

CBio Limited  
 ACN 76 094 730 417

**Appendix 4E – Final Report**

**Financial year ended**

30 June 2012

**Results for announcement to the market**

Current Reporting Period: 30 June 2012

Previous Reporting Period: 30 June 2011

**Revenue and Net Profit**

	Up/Down	% change	\$
Revenue from continuing operations	Up	50.65%	315,039
Total income	Up	267,923%	5,904,558
Profit (loss) from ordinary activities after tax	(Down)	(59.5%)	5,540,923
Net profit (loss) for the period	(Down)	(59.5%)	5,540,923

**Dividends**

No dividend was proposed or paid.

The Company is not yet profitable and therefore there can be no assurance that CBio will become profitable or will pay dividends in the near future. Should any dividends be paid in the future, no assurances can be given as to the level of franking credits attaching to such dividends.

	2010	2011	2012
Earnings/(Loss) Per Share	(24.90)	(11.32)	(2.59)
Net tangible assets per share	(0.06)	(0.01)	0.02
Dividend per share	-	-	-
Share Price	\$0.265	\$0.63	\$0.06

**Brief explanation of income and profit (loss)**

CBio Limited is an early-stage drug development Company. The principal activities during the year were research and development associated with the Company's Cpn10 technology. There have been no significant changes in the nature of the Company's activities during the year. The loss after tax of the Company for the year ended 30 June 2012 was \$5,540,923 (2011: \$13,679,994 loss). A proportion of the loss was non cash in nature and comprised the expensing of options, non-cash interest expense and fair-value movements of derivative instruments.

**Statement of accumulated losses**

	2012	2011
Balance at the beginning of the year	(105,847,822)	(92,167,828)
Net loss attributable to members of the parent entity	(5,540,923)	(13,679,994)
Balance at end of the year	(111,388,745)	(105,847,822)

**Audit Report**

This Appendix 4E (Final Report) is based on the audited financial statements for the year ended 30 June 2012, which are attached.

# CBio Limited

ABN 76 094 730 417

## FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2012

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### Dear Shareholder

When I addressed shareholders at the 2011 AGM, having been on the Board for less than four weeks, I spoke about the status of Cpn10 (XToll) and the tumultuous period the Company had gone through, including the changes to the board and executive that had taken place. Since that time, a number of difficult decisions have been taken in the interests of the company. These events and the other significant events of the year are covered in your Director's Report, so I will not address them again here.

What I wish to convey to our loyal shareholders is a sense of turnaround, or rather, new beginnings.

I am pleased to report that you have a Board in place that is committed to good governance, sound financial management, integrity in reporting, and transparent communication with shareholders.

You will read in this Annual Report about the proposed merger with Inverseon Inc. that, if approved by shareholders on 30 August 2012, will create a new Company, Invion Limited. We are excited by the new beginning for the Company and believe that Invion Limited will be well-positioned to identify and progress opportunities for the commercialisation of new therapies for inflammatory diseases.

Your Board recognises the expectations placed upon it, not only by shareholders but by a corporate world that is changing rapidly. Your Company needs to be innovative and focused on creating value, but it also needs to do so in a way that complies with ASX Listing Rules, meets standards of good corporate governance, respects employees, protects the environment, and demonstrates ethical behaviour.

Invion Limited will aim for continuous improvement in its systems and operations so as to be able to develop and implement strategies to overcome the challenges that small biotechnology companies face. The Company will be a lean, primarily outsourced business that will utilise good networks both in Australia and the US to add value to its operations.

The business plan of the new Company is focussed on development along a number of value-creating pathways, including the commencement of a clinical trial for INV102 in chronic bronchitis, the commencement of a clinical trial of INV102 in asthma funded with non-dilutive capital from the US National Institutes of Health (NIH), and moving forward immediately with regulatory preparations for a clinical trial of Cpn10 in Lupus.

In addition to these strategic pathways set out above, Invion Limited will also seek to form other partnerships and business arrangements as opportunities arise in the space in which the Company will specialise – anti-inflammatory therapies.

The changes and vision you will read about in this Annual Report are only the beginning of your Board's business and corporate responsibility journey for this Company. I look forward to keeping you informed of our progress.

Yours faithfully



Dr Ralph Craven  
Chairman

## DIRECTORS REPORT

Your Directors present their report for the financial year ended 30 June 2012. The names and details of the Company's Directors in office during the financial year and until the date of this report are detailed below. Directors were in office for the period as stated.

### Current Directors

Dr Ralph Craven	Chairman (appointed 4 November 2011)
Mr Warren Brown	Non-executive Director (appointed 4 November 2011)
Dr James Campbell	Executive Director (appointed 26 February 2012)
Mr Brett Heading	Non-executive Director (appointed 26 February 2012)
Mr Gregory Brown	Alternate Director for Mr Warren Brown (appointed 16 January 2012)

### Former Directors

Mr James Greig	Finance Director (resigned 26 October 2011)
Mr Stephen Jones	Executive Chairman (resigned 1 November 2011)
Mr Jason Yeates	Managing Director & Chief Executive Officer (resigned 1 November 2011)
Professor John Funder	Non-executive director (resigned 1 November 2011)
Dr Göran Ando	Non-executive director (resigned 21 November 2011)
Dr Peter Corr	Non-executive director (resigned 21 November 2011)
Dr Michael Monsour	Non-executive director (resigned 29 November 2011)
Mr Ross Mangelsdorf	Non-executive director (appointed 3 November, resigned 29 November 2011)
Mr Warren Brooks	Non-executive director (appointed 3 November, resigned 29 November 2011)
Dr Terje Kalland	Non-executive director (resigned 27 December 2011)
Dr Thomas Lönngren	Non-executive director (resigned 27 December 2011)
Ms Helen Cameron	Acting Managing Director (appointed 4 November 2011, resigned 24 February 2012)

### Current Directors

#### **Dr Ralph Craven** **Chairman**

Dr Ralph Craven was appointed a non-executive director of CBio Limited on 4 November 2011, and was appointed Chairman on 1 December 2011. He has broad experience as a Company director. Recent roles include Chair of Ergon Energy, Deputy Chair of Arrow Energy and Chair of Tully Sugar. Dr Craven is currently a non-executive director of ASX listed companies Drill Torque Limited and Senex Energy Limited.

