The Company has received, and may in the future possibly receive, government grants to fund some of its research activities. Typically payment of grant monies is contingent upon achievement of certain milestones. In some cases the Company may be required to repay grant money if it breaches the terms of the grant.

15.4. Risks related to operating in this industry

Markets

The Company competes with companies in the US and abroad that are engaged in the development and production of drug products and services including pharmaceutical companies, contract research companies and academic institutions. Many of the Company's competitors have access to greater financial, technical, research, marketing, sales, distribution, service

and other resources than CBio. Academic institutions, governmental agencies and other research organisations also are conducting research in areas in which the Company propose to provide services, either on their own or through collaborative efforts.

Technology

The pharmaceutical and biotechnology industries are characterised by rapid and continuous technological innovation. The Company's technology, services and expertise may be rendered obsolete or uneconomical by technological advances or entirely different approaches developed by the Company or one or more of its competitors. The existing approaches of the Company's competitors or new approaches or technologies developed by its competitors may be more effective than those the Company develop. The Company may not be able to compete successfully with existing or potential competitors and competitive factors may prevent it from becoming successful.

Strategic partners

The Company's success will depend on its strategic development partners and the extent to which these partners are interested in pursuing development and marketing of products. The Company's revenues will be highly dependent on the research and development decisions of the current and potential strategic partners. Their expenditures are based on a wide variety of factors, including the resources available, the spending priorities among various types of research and policies regarding expenditures during recessionary periods. General economic downturns in our partners' industries or any decrease in research and development expenditures could materially and adversely affect the Company's operations.

Consolidation

The concentration of the pharmaceutical industry and the current trend towards increasing consolidation could adversely affect our business prospects. The number of the Company's potential strategic partners could be reduced if the current trend towards consolidation of the pharmaceutical industry continues. Accordingly, the Company expects that a relatively small number of partners will account for a substantial portion of its research, development and marketing activities with third parties.

Additional risks associated with such a highly concentrated industry include:

- larger companies may develop in-house technology and expertise rather than using or helping develop products; and
- larger customers may negotiate price discounts or other terms for the products that are unfavourable to CBio.

Intellectual property

The Company's ability to leverage its innovation and expertise depends upon its ability to protect its intellectual property and any improvements to it. Such intellectual property may not be capable of being legally protected, it may be the subject of unauthorised disclosure or unlawful infringement, or the Company may incur substantial costs in asserting or defending its intellectual property rights. The intellectual property rights on which the Company relies to protect the technology underlying the products and techniques may not be adequate, which could enable third parties to use the Company's technology or very similar technology and thereby reduce its ability to compete in the market. Competitors may develop products similar to ours, which are not covered by our patents. Further, examination of patent applications at any Patent and Trademark Office may take several years more than anticipated.

In addition to patent protection, the Company also relies on copyright protection, trade secrets, know-how, continuing technological innovation and licensing opportunities. In an effort to maintain the confidentiality and ownership of our trade secrets and proprietary information, the Company requires employees, consultants and advisors to execute confidentiality and proprietary information agreements. However, these agreements may not provide adequate protection against improper use or disclosure of confidential information and there may not be adequate remedies in the event of unauthorised

use or disclosure. The Directors believe that whilst the Company's intellectual property position is robust, it is possible that various licensing deals may be required in respect of some products to have full freedom to operate in the market place.

In relation to ownership of the various intellectual property rights relating to the technology, while measures have been put in place to ensure that a chain of title exists from the investor to CBio, there is no guarantee that each of these measures are sufficient or that CBio's rights to the intellectual property are complete or cannot be challenged.

The Full Federal Court decision of *University of Western Australia v Gray* has created uncertainty in respect of the intellectual property rights created by the researchers of Australian universities. This decision may be relevant to the intellectual property of CBio's business as some of that intellectual property was developed by university researchers. CBio has used reasonable endeavours to secure deeds of assignment from relevant university researchers as well as its own employees however this does not guarantee that these measures are sufficient or that CBio's rights to the intellectual property are complete or cannot be challenged.

