

5 September 2011

Dear Shareholder,

3:8 NON RENOUNCEABLE RIGHTS ISSUE OFFER

I am pleased to advise you that on 5 September 2011, CBio Limited (ASX: **CBZ**) lodged a Prospectus with the ASX for a 3:8 non-renounceable rights issue of ordinary shares in CBio. This issue will raise approximately \$10.8 million (**Offer**).

The Offer is fully underwritten by Zheng He Securities Pty Ltd.

Shareholders are being offered three (3) new ordinary shares in CBio for every eight (8) existing shares held at an issue price of \$0.18 per share.

The Prospectus will be despatched to shareholders on 19 September 2011. Copies of the Rights Issue Prospectus are available for review on ASX's website, www.asx.com.au, as well as on the CBio website, www.cbio.com.au.

This Prospectus are important and will require your immediate attention.

Use of proceeds

The purpose of the Offer is to raise funds primarily for:

- Further progression of commercialisation discussions with pharmaceutical companies in relation to XToll®;
- Mechanism of action research studies and other research;
- Phase 1 clinical trial in Lupus at clinical trial sites in Australia, Taiwan and Hong Kong;
- Drug manufacturing;
- Further strengthening of the Company's intellectual property portfolio; and
- General working capital requirements

Important dates (subject to change in accordance with the Prospectus)

Event	Date
Issue of Prospectus	5 September 2011
Ex-date for entitlement to New Shares	7 September 2011
Record Date to determine entitlement to New Shares	13 September 2011
Prospectus, Entitlement and Acceptance Forms despatched	19 September 2011
Closing date for acceptance and payment of Issue Price	7 October 2011
Allotment date on or before	17 October 2011

Non-renounceable pro rata issue

The new shares issued under the Prospectus will rank equally with the ordinary shares currently on issue.

Eligible shareholders may take up their entitlement in full or in part. Your entitlement will be determined as at 7pm on 13 September 2011, being the Record Date. Applications can be made only in accordance with the personalised Entitlement and Acceptance Form which shareholders will receive with the Prospectus.

Fractional entitlements of shares are rounded up to the nearest whole number of shares. Your entitlement will be shown on the personalised Entitlement and Acceptance Form accompanying the Prospectus. The rights issue is non-renounceable. Rights may not be traded.

Overseas holders

The offer of shares under the Prospectus is limited to eligible shareholders with registered addresses in Australia and New Zealand. With the exception of New Zealand shareholder, overseas shareholders will not be offered new shares.

Your Board commends this offer of new shares for your consideration.

Yours sincerely



STEPHEN JONES
Executive Chairman