#### **Mr Warren Brown** **Non-executive Director**

Mr Warren Brown has extensive experience in managing large projects and large labour forces. He has strong skills in negotiating contracts and corporate strategy. Mr Brown formed a consulting engineering practice in 1992 that employed 25 people at the time of sale in 2005. Prior to this Mr Brown held a management position at Major Engineering Construction where he was responsible for engineering construction projects throughout Queensland. During the past three years Mr Brown has not served as a Director of another listed Company.

#### **Dr James Campbell** **Executive Director**

Dr James Campbell is a senior biotechnology executive with more than 20 years experience in scientific research, research management, management consulting and venture capital. Dr Campbell is a principal of Gemini Biotechnology, a specialist biotechnology advisory services Company advising life science companies on M&A, partnering and corporate strategy, and is a founder and director of Vitality Devices Pty Ltd. Dr Campbell was an executive at ASX listed ChemGenex for 9 years and has served on the investment committee of UniSeed, a \$60million pre-seed venture fund, and various state and local government advisory committees concerning biotechnology.

### **Mr Brett Heading**

#### **Non-executive Director**

Mr Brett Heading is an experienced corporate lawyer with a depth of experience across M&A, capital raising, Takeovers Panel and Government and ASX listed Company Board positions. Mr Heading has been a partner of the Australian law firm McCullough Robertson for 26 years, and has had significant involvement in the food and agribusiness and life sciences sectors during his career. He is currently the Chairman of ASX listed Trinity Limited and a director of ERM Power Limited.

### **Mr Gregory Thomas Brown**

#### **Alternate Director for Mr Warren Brown**

Mr Gregory Thomas Brown was appointed as Alternate Director on 16 January 2012. Mr Gregory Brown was appointed to act for Mr Warren Brown at any meetings that Mr Warren Brown could not attend. Mr Brown holds a Bachelor of Business degree from the University of Queensland. He has spent his career in banking and presently is a Business Banking Manager with Westpac Banking Corporation.

### Former Directors

#### **Dr Göran Ando, Non-executive Director**

##### **Appointed 5 October 2007, resigned 21 November 2011**

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 at the time of his resignation was Vice-Chairman of the Boards of Novo Nordisk A/S and S\*Bio Pte. Ltd. In the three years preceding his resignation Dr Ando served as a director of the following listed companies: Novo Nordisk A/S (Denmark); NicOx S.A. (France); and Enzon Pharmaceutical, Inc. (US).

#### **Mr Warren Brooks, Non-executive Director**

##### **Appointed 3 November 2011, resigned 29 November 2011**

Mr Warren Brooks was the Managing Director and founder of boutique financial advisory firm Clime AFM Pty Ltd which was a wholly owned subsidiary of listed entity Clime Investment Management Limited. Mr Brooks has 30 years experience in investment banking and stockbroking. In the three years preceding his resignation Mr Brooks served as a director of listed Company Analytica Limited.

#### **Ms Helen Cameron, appointed Non-executive Director 4 November 2011, appointed Interim Managing Director 1 December 2011. Resigned as Managing Director and Director on 24 February 2012**

At the time of her resignation Ms Helen Cameron was a director of Calisar Pty Ltd and advised healthcare and device companies in their interactions with capital markets. She was formerly Director, Citigroup Investment Research Australia and New Zealand. In the three years preceding her resignation Ms Cameron did not serve as the director of another listed Company.

#### **Dr Peter B. Corr, Non-executive Director**

##### **Appointed 30 October 2007, resigned 21 November 2011**

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 Corporate Senior Vice-President for Science and Technology at Pfizer Inc. Dr Corr had previously 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 received his doctorate from Georgetown University School of Medicine and spent 18 years as a researcher in cardiology, 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. In the three years preceding his resignation Dr Corr served as a director of listed Company Furiex Pharmaceuticals (USA).

**Professor John Funder, AO, Non-executive Director  
Appointed 5 October 2007, resigned 1 November 2011**

At the time of his resignation, Professor John Funder, AO, was a Professor of Medicine at Monash University, Senior Fellow at Prince Henry's Institute of Medical Research, 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. During the three years preceding his resignation Professor Funder had not served as a director of another listed Company.

**Mr James Greig, appointed Executive Finance Director 31 January 2011  
Resigned as Chief Financial Officer 12 October 2011, resigned as Director on 26 October 2011**

Mr 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. Mr Greig is a Chartered Accountant with experienced gained as an auditor with Peat Marwick (KPMG). During the three years preceding his resignation Mr Greig did not serve as a director of another listed Company.

**Mr Stephen Jones, Executive Chairman, Chairman  
Appointed 11 October 2000, resigned as Executive Chairman 12 October 2011. Resigned as Chairman 1 November 2011**

Mr Stephen Jones was a founding director of CBio and was appointed its Chairman in 2000. Mr Jones experience is in corporate recovery and reconstruction, including for International Card Systems Australia, Greyhound Pioneer Australia Limited and Bresagen Limited. In the three years preceding his resignation Mr Jones did not serve as a director of another listed Company.