The Company may be involved in intellectual property lawsuits, which may be expensive. High technology companies have a history of patent litigation. It is possible that competitors may attempt to revoke already granted patents. In order to protect or enforce the Company's patent rights, the Company may have to initiate legal proceedings against third parties. In addition, others may sue the Company for infringing their intellectual property rights or the Company may find it necessary to initiate a lawsuit seeking a declaration from a court that the Company does not infringe the proprietary rights of others. The Directors of the Company are not presently aware of any fact, matter or circumstance by which any party may claim or be entitled to object to or challenge any of the Company's patents, trade marks or intellectual property. These circumstances, however, do not reduce the importance of the foregoing considerations for investors.

Material contracts and Cpn10 intellectual property

In addition to the general intellectual property risks described above, the intellectual property rights of CBio's business is influenced by various contractual arrangements that affect how CBio can use those intellectual property rights. Some of those arrangements may mean that the way in which CBio is able to use those intellectual property rights is limited to use within a particular field of use. In some instances, if CBio breaches its contractual obligations, abandons exploitation of intellectual property in a particular territory or a contract to which it is a party is terminated, CBio may lose its right to deal with those intellectual property rights.

Liability regarding hazardous materials

Our research and development processes involve the controlled use of hazardous materials. CBio is subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of such materials and certain waste products. The risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, the Company could be held liable for any damages that result, and any such liability could exceed its resources and disrupt the business. In addition, the Company may have to incur significant costs to comply with environmental laws and regulations related to the handling or disposal of such materials or waste products in the future.

16. DIRECTORS' INTERESTS

16.1. Securities

As at the date of this Prospectus, the Directors' have the following relevant interests in securities of CBio Limited:

Director	Shares		Options		Performance Rights	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Mr Stephen Jones	204,676	1,808,800	-	300,000	-	-
Mr Jason Yeates	-	-	2,000,000	-	-	-
Dr Göran Ando	-	-	1,000,000	-	200,000	-
Dr Peter Corr	-	-	-	1,000,000	-	200,000
Dr Thomas Lönngren	-	-	1,000,000	-	200,000	-
Professor John Funder	-	100,000	-	1,000,000	-	200,000
Dr Terje Kalland	-	-	1,000,000	-	200,000	-
Dr Michael Monsour	65,464	9,486,350	-	3,104,000	-	200,000
Mr James Greig	-	20,000	1,000,000	-	-	-

The Directors are entitled, but not obliged, to participate in the Rights Issue without the need for Shareholder approval and reserve their right to participate in the Offer. Shareholder approval would however be required for the Directors to apply for any Shortfall Shares.

Except as disclosed in the Prospectus, no Director or proposed Director has, or has had within two years of lodgement of this Prospectus, any interest in

- the formation or promotion of the Company; or
- any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer.

16.2. Remuneration

Directors are entitled to receive directors' fees and other remuneration (which may include consulting fees) from the Company in relation to services provided to the Company. Details of the remuneration paid to Directors for the previous two financial years are:

	Short-Term	Post Emplo-	Termi-	Share-	Total
	Salary &	Other	nation	Based	
	Fees	\$	Benefit	Payment	
	\$		\$	Value of	\$
				Options	
				\$	
2011					
S Jones (i)	75,000	-	1,260	-	76,260
P Corr	50,000	-	-	-	50,000
G Ando	50,000	-	-	-	50,000
J Funder	50,000	-	-	-	50,000
M Monsour	50,000	-	4,500	-	54,500
J Yeates (x)	300,000	79,961	27,000	-	406,961
T Kalland (ii)	29,167	-	-	1,528	30,695
T Lonngren (iii)	21,505	-	-	14,868	36,373
J Greig (iv) (x)	220,000	50,691	19,800	-	290,491
D Feeney (i)(v)	78,333	-	-	-	78,333
S Streeter (vi)	37,500	-	-	-	37,500
	961,505	130,652	52,560	16,396	1,161,113
2010					
S Jones	75,000	-	1,260	-	76,260
P Corr (vii)	100,000	-	-	-	100,000
G Ando	50,000	-	-	-	50,000
J Funder	50,000	-	-	-	50,000
M Monsour	50,000	-	4,500	-	54,500
S Streeter	50,000	-	-	-	50,000
J Yeates (viii) (ix)	300,000	75,000	27,000	67,094	469,094
D Feeney (viii)	280,000	-	-	67,094	347,094
	955,000	75,000	32,760	134,188	1,196,948

