

16 August 2012

The Manager  
Company Announcements Office  
ASX Limited  
20 Bridge St  
SYDNEY NSW 2000

Dear Sir

**UPDATE TO SHAREHOLDERS on R&D tax credit, financial position, litigation**

CBio Limited (ASX:CBZ) is pleased to advise that it is positioned to benefit from new R&D Tax Credit legislation which is in effect for the financial year ending 30 June 2012. Under the new legislation, the company can claim a tax credit and receive a cash refund for up to 45 cents of each dollar of eligible R&D spend.

The company has today lodged the required returns and is anticipating a cash rebate of approximately \$2.22 million to be received before the end of Q3 2012.

In light of this anticipated cash inflow, the Board is reviewing the operating budget and will continue to manage the company's finances with a view to maximizing operational efficiencies and minimising shareholder dilution. The Board will make a determination about the necessity to raise capital during 2012 in the near future, and will appraise the market of its decision.

Further to the update on 25 June 2012 in relation to the legal proceedings commenced against former officers of the company, the Board reports that CBio has recently filed a further amended statement of claim in the matter. In the further amended statement of claim the company claims a total of approximately \$1.2M from the former executives.

For and on behalf of the Board of CBio Limited

**MELANIE FARRIS**  
Company Secretary