**Dr Terje Kalland, Non- executive Director  
Appointed 1 December 2010, resigned 27 December 2011**

At the time of his resignation, Dr Terje Kalland, MD, PhD, was Chief Scientific Officer at Karolinska Development. He is a former professor of tumour immunology and has served in excess of 22 years in the pharmaceutical industry. From 2005-2011 he was senior vice president of the Biopharmaceuticals Research Unit at Novo Nordisk. 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. In the three years preceding his resignation Dr Kalland served as a director of listed Company Innate Pharma S.A., (France).

**Dr Thomas Lönnngren, Non-executive Director  
Appointed 27 January 2011, resigned 27 December 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 as 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. During the three years preceding his resignation Dr Lönnngren did not serve as a director of another listed Company.

**Mr Ross Mangelsdorf, Non-executive Director  
Appointed 3 November 2011, resigned 29 November 2011**

Mr Mangelsdorf is a Chartered Accountant with 30 years experience. He works with SME production, manufacturing and retail firms assisting them with business, taxation and management services. At the time of his resignation he was a director of a Queensland-based land development Company and a chartered accounting

firm. In the three years preceding his resignation Mr Mangelsdorf served as an executive director and CFO of Analytica Limited.

### **Dr Michael Monsour, Non-executive Director**

**Appointed Non-executive Director 31 January 2007. Appointed Chairman 1 November 2011. Resigned as Director 29 November 2011**

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. At the time of his resignation, Dr Monsour was the Chairman of the unlisted entity InJet Digital Aerosols Limited and also a Director of Australian Technology Innovation Fund Limited and the Australia Biofund Investment Limited (Hong Kong). During the three years preceding his resignation Dr Monsour served as Chairman of listed Company Analytica Limited.

### **Mr Jason Yeates, Managing Director and Chief Executive Officer**

**Appointed 5 October 2007, resigned as Managing Director and Chief Executive Officer 12 October 2011. Resigned as Director 1 November 2011**

Mr Jason Yeates held senior financial and commercial positions in Australia, Europe, and Asia with experience gained in mergers and acquisitions, fundraising, commercialisation, sales & marketing and business management. Prior to CBio Mr Yeates was Asia-Pacific Finance Director with MCI Limited during the Company's 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. Mr Yeates holds a Bachelor of Business Degree from Queensland University of Technology. In the three years preceding his resignation Mr Yeates did not serve as a director of another listed Company.

## **DIRECTORS INTERESTS IN CBIO SECURITIES**

In accordance with s300(11) of the Corporations Act 2001, the interests of the Directors in the shares and options of CBio Limited, as at the date of this report were:

	Number of Ordinary Shares	Options
R Craven	223,949	40,000
W Brown	9,082,564	-
J Campbell	-	-
B Heading	-	-

## **COMPANY SECRETARY**

Ms. Melanie Farris (appointed 23 April 2012)

Melanie Farris joined CBio in 2007, and prior to being appointed Company Secretary in 2012 held responsibility for investor relations and corporate affairs. Melanie has a background in marketing communications across biotechnology, investment, media and not-for-profit groups. An experienced secretary in the not-for-profit sector, Ms Farris is a Certificated Member of Chartered Secretaries Australia.

## **PRINCIPAL ACTIVITIES**

CBio Limited is an early-stage drug development Company. The principal activities during the year were research and development associated with the Company's Cpn10 technology. There have been no significant changes in the nature of the Company's activities during the year.

### OPERATING RESULTS AND DIVIDENDS

The loss after tax of the Company for the year ended 30 June 2012 was \$5,540,923 (2011: \$13,679,994 loss). A proportion of the loss was non cash in nature and comprised the expensing of options, non-cash interest expense and fair-value movements of derivative instruments. No dividend was proposed or paid.

### EMPLOYEES

The Company employed 5.6 full time equivalent employees at 30 June 2012 (2011: 23 FTE).

### CORPORATE STRUCTURE

CBio Limited is an entity incorporated and domiciled in Australia. CBio is listed on the Australian Securities Exchange. CBio's ASX code is CBZ.

### REVIEW OF OPERATIONS

The Company underwent significant corporate change during the year under review. This included the resignations of the four executives and six non-executive directors, as shown by the Company in the Financial Statements for year ended 30 June 2011. Five directors were appointed in November, three of whom subsequently resigned. The Board welcomed two new directors during the March quarter. The Board of CBio Limited currently consists of three independent non-executive directors, including the chairman, and one executive director.

In the December quarter the Company received the final clinical trial report of results of the phase IIa rheumatoid arthritis clinical trial. Although biological activity and signals of clinical effect were seen with the highest dose, the trial did not meet its primary endpoint. In October the Company announced that the clinical data were accepted for publication as a late-breaking poster presentation entitled "Efficacy and Safety of Subcutaneous Recombinant Chaperonin10 in Patients with Active Rheumatoid Arthritis Despite Methotrexate Treatment" at the American College of Rheumatology (ACR) Annual Scientific Meeting. The Company also announced the publication of preclinical research studies in the *Nephrology, Dialysis and Transplantation Journal* demonstrating that recombinant Cpn10 suppresses cutaneous lupus and lupus nephritis in MRL-(Fas)<sup>lpr</sup> mice.

In October, the Company raised \$10.8 million via Rights Issue and \$2.35 million via placement. In the December quarter, the Company repaid in cash Convertible Notes to the value of \$2 million. At the date of this report, the Company has no outstanding convertible loan agreements.

In December, Novo Nordisk A/S declined to exercise its Option to in-license the Cpn10/XToll technology, putting at an end the Option Agreement signed by the two parties in 2008.