(i) Details of consulting fees paid to entities associated with Mr Jones and Dr Feeney are disclosed in 16.3

(ii) Appointed a Director 1 December 2010

(iii) Appointed a Director 27 January 2011

(iv) Appointed a Director 31 January 2011

(v) Resigned as a Director 24 November 2010

(vi) Resigned as a Director 20 April 2011

(vii) Dr Corr received Director Fees of \$50,000 in relation to the prior period

(viii) Accounting expense relating to the share options issued in prior periods

(ix) Discretionary payment

(x) Discretionary payment of \$50,000 for J Yeates and \$30,000 for J Greig with residual payments for vehicle leases taken up by the Company during the year

16.3. Payments to Entities Associated with Directors for the previous two fiscal years

During the 2011 financial year, entities associated with Dr Michael Monsour provided a loan of \$300,000 to the company. The loan was unsecured, non-interest bearing, and repayable on demand. The loan was repaid in full during the period. The balance outstanding at 30 June 2011 was \$nil.

Dr Michael Monsour (and associated entities) received a commission payment of \$24,000 in connection with the provision of a firm commitment to subscribe for up to \$400,000 in new shares under a Rights Issue conducted by the Company (2010: \$nil). In addition, Dr Monsour was entitled, subject to shareholder approval, to 100,000 shares in CBio Limited as part of the commission on his firm commitment under the Rights Issue. This commission was provided on the same commercial terms and conditions as the commissions paid to non-related parties. The balance outstanding at 30 June 2011 in relation to the cash commission paid was \$nil. The balance outstanding, subject to future shareholder approval, at 30 June 2011 in relation to the share commission payable was 100,000 shares. Shareholder approval was obtained on 15 July for the issue of these shares.

The Company received loan funds of \$276,115 from MPAMM Pty Ltd, a company associated with Dr Michael Monsour, during the year ended 30 June 2010. The loans were unsecured, interest bearing and repayable on demand. \$20,000 of this loan was repaid in cash during the prior year. The balance of \$260,295 (including interest of \$4,180) was settled through the issue of 520,590 shares at \$0.50 each. There was no balance outstanding at the prior year balance date in relation to these loans.

Consulting fees of \$432,000 were paid or payable to SGB Jones Pty Ltd during the period in connection with the provision of consulting services by Mr Stephen Jones (2010: \$399,600). SGB Jones Pty Ltd is a company associated with Mr Jones. These services relate to commercial consultation rather than director duties and therefore deemed consultation services. The balance outstanding at 30 June 2011 was \$nil.

During the prior year, Mr Stephen Jones made a loan of \$100,000 available to the company. The loan was unsecured, interest bearing and repayable on demand. The loan and accrued interest & bank fees of \$1,035 was repaid in full during the prior year.

Consulting fees of \$5,400 were paid or payable to Zogo Pty Ltd during the period in connection with the provision of consulting services by Dr Dennis Feeney, a former director of the Company, in addition to duties as a Director (2010: \$nil). Zogo Pty Ltd is a company associated with Dr Feeney. The balance outstanding at the balance date was \$nil.

Consulting fees of €70,000 (2010: nil) were paid or payable to NDA Advisory Services during the period in connection with the provision of regulatory consulting services to the Company. NDA is a Company associated with Dr Thomas Lönngren. The balance outstanding at the review date is €70,000.

During the year ended 30 June 2010, fees totalling \$4,979 were paid or payable to S & M Streeter Investments Pty Ltd for raising \$165,967 in new equity and Convertible Notes for the company. S & M Streeter Investments Pty Ltd is a company associated with Mr Stephen Streeter, a former director of the company. The balance outstanding at the balance date in relation to these fees was \$nil.