R&D activities during the year have focussed on the analysis of data generated from the rheumatoid arthritis long-term follow up study, the generation and characterisation of Cpn10 specific monoclonal antibodies, assay development and validation and drug formulation studies.

During the second half of the year, the Board of Directors conducted a comprehensive review of the future strategic direction for the Company. The outcomes included the identification and investigation of potential acquisition targets in order to expand and deepen the Company's drug pipeline. Further, the Company identified the most appropriate target for the onward investigation of Cpn10 as being the autoimmune disease Systemic Lupus Erythematosus (SLE or lupus).

During the second half of the year, two restructurings were undertaken in order to manage the Company's financial position and maximise operational efficiencies. These resulted in the downward revision of 16 staff positions.

During the year, the Company moved premises and changed its registered office and principal place of business.

During the final quarter, the Company updated the market regarding the legal proceedings against former officers of the Company, noting that defences and replies had been filed, and that the parties were undertaking disclosure. Further information on these proceedings can be found under Proceedings on behalf of the Company.

### **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

On 2 July 2012, the Company announced that it had entered into a Merger Agreement with Inverseon Inc., a private Company incorporated in Delaware, United States. The Company announced it intends to acquire all of the issued securities in Inverseon in consideration for the issue, allotment and transfer of up to 143,486,978 fully paid ordinary Shares representing 37.5% of the issued share capital of the merged entity. The proposed merger is the result of the detailed strategic review undertaken by the Board regarding the future direction of the Company. The strategic aim of the Board in the review and pursuit of potential opportunities was to broaden the Company's pipeline through the in-licensing or acquisition of a new opportunity with sound scientific foundation and near-term milestones, and to extract and realise any value that may exist in CBio's current asset, Cpn10.

Inverseon is a US-based Company that exploits the patented use of beta-2 adrenergic inverse agonism for the development of treatments for major market opportunities in inflammatory conditions of the lungs such as asthma, chronic bronchitis and cystic fibrosis. Inverseon's lead product INV102 is an existing beta blocker that has been patented until 2026. INV102 is a compound known as nadolol, which has been used in more than 8 million people for the treatment of high blood pressure, migraine and chest pain. Inverseon is targeting nadolol for new indications in inflammatory and obstructive conditions of the lungs. To date, two phase II clinical trials of Inverseon's INV102 have been completed which have demonstrated acceptable safety as well as dose-related activity showing a reduction of airway hyper-responsiveness. Two further phase II trials are due to commence in Q3 2012. The larger of these two trials, a phase II \$4.4 million study in asthma patients, is expected to be entirely funded by the US National Institutes of Health.

The merger will be undertaken as a 'reverse triangular merger' under Delaware law. The combined CBio Inverseon entity, to be named Invion Limited, will be a clinical-stage anti-inflammatory Company. In addition to clinical work on the acquired asset, INV102, the merged Company will continue development work on Cpn10. Following completion of the proposed merger, two members of Inverseon's management team, Dr William Garner and Dr Mitchell Glass, will join the Company's executive team and be represented on the Board. Dr Ralph Craven will chair the new Board. Dr James Campbell will be an Executive Director of the merged entity, and Mr Brett Heading and Mr Warren Brown will continue to serve as non-executive directors.

CBio engaged BDO Corporate Finance (Qld) Limited to prepare a report for shareholders about the proposed merger. BDO concluded that the proposed merger is fair and reasonable to CBio shareholders. A copy of this report has been released to ASX and has been provided to CBio Shareholders. A general meeting of CBio Shareholders has been called for 3.00pm, Thursday 30 August 2012 where shareholders will be asked to consider and vote on resolutions relating to the merger.

Subsequent to the Balance Date, Dr James Campbell who was appointed as a Non-executive Director on 26 February 2012, was appointed as an Executive Director of the Company.

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Total equity is recorded at the Balance Date at \$6,013,240 (2011: (\$2,142,416)) an increase of \$8,155,656. The movement is largely the result of an increase in issued capital associated with the Rights Issue and Placement of October/November 2011, combined with a reduction in liabilities due to repayment of convertible notes on issue. As at 30 June 2012, the Company has no outstanding convertible loan liability (2011: \$2,326,681)

### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The likely developments in the operations of the Company and the expected results from those operations in future financial years will be affected by the outcome of resolutions put to shareholders regarding the proposed

merger with Inverseon Inc. Should the proposed merger with Inverseon Inc. be approved by shareholders, the three-year plan of the merged entity will be to develop a regulatory and commercial data package through success in the following strategies:

1. the establishment of a regulatory strategy and execution of a proof of concept "go/no go" study for Cpn10 in lupus;
2. the development of oral and inhaled INV102 toward commercially successful launches for diseases including, chronic bronchitis, asthma and cystic fibrosis; and
3. the development of a proprietary selective beta-2 adrenergic inverse agonist (New Chemical Entity).

### ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. Nonetheless, the Company aims to ensure high standards of environmental care. The Board aims to ensure that the Company is aware of and in compliance with relevant environmental legislation.

### SHARE OPTIONS

#### *Unissued Shares: Options*

At the Balance Date and at the date of this report there were 38,884,849 (2011: 37,084,849) unissued ordinary shares under options. During the half year to 31 December 2011, 2,000,000 options were issued in relation to an agreement between the Company and Analytica in which the right to subscribe for a Convertible Note was transferred to a Melbourne stockbroking firm.

#### *Unissued Shares: Performance Rights*

At the Balance Date and at the date of this report there were 1,900,000 (2011: nil) unissued ordinary shares under Performance Rights. The issue of 1,900,000 Performance Rights granted to non-executive employees of the Company was approved by Shareholder vote on 15 July 2011. The Performance Rights of staff who ceased to be employees of the Company for any reason other than resignation or summary dismissal were secured by resolution of the Board in January 2012. The Board considers that if the proposed merger with Inverseon Inc. is approved by Shareholders, a vesting event will have occurred and the 1,900,000 Performance Rights on issue to current and former employees of the Company will vest. The issue of 1,200,000 Performance Rights granted to Non-executive Directors was approved by Shareholder vote on 15 July 2011. These 1,200,000 Performance Rights subsequently lapsed upon the resignations of those Non-executive Directors prior to a vesting event occurring.

Refer to Note 20 for further details of the unissued shares outstanding. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

#### *Shares Issued as a Result of the Exercise of Options*

During the year ended 30 June 2012, the following ordinary shares of CBio Limited were issued on the exercise of share options granted:

	Grant Date	Exercise Price	Number of Shares Issued
SpringTree Special Opportunities Fund Convertible Loan Facility	23/06/2010	\$0.517	200,000

## DIRECTORS' MEETINGS

The number of meetings of Directors and committees of Directors held in the year to 30 June 2012, and the number of meetings attended by each Director, is as follows:

	Board of Directors Meetings		Audit & Risk Management Committee Meetings	
	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended
R Craven	20	19	2	2
W Brown (i)	20	20	2	2
J Campbell	12	11	-	-
B Heading	12	11	-	-
S Jones	3	3	2	2
P Corr	7	5	-	-
G Ando	7	6	-	-
J Funder	3	3	-	-
M Monsour	7	7	2	2
J Yeates	3	3	-	-
T Kalland	9	9	-	-
T Lonngren	9	9	-	-
J Greig	3	3	-	-
R Mangelsdorf	3	3	-	-
W Brooks	3	3	-	-
H Cameron	7	7	-	-

- (i) On 17 January 2012, with the approval of the Board, Mr Warren Brown appointed Mr Gregory Thomas Brown to act as an alternate director at any Board Meeting which Mr Warren Brown is unable to attend. Mr Gregory Thomas Brown had not attended any Board Meetings at the date of this report.

## COMMITTEE MEMBERSHIP

As at the date of this report the Company has an Audit and Risk Management Committee, the members of which are Mr Warren Brown, Mr Brett Heading, Dr Ralph Craven.

As at the date of this report the Company has a Nomination and Remuneration Committee, the members of which are Mr Brett Heading, Mr Warren Brown, Dr Ralph Craven. The Nomination and Remuneration Committee was formed on 18 July 2012. No meetings of this committee were held during the reporting period.

## REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2012 outlines the remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001 and its regulations. This information has been audited as required by section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director, and includes executives receiving the highest remuneration.

For the purposes of this report, the term "Director" refers to Non-executive Directors (NEDs) only. The term "executive" refers to all other KMPs referred to in this report.

Details of the KMPs of the Company are set out below.

(i) Non-executive Directors

Dr Ralph Craven	Chairman
Mr Brett Heading	Director
Mr Warren Brown	Director

(ii) Executive Directors

Dr James Campbell	Executive Director
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(iii) Other key management

Dr Daina Vanags	CSO and Acting CEO
Mr Tom Coogan	Chief Financial Officer *
Ms Melanie Farris	Company Secretary

Dr Daina Vanags was appointed as COO on 12 October 2011. Dr Vanags was appointed as CSO on 16 December 2011. Dr Vanags has been Acting CEO since 26 February 2012.

\* Mr Tom Coogan, Coogans Pty Limited, provides the Company with accounting and financial management services. Mr Coogan provides the declaration to Directors required under Section 295A of the Corporations Act, and signs these accounts as Chief Financial Officer. Mr Coogan was engaged by the Company on 23 April 2012.

Ms Melanie Farris was appointed as Company Secretary on 23 April 2012.

Other KMPs during the period but not in place at 30 June 2012 are disclosed in the Remuneration tables.

Other than Dr Campbell being appointed as an executive director, there were no other changes to KMP after the Balance Date and before the date this financial report was authorised for issue.

### **Principles used to determine the nature and amount of remuneration**

#### *Remuneration philosophy*

Remuneration is assessed for Directors and senior executives with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality executive team. The appropriateness and nature of remuneration is assessed by reference to employment market conditions. The financial and non-financial objectives of the Company are also considered when assessing the remuneration of Directors and other key management personnel. On 18 July 2012, the Board established a Nomination and Remuneration Committee which is responsible for, amongst other things, determining and reviewing compensation arrangements for key management personnel.

#### *Nomination and Remuneration Committee*

The objective of the Nomination and Remuneration Committee is to assist the Board of CBio Limited in fulfilling its duties and responsibilities by reviewing, advising and making recommendations to the Board on:

- (a) Nomination
  - (i) making recommendations to the Board in relation to Board composition, taking into account diversity objectives and the required mix of skills and experience;
  - (ii) recommending to the Board a process for succession planning;
  - (iii) recommending to the Board an induction process for new directors;

- (iv) recommending and implementing a process for evaluating the performance of the Board, taking into account diversity objectives and the required mix of skills and experience;
  - (v) evaluating the performance of the CEO and other Key Management Personnel; and
  - (vi) monitoring the implementation by management of the strategic objectives and policies listed above.
- (b) Remuneration
- (i) reviewing and implementing policies for the purposes of using remuneration to foster long-term growth and success;
  - (ii) monitoring the implementation by management of the Board's strategic objectives and policies
  - (iii) recommending to the Board remuneration for non-executive directors
  - (iv) recommending to the Board remuneration arrangements for the CEO and other Key management Personnel; and
  - (v) overseeing the implementation of any Company share plan or other incentive scheme (including the vesting and conversion to ordinary shares).