Novus Capital Limited, a company associated with Mr Stephen Streeter, acted as Sponsoring Broker to the IPO and underwriter to an Information Memorandum issued during the prior year. 700,000 ordinary shares and 2,000,000 options were issuable to Novus Capital Limited, and fees totalling \$1,617,023 (inclusive of GST) were paid to Novus Capital Limited in connection with these capital raising activities. Novus Capital instructed CBio to issue 250,000 of the 2,000,000 options issuable to Novus Capital Limited, and 87,500 of the 700,000 ordinary shares issuable to Novus Capital Limited to S & M

Streeter Investments Pty Ltd, a company associated with Mr Stephen Streeter. The options have an exercise price of \$1 per option and an expiry date of 31 December 2012.

During the 2010 financial year, CBio repaid \$26,000 in loan funds to Australian Technology Innovation Limited, a company associated with Mr Stephen Jones, Mr Stephen Streeter and Dr Michael Monsour. The loan was non-interest bearing and repayable on demand. The balance outstanding at the prior year balance date was \$nil.

17. TAXATION

A change to the current taxation regime in Australia may affect CBio and its Shareholders. Personal tax liabilities are the responsibility of each individual investor. CBio is not responsible either for taxation or penalties incurred by investors. Recipients of the Offer should seek and obtain their own taxation advice before applying for Shares so that they may first satisfy themselves of any taxation implications associated with acquiring Shares.

18. OVERSEAS SHAREHOLDERS

18.1. New Zealand Regulatory Requirements

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand Law. In Australia, this is Chapter 8 of the Corporations Act 2001 and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings - Australia) Regulations 2008. This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 and Regulations (Australia) set out how the offer must be made. There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies and compensation arrangements for New Zealand securities. Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint. The taxation treatment of Australian securities is not the same as for New Zealand securities. If you are uncertain as to whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial advisor. The offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars. If the securities are able to be traded on a financial market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from markets that operate in New Zealand.

18.2. Other Jurisdictions

The Company is of the view that it is unreasonable to make an offer under this Prospectus to Shareholders outside of Australia and New Zealand having regard to:

- a. the number of Shareholders registered outside of Australia and New Zealand;
- b. the number and value of the securities to be offered to Shareholders registered outside of Australia and New Zealand;
and
- c. the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, the Company will not make offers under the Prospectus to Excluded Shareholders, being Shareholders registered outside of Australia and New Zealand. This Prospectus does not constitute an offer for securities in any place where, or to any person whom, it would be unlawful to make such an offer. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand, may be restricted by law, and persons outside those countries who come into possession of this Prospectus should seek advice on, and observe any, such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the Securities or the Rights Issue or otherwise to permit a public offering of the Securities in any jurisdiction outside Australia and New Zealand. The Securities have not been, and will not be, registered under the United States Securities Act of 1933 and should not be offered or sold within the USA. Any person accessing the electronic version of this Prospectus for the purpose of investing in the Company must only access it from within Australia and New Zealand.

19. PRIVACY

Link Market Services Limited advises that Chapter 2C of the Corporations Act 2001 requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. This information must continue to be included in the public register if you cease to be a securityholder. These statutory obligations are not altered by the Privacy Amendment (Private Sector) Act 2000. Information is collected to administer your security holding and if some or all of the information is not collected then it might not be possible to administer your security holding. The privacy policy of Link Market Services Limited is available at www.linkmarketservices.com.au).

20. ELECTRONIC PROSPECTUS

This Prospectus is available in electronic format at www.cbio.com.au. Offers constituted by this Prospectus in electronic form (if any) are only available to eligible persons receiving this Prospectus in electronic form within Australia. Persons having received this Prospectus in electronic form may, during the offer period, obtain a paper copy of this Prospectus (free of charge) by telephoning the CBio Limited Offer Information Line on 1800 426 150 (within Australia) or +61 2 8280 7485 (from outside Australia). Acceptances for Shares may only be made on the Entitlement and Acceptance Form or Shortfall Application Form which accompanied or was attached to a copy of this Prospectus in its paper copy form or a print out of the form which formed part of or was accompanied by the complete and unaltered electronic version of this Prospectus. The Corporations Act prohibits any person from passing on to another person an Entitlement and Acceptance Form or Shortfall Application Form unless it is attached to or accompanied by a hard copy of this Prospectus or by the complete and unaltered electronic version of this Prospectus.

21. CONSENTS

Link Market Services Limited has given and, as at the date hereof, not withdrawn, its written consent to be named as Share Registry in the form and context in which it is named. Link Market Services Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registry to the Company. Link Market Services Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

Ernst & Young has given and, as at the date hereof, not withdrawn, its written consent to be named as Auditor in the form and context in which it is named. Ernst & Young has had no involvement in the preparation of any part of the Prospectus other than being named as Auditor to the Company. Ernst & Young has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

Zheng He Securities Pty Ltd has given, and at the time of lodgement of this Prospectus, has not withdrawn their consent to be named as Underwriter of the Rights Issue of securities under this Prospectus, in the form and context in which it is named. Zheng He Securities Pty Ltd makes no express or implied representation or warranty in relation to CBio Limited, this Prospectus or the Offers and does not make any statement in this Prospectus, nor is any statement in it based on any statement made by Zheng He Securities Pty Ltd. To the maximum extent permitted by law, Zheng He Securities Pty Ltd expressly disclaims and takes no responsibility for any material in, or omission from, this Prospectus other than the reference to its name.

22. ENQUIRIES

If you have any questions regarding the Offer, the content of this Prospectus or how to complete the Entitlement and Acceptance Form, please contact the CBio Limited Offer Information Line on 1800 426 150 (within Australia) or +61 2 8280 7485 (from outside Australia). Alternatively, you should contact your stockbroker, accountant or independent professional financial adviser prior to accepting the Offer. No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in this Prospectus. Any such information not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

Directors' Responsibility Statement

The Directors of the Company have authorised the lodgement of this Prospectus with ASIC.



Stephen Jones
Executive Chairman
5 September 2011

23. GLOSSARY

ACR20	Defined by the American College of Rheumatology it is a standard accepted measure of improvement in RA signs and symptoms, and requires at least a 20% improvement in TJC and SJC, and 3 of the 5 other core measures of RA disease activity. This include ESR or CRP, physician's global assessment of disease activity, patient assessment of pain, patient assessment of fatigue, HAQ.
ACR-N	is a continuous outcome score defined by the minimum percentage change in either TJC, SJC, or the median of the 5 other core measures of disease activity. It is regarded as a more sensitive measure of change in disease activity.
AEST	Australian Eastern Standard Time as the context requires
Applicant	A person or entity who submits an Entitlement and Application Form
Application Money	The money received by the Company pursuant to the Offer, being the Issue Price multiplied by the number of New Shares applied for
ASX	Australian Securities Exchange
Board	The board of directors of the Company
Chaperonin 10	A naturally occurring human protein around which CBio has secured intellectual property rights
Closing Date	The date on which the Offer closes, being 7 October 2011, or another date nominated by the Company
Company or CBio	CBio Limited ABN 094 730 417
Corporations Act	Corporations Act 2001 (Cth)
Cpn10	A variant or 'recombinant' version of chaperonin 10 and the Company's lead product, otherwise known as XToll
CRP	C-Reactive Protein is a protein made in the liver and found in the blood. Levels of CRP rise in response to inflammation.
DAS28	Disease Activity Score is a standard accepted composite measure of improvement in RA defined by the European League against Rheumatism and is calculated by an algorithm of improvements in SJC, TJC, ESR or CRP and patients assessment of disease activity. A score greater than 5.1 implies active disease, less than 3.2 implies low disease activity.
Directors	The directors of the Company
Eligible Shareholder	An eligible Shareholder at the Record Date with a registered address in Australia or New Zealand
Entitlement	The Shareholder's right to subscribe for New Shares at the Issue Price under the Offer
Entitlement and Acceptance Form	An application form attached to this Prospectus
ESR	Erythrocyte Sedimentation Rate is the rate at which red blood cells sediment (or settle) in a one-hour period. ESR is increased by any cause of inflammation.
HAQ	Health Assessment Questionnaire was developed as a comprehensive measure of outcome in patients with a wide variety of rheumatic diseases. Its focus is on self-reported, patient-oriented outcomes in relation to physical function and disability.
IP	Intellectual Property – including patents and trademarks