### *Director's fees*

In accordance with the Constitution of the Company and ASX Listing Rules, the aggregate remuneration of Non-executive Directors is determined from time to time by General Meeting. The last determination for CBio Limited was at the General Meeting of Shareholders held on 15 July 2011 when Shareholders approved an aggregate annual remuneration pool for Non-executive directors of \$750,000. The total Non-executive Director remuneration of CBio Limited for the year ended 30 June 2012 utilised \$496,024 of this authorised amount. The Board will not seek any increase to the aggregate remuneration pool for Directors at the 2012 Annual General Meeting.

### *Non-executive Director remuneration*

Fees to Non-executive Directors reflect the obligations, responsibilities and demands which are made on Directors. Non-executive Directors' fees are reviewed periodically by the Board. In conducting these reviews the Board considers market information to seek to ensure that fees are in line with the market. Although the Chairman of the Board receives a higher fee, the remuneration of Non-executive Directors consists only of Directors fees, NEDs do not receive committee fees or retirement benefits. Non-executive Directors are however able to participate in incentive plans, if any, under which share Options and/or Performance Rights may be issued. In consideration of market norms and managing the Company's financial position, in December 2011 the Directors resolved to reduce directors' fees by 30% with immediate effect. This reduction was maintained for the year ended 30 June 2012.

### *Executive Directors and other key management personnel remuneration*

The Nomination and Remuneration Committee of the Board is responsible for, amongst other things, determining and reviewing compensation arrangements for key management personnel. The Committee assesses the appropriateness of the nature and amount of remuneration on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality executive team. Current executive remuneration packages include a fixed element only, including base salary and superannuation contribution. Although an Employee Share Option Plan is in place, current executive remuneration packages do not include variable remuneration elements in the form of short-term or long-term incentives. There are no at-risk elements in current remuneration packages, except for amounts receivable under employee Performance Rights. The Company may make discretionary payments (bonuses) to KMPs and other staff, although it does not have a formal policy on the payment of discretionary amounts (bonuses).

### *Employment Agreements*

It is the policy of the Board that contracts are entered into with each Non-executive Director. Contracts set out the terms of appointment including remuneration, rotation, vacation of office, indemnities and insurance, powers and duties, conflicts of interest, compliance and confidentiality.

It is the policy of the Board that employment contracts are entered into with each of the executives who are considered key management personnel. It is Company general policy that remuneration is reviewed annually and that any increase is made at the discretion of Board upon the recommendation of the Nomination and Remuneration Committee. It is Company general policy that employment contracts do not have a fixed term, and that employment contracts continue until terminated by either party by giving notice in accordance with the terms of the contract, or in the case of the Company by making a payment in lieu of notice to the employee. Notice periods vary depending on the period of service but at this time do not exceed statutory notice periods. The Company may terminate a contract at any time if serious misconduct has occurred. There were no changes to continuing KMP contracts in the period.

Remuneration received by Key Management Personnel is not linked to the performance of the Company, except for amounts receivable under Performance Rights.

### *Employee Share Option Plan*

The Company has an Employee Share Option Plan (Plan) which provides for the issue of Options to eligible employees, being an employee or Director of the Company. The number and timing of options issued under the terms of the Plan is at the discretion of the Board. All Options on issue under the Plan in previous years have vested and are listed. Options have an exercise price of \$1.00 and an expiry date of 31 December 2012. Options can not be settled by the Company in cash. No Options were issued under the Employee Share Option Plan in the year to 30 June 2012.

### *Performance Rights*

Performance rights operate in a similar manner to Share Options and grant the holder the right to acquire one share per Performance Right held based on the occurrence of a vesting event. The issue of 1.2 million Performance Rights granted to Non-executive Directors was approved by Shareholder vote on 15 July 2011. These 1.2 million Performance Rights subsequently lapsed upon the resignations of those Non-executive Directors prior to a vesting event occurring. The issue of 1.9 million performance rights granted to employees of the Company was approved by Shareholder vote on 15 July 2011. The Performance Rights of staff who ceased to be employees of the Company for any reason other than resignation or summary dismissal were secured by resolution of the Board in 2012. The Board considers that if the proposed merger with Inverseon Inc. is approved by Shareholders, a vesting event will have occurred and the 1.9 million Performance Rights on issue to current and former employees of the Company will vest. If the merger is not approved, the Performance Right will remain unvested until a vesting event occurs. A vesting event is any one of the following 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;
- 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, license transaction or sale of the operations of the Company's business.

### **Details of remuneration**

Details of the remuneration of the Directors of CBio Limited and other key management personnel are set out below. Directors and other key management personnel were in office for the period as described. There are no performance conditions associated with the remuneration disclosed in the table below.

## Directors Remuneration

2012	Short-Term			Termination Benefit	Share- Based Payment	Total	Bonus and Option
	Salary & Fees \$	Other \$	Superannuation \$	\$	Value of Options \$	\$	%
R Craven (i)	83,231	-	7,490	-	-	90,721	-
W Brown (ii)	48,231	-	4,340	-	-	52,571	-
J Campbell (iii)	-	-	26,060	-	-	26,060	-
B Heading (iv)	26,058	-	-	-	-	26,058	-
G Brown (v)	-	-	-	-	-	-	-
S Jones (vi)	31,500	278,135	735	458,999	-	769,369	13
P Corr (vii)	35,011	-	-	-	-	35,011	-
G Ando (viii)	37,499	-	-	-	-	37,499	-
J Funder (ix)	75,883	-	-	-	-	75,883	-
M Monsour (x)	43,750	-	5,062	-	-	48,812	-
J Yeates (xi)	152,878	127,300	13,759	371,329	-	665,266	15
T Kalland (xii)	43,333	-	-	-	-	43,333	-
T Lonngren (xiii)	43,333	-	-	-	-	43,333	-
J Greig (xiv)	77,922	63,959	11,963	220,000	-	373,844	13
R Mangelsdorf (xv)	7,397	-	665	-	-	8,062	-
W Brooks (xvi)	7,397	-	665	-	-	8,062	-
H Cameron (xvii)	7,397	64,094	12,062	-	-	83,553	-
	720,820	533,488	83,801	1,050,328		2,387,437	

- (i) Dr Craven was appointed as Director on 4 November 2011 and appointed as Chairman on 1 December 2011.
- (ii) Mr Brown was appointed on 4 November 2011.
- (iii) Dr Campbell was appointed 26 February 2012.
- (iv) Mr Heading was appointed 26 February 2012.
- (v) Mr Gregory Thomas Brown was appointed as alternate director on 16 January 2012. Mr Brown has not attended any meetings of the Board.
- (vi) Mr Jones resigned as Executive Chairman on 12 October 2011. Mr Jones resigned as Chairman on 1 November 2011. Payments under "other" consist of \$178,135 in consulting fees (see Note 22) and a discretionary (bonus) payment of \$100,000 relating to capital raising. The termination benefit relates to a payment made upon resignation. The termination payment and a portion of consulting fees is subject to contest by the Company and forms part of the Statement of Claim (see Proceedings on behalf of the Company).
- (vii) Dr Corr resigned as Director 21 November 2011.
- (viii) Dr Ando resigned as Director on 21 November 2011.
- (ix) Professor Funder resigned as Director on 1 November 2011. Payments of \$52,499 relate to directors fees in the 2012 year. Fees of \$23,333 relate to back payment of Directors fees from previous years fees which had not been paid. No Directors fees were outstanding at the Balance Date.
- (x) Dr Monsour was appointed Chairman on 1 November 2011. Dr Monsour resigned as Director on 29 November 2011.
- (xi) Mr Yeates salary and fees includes \$147,399 in MD/CEO salary and \$5,479 Director fees received. Mr Yeates resigned as Managing Director and Chief Executive Officer and on 12 October 2011. Mr Yeates resigned as Director on 1 November 2011. Payments under "other" consists of a discretionary (bonus) payment of \$100,000 in relation to capital raising and \$27,300 reportable fringe benefits amount. The termination benefit relates to a payment made upon resignation. The termination payment is subject to contest by the Company and forms part of the Statement of Claim (see Proceedings on behalf of the Company).
- (xii) Dr Kalland resigned as Director on 27 December 2011.
- (xiii) Dr Lonngren resigned as Director on 27 December 2011.
- (xiv) Mr Greig resigned as Chief Financial Officer on 12 October 2011. Mr Greig resigned as Director on 26 October 2011. Payments under "other" consists of a discretionary (bonus) payment of \$50,000 in relation to capital raising and \$13,959 reportable fringe benefits amount. The termination benefit relates to a payment made upon resignation. The termination payment is subject to contest by the Company and forms part of the Statement of Claim (see Proceedings on behalf of the Company).
- (xv) Mr Mangelsdorf was appointed as Director on 3 November 2011. Mr Mangelsdorf resigned as Director on 29 November 2011.
- (xvi) Mr Brooks was appointed as Director on 3 November 2011. Mr Brooks resigned as Director on 29 November 2011.
- (xvii) Ms Cameron was appointed as Director on 4 November 2011, and was appointed interim Managing Director on 1 December 2011. \$7,397 of fees relates to directors fees. \$64,094 relate to salary as interim MD. Ms Cameron resigned as MD and Director on 24 February 2012.

2011	Salary & Fees \$	Other \$	Super- annuation \$	\$	Value of Options \$	\$
S Jones	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	300,000	79,961	27,000	-	-	406,961
T Kalland	29,167	-	-	-	1,528	30,695
T Lonngren	21,505	-	-	-	14,868	36,373
J Greig	220,000	50,691	19,800	-	-	290,491
D Feeney	78,333	-	-	-	-	78,333
S Streeter	37,500	-	-	-	-	37,500
	961,505	130,652	52,560	-	16,396	1,161,113

### Executive Remuneration

	Short-Term	Post Employment	Termination Benefit	Share Based Payment	Total	Bonus and Option	
2012	Salary & Fees \$	Other \$	Super- annuation \$	\$	Value of Options \$	\$	%
D Vanags (i)	240,538	-	21,648	-	52,500	314,686	17
T Coogan (ii)	15,000	-	-	-	-	15,000	-
M Farris (iii)	100,952	-	9,085	-	35,000	145,037	24
B Graham (iv)	54,333	33,333	4,890	145,285	-	237,841	14
	410,823	33,333	35,623	145,285	87,500	712,564	

- (i) Dr Vanags was appointed COO on 12 October 2011, and appointed CSO on 16 December 2011. Dr Vanags has been Acting CEO since 26 February 2012. Share based payment relates to Performance Rights issued on 15 July 2011, prior to Dr Vanags appointment as COO. Remuneration shown is for the full financial year.
- (ii) Mr Tom Coogan, Coogans Pty Limited, provides the Company with accounting and financial management services. Mr Coogan provides the declaration to Directors required under Section 295A of the Corporations Act and signs these accounts as Chief Financial Officer. Mr Coogan was engaged by the Company on 23 April 2012. For the period to 30 June 2012, Coogans Pty Ltd was paid or was due for payment for accounting and financial management services in the amount of \$15,000.
- (iii) Ms Farris was appointed Company Secretary on 23 April 2012. Share based payment relates to Performance Rights issued on 15 July 2011, prior to Ms Farris appointment as Company Secretary. Remuneration shown is for the full financial year.
- (iv) Mr Graham was appointed Company Secretary on 8 August 2007. Mr Graham was appointed Chief Financial Officer on 12 October 2011. Mr Graham resigned as Chief Financial Officer on 26 October 2011. Mr Graham resigned as Company Secretary on 27 October 2011. Payment under "other" is a discretionary (bonus) payment relating to capital raising. The termination benefit relates to a payment made upon resignation. The termination payment is subject to contest by the Company and forms part of the Statement of Claim (see Proceedings on behalf of the Company).

2011	Salary & Fees \$	Other \$	Super- annuation \$	Termination Benefit \$	Value of Options \$	Total \$
B Graham	157,000	15,000	12,883	-	-	184,883
	157,000	15,000	12,883	-	-	184,883

## CBio Limited Performance and Shareholder Wealth

Relative movements in Basic Earnings per share, Net tangible assets per share and Dividend per share (cents per share) for the last four years are as follows. Period end share price has been included as one measure of shareholder wealth:

	2008	2009	2010	2011	2012
Earnings/(Loss) Per Share	(73.44)	(32.06)	(24.90)	(11.32)	(2.59)
Net tangible assets per share	(8.52)	(28.23)	(0.06)	(0.01)	0.02
Dividend per share	-	-	-	-	-
Share Price	n/a	n/a	\$0.265	\$0.63	\$0.06

## INDEMNITY

In accordance with the constitution of CBio Limited:

Subject to the Corporations Act and rule 26.2, the Company must indemnify each Director, Secretary and Executive Officer to the maximum extent permitted by law against any liability incurred by them by virtue of their holding office as, and acting in the capacity of, Director, Secretary or Executive Officer of the Company, other than:

- a) a liability owed to the Company or a related body corporate of the Company;
- b) a liability for a pecuniary penalty order under section 1317G Corporation Act or a compensation order under section 1317H Corporations Act;
- c) a liability owed to a person other than the Company that did not arise out of conduct in good faith.

The Company has insured its Directors, the Company Secretary and Executive Officers for the financial year ended 30 June 2012. Under the Company's Directors and Officers Liability Insurance Policy, the Company cannot release the nature of the liabilities insured by the policy or the amount of the premium.

## PROCEEDINGS ON BEHALF OF THE COMPANY

In February 2012 the Company commenced legal proceedings against four former officers of the Company. The proceedings relate to the resignations on or about 12 October 2011 of the Company's then executive chairman, chief executive officer, chief financial officer and company secretary; and gross payments made to these officers. A statement of claim was filed at the Queensland Supreme Court on 23 February 2012. An amended statement of claim was filed on 3 April 2012. A further amended statement of claim was filed on 31 July 2012. In the further amended statement of claim the Company claims a total of approximately \$1,200,000 from the former executives. The further amended statement of claim reflects information known at the date of this report.

## AUDITOR INDEPENDENCE AND NON AUDIT SERVICES

A statement of independence has been provided by the Company's auditor, Ernst & Young, and is included in the attached financial report.

### NON-AUDIT SERVICES

During the year the Company's auditor performed non-audit services. The provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*, and the Directors are satisfied that the nature and scope of the non-audit services provided did not compromise auditor independence. The details of the services provided and their costs are as follows:-

	\$
Taxation and taxation advisory	25,734
Agreed upon procedures	5,000
	<hr/>
	30,734
	<hr/>

Signed in accordance with a resolution of Directors



Dr Ralph Craven  
Chairman  
27 August 2012

### **CBio Limited is an Australian company listed on the Australian Securities Exchange (ASX).**

In the year under review the Company has undergone significant corporate change. As disclosed in the Report for the half-year to 31 December 2011, none of the directors who were recorded for the year-ending 30 June 2011 remained as directors by 31 December 2011. As at the date of this Report, the Board of CBio consists of four directors being the chairman, two non-executive directors, and one executive director. The current Board has been in place since 26 February 2012.

The current directors of CBio Limited have used the guidance provided by the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council (ASX CGC) as a focus for re-examining the Company's corporate governance practices and have determined whether, and to what extent, the Company may have benefited from a change in approach. Having regard to the Company's particular circumstances, where the Board has considered a potential benefit exists, it has taken action to revise and enhance its governance practices. A revised Corporate Governance Charter was adopted and released to the market on 26 July 2012.

The Board of CBio strives for the development and continuous improvement of a governance framework, policies and practices that are both in accordance with the ASX CGC Principles and in line with the growth of the business.

#### **SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

#### **CBio has established and disclosed the respective roles and responsibilities of the Board and management (ASX CGC Principle 1).**

As detailed in the Company's corporate governance charter, the Board's broad functions are:

- a) to chart strategy and set financial targets for the Group;
- b) to monitor the implementation and execution of strategy and performance against financial targets;
- c) to appoint and oversee the performance of executive management; and
- d) to generally to take an effective leadership role in relation to the Group.

The Board's responsibilities include:

- a) determining the Board's composition (including appointment and retirement or removal of Directors);
- b) oversight of the Group (including its control and accountability systems);
- c) appointing and removing the CEO or equivalent;
- d) where appropriate, ratifying the appointment and the removal of Senior Executives;
- e) reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct, and legal compliance;
- f) approving and formulating Company strategy and policy;
- g) monitoring Senior Executive's implementation of strategy;
- h) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and sales;
- i) approving and monitoring financial and other reporting;
- j) performance of investment and treasury functions;
- k) monitoring industry developments relevant to the Group and its business;
- l) developing suitable key indicators of financial performance for the Group and its business;
- m) having input in, and granting final approval of, corporate strategy and performance objectives developed by management;
- n) the overall corporate governance of the Group (including its strategic direction and goals for management