IPO	The Company's Prospectus dated 10 November 2009 and as the context requires any supplementary prospectus related to it
Issue Price	\$0.18 per New Share
New Shares	New ordinary shares in the Company issued under this Offer
Offer	The offer of New Shares under this Prospectus
Option	An option to acquire a fully paid ordinary share in CBio Limited
Option Holder	The holder of an Option
Personnel	Employees and professional services contractors of CBio Limited
Phase I Clinical Trial	A drug dosing study in human subjects to establish that the drug is safe to be used in further clinical evaluations
Phase IIa Clinical Trial	Phase II clinical trials are intended to demonstrate whether a new drug will provide any benefit ('efficacy'), and whether that benefit warrants further development
Prospectus	This document, dated 5 September 2011
RA	Rheumatoid Arthritis
R&D	Research and Development
SF-36	The short-form 36 survey is another survey of patient health that focuses on how a person's health is affecting their emotions, and physical and social functioning. Unlike HAQ, SF36 is used across all disease states.
Shareholders	Holders of shares in CBio
Shares	Fully paid ordinary shares in CBio
Shortfall Shares	Those Shares not taken up by Eligible Shareholders under the Offer which will be made available for subscription by Shareholders and Non-Shareholders
SJC	Swollen joint count is stand alone indicator of disease (rather than a composite measure of multiple factors). Swollen joints are counted by a physician during examination
Subcutaneous	A method of drug delivery where an injection is made into the subcutaneous tissue just below the skin
TJC	Tender joint count is another stand alone indicator of disease (similar to SJC). Tender joints are counted during examination by a physician.
Toxicology Studies	Studies in animals for safety purposes
Underwriter	Zheng He Securities Pty Ltd, or ZHS
Underwriting Agreement	Agreement dated 2 September 2011 between CBio Limited and Zheng He Securities Pty Ltd
XToll	XToll is the registered trademark of the variant of the naturally occurring protein, chaperonin 10, which CBio is in the process of developing for ultimate commercialisation
You	The investors under this Prospectus

SRN/HIN:

Entitlement Number:

**Number of Eligible Shares held as
at the Record Date, 7:00pm (AEST)
on 13 September 2011:**

**Entitlement to New Shares
(on a 3 New Shares for 8 basis):**

**Amount payable on full acceptance
at A\$0.18 per Share:**

Offer Closes 5:00pm (AEST):	7 October 2011
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ENTITLEMENT AND ACCEPTANCE FORM

As an Eligible Shareholder you are entitled to acquire 3 New Shares for every 8 Existing Shares that you hold on the Record Date, at an Offer Price of A\$0.18 per New Share. You may also apply for New Shares in excess of your Entitlement, at the Offer Price. This is an important document and requires your immediate attention. If you do not understand it or you are in doubt as how to deal with it, you should contact your accountant, stockbroker, solicitor or other professional adviser.

IMPORTANT: The Offer is being made under the Prospectus dated 5 September 2011. The Prospectus contains important information about investing in the New Shares, including possible risks. Before applying for New Shares, you should carefully read the Prospectus. This Entitlement and Acceptance Form should be read in conjunction with the Prospectus. The Shares should be considered speculative.

If you do not have a paper copy of the Prospectus, you can obtain a paper copy at no charge, by calling the CBio Limited Offer Information Line on 1800 426 150 (within Australia) or +61 2 8280 7485 (from outside Australia).

PAYMENT OPTIONS

If you wish to take up all or part of your Entitlement (as shown above), or take up all of your Entitlement and apply for additional New Shares, you have two payment options detailed below.

OPTION 1: PAYING BY BPAY®

If paying by BPAY®, refer to the instructions overleaf. **You do NOT need to return the acceptance slip below if you elect to make payment by BPAY®.** Payment must be received via BPAY® before 5:00pm (AEST) on 7 October 2011. You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry in time. By paying by BPAY® you will have deemed to have completed an Application Form for the number of Shares subject of your application payment.

OPTION 2: PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

If paying by cheque, bank draft or money order, complete and return the acceptance slip below with your Application Monies. No signature is required on the acceptance slip. The acceptance slip with your Application Monies must be received by the Registry before 5:00pm (AEST) on 7 October 2011.



Billers Code: 1727
Ref:

Telephone & Internet Banking – BPAY®

Contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. More info: www.bpay.com.au
© Registered to BPAY Pty Ltd ABN 69 079 137 518

See overleaf for details and further instructions on how to complete and lodge this Entitlement and Acceptance Form.

THIS IS A PERSONALISED FORM FOR THE SOLE USE OF THE SHAREHOLDER AND HOLDING RECORDED ABOVE.

Please detach and enclose with payment



SRN/HIN:

Entitlement Number:

A Number of New Shares accepted (being not more than your Entitlement shown above)	B Number of additional New Shares	C Total number of New Shares accepted (add Boxes A and B)
<input type="text"/>	+ <input type="text"/>	= <input type="text"/>

D PLEASE INSERT CHEQUE, BANK DRAFT OR MONEY ORDER DETAILS – Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to “CBio Limited Share Offer A/C” and crossed “Not Negotiable”.

Drawer	Cheque Number	BSB Number	Account Number	Amount of Cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

E CONTACT DETAILS – Telephone Number Telephone Number – After Hours Contact Name

<input type="text"/>	<input type="text"/>	<input type="text"/>
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CBIO LIMITED

The Entitlement Offer to which this Entitlement and Acceptance Form relates is not being made to investors located or resident outside of Australia and New Zealand. In particular the Entitlement Offer is not being made to any person in the U.S. or to a U.S. person. The Prospectus and Entitlement and Acceptance Form do not constitute an offer or invitation to acquire Shares in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation.

ACCEPTANCE OF ENTITLEMENT OFFER

By either returning the Entitlement and Acceptance Form with payment to the Registry, or making payment received by BPAY®:

- you represent and warrant that you have read and understood the Prospectus and that you acknowledge the matters, and make the warranties and representations;
- you provide authorisation to be registered as the holder of New Shares acquired by you and agree to be bound by the Constitution of CBio Limited.

HOW TO APPLY FOR NEW SHARES

1. IF PAYING BY BPAY® (AVAILABLE TO SHAREHOLDERS WITH AN AUSTRALIAN BANK ACCOUNT ONLY)

If you elect to make payment using BPAY® you must contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. For more information on paying by BPAY®: www.bpay.com.au

Work out the total amount payable by you. To calculate the total amount, multiply the number of New Shares you wish to apply for by A\$0.18.

Refer overleaf for the Biller Code and Reference Number. The Reference Number is used to identify your holding. If you have multiple holdings you will have multiple Reference Numbers. You must use the Reference Number shown on each personalised Entitlement and Acceptance Form when paying for any New Shares that you wish to apply for in respect of that holding.

2. IF PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

Complete all relevant sections of the Entitlement and Acceptance Form USING BLOCK LETTERS. These instructions are cross referenced to each section of the Entitlement and Acceptance Form.

A. Acceptance of New Shares

Enter into section A the number of New Shares you wish to apply for. The number of New Shares must be equal to or less than your Entitlement, which is set out overleaf.

B. Application for Additional New Shares

You can apply for more New Shares than your Entitlement. Please enter the number of **additional** New Shares above your Entitlement for which you wish to apply into Box B. Your Application for additional New Shares may not be successful (wholly or partially). The decision of CBio Limited on the number of New Shares to be allocated to you will be final. No interest will be paid on any Application Monies received or returned.

C. Total Number of New Shares Subscribed for

To calculate total number of New Shares subscribed for, add Box A and Box B and enter this in Box C.

D. Cheque, bank draft or money order details

Enter your cheque, bank draft or money order details in section D. Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to "CBio Limited Share Offer A/C" and crossed "Not Negotiable". Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. If you provide a cheque or money order for the incorrect amount, CBio Limited may treat you as applying for as many New Shares and Additional New Shares as your cheque, bank draft or money order will pay for.

E. Contact details

Enter your contact telephone number where we may contact you regarding your acceptance of New Shares, if necessary.

3. HOW TO LODGE YOUR ENTITLEMENT AND ACCEPTANCE FORM

A reply paid envelope is enclosed for your use. No postage stamp is required if it is posted in Australia. Alternatively, if you have lost the reply paid envelope, or you have obtained the Prospectus electronically, your completed Entitlement and Acceptance Form with the payment for New Shares may be mailed to the postal address, or delivered by hand to the delivery address, set out below. **If paying by BPAY® you do not need to complete or return the Entitlement and Acceptance Form.** You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry by the close of the offer.

Mailing Address

CBio Limited
C/- Link Market Services Limited
Locked Bag 3415
Brisbane QLD 4001

Hand Delivery

CBio Limited
C/- Link Market Services Limited
Level 15, 324 Queen Street
Brisbane QLD 4000 (**Please do not use this address for mailing purposes**)

Make sure you send your Acceptance Slip and application payment allowing enough time for mail delivery, so Link Market Services Limited receives them no later than 5:00pm (AEST) on 7 October 2011. Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. CBio Limited reserves the right not to process any Acceptance Slips and cheques received after the Closing Date.

If you require further information on how to complete this Entitlement and Acceptance Form, please contact the CBio Limited Offer Information Line on 1800 426 150 (within Australia) or +61 2 8280 7485 (from outside Australia) between 8:30am and 5:30pm (AEST) Monday to Friday.



CBio Limited
ABN 76 094 730 417

Broker Code

Adviser Code

Shortfall Application Form

This is an Application Form for Shares in CBio Limited ("The Company") under the terms set out in the Prospectus dated 5 September 2011. Shortfall New Shares are allotted at the Directors' discretion. The Company cannot guarantee the availability of Shortfall New Shares for all or any of the applications. This Application Form and your cheque or bank draft must be received by the Share Registry by **5:00pm (AEST) on 7 October 2011**.

Do not use this form to accept your entitlement under the Rights Issue if you are a shareholder as at the Record Date on 13 September 2011.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information about your eligibility to apply for Shortfall New Shares. It also contains important information, including possible risks, relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares. The Shares should be considered speculative.

Shares applied for at **A\$0.18** Application Monies **B A\$**

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

C Applicant Surname/Company Name

Title First Name Middle Name

Joint Applicant #2 – Surname

Title First Name Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

TFN/ABN/Exemption Code
First Applicant Joint Applicant #2 Joint Applicant #3

D TFN/ABN type – if NOT an individual, please mark the appropriate box Company Partnership Trust Super Fund

PLEASE COMPLETE ADDRESS DETAILS
PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

E Unit Number/Level Street Number Street Name

Suburb/City or Town State Postcode

Email address (only for purpose of electronic communication of shareholder information)

CHES HIN (if you want to add this holding to a specific CHES holder, write the number here)

F **X**

Please note: that if you supply a CHES HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHES, your Application will be deemed to be made without the CHES HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.

G Telephone Number where you can be contacted during Business Hours Contact Name (PRINT)

Cheques or bank drafts should be made payable to "CBio Limited Share Offer A/C" in Australian currency and crossed "Not Negotiable".

H Cheque or Bank Draft Number BSB - Account Number

Total Amount **A\$**

CBZ SHF001



Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The shares to which this Shortfall Application Form relates are CBio Limited Shares. Further details about the shares are contained in the Prospectus dated 5 September 2011 issued by CBio Limited.

The Australian Securities and Investment Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Shortfall Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the shares. You should read the Prospectus before applying for shares.

- A** Insert the number of Shares you wish to apply for. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, CBio Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from CBio Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Shares will be issued to CBio Limited's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount should agree with the amount shown in section B.
Make your cheque or bank draft payable to "CBio Limited Share Offer A/C" in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.

CBio Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

CBio Limited
C/- Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

If you require further information on how to complete this Entitlement and Acceptance form, please contact the Cbio Limited Offer Information Line on 1800 426 150 (within Australia) or +61 2 8280 7485 (from outside Australia) between 8:30am and 5:30pm (AEST) Monday to Friday.

Link Market Services Limited advises that Chapter 2C of the *Corporations Act 2001* requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on this form. Our privacy policy is available on our website (www.linkmarketservices.com.au).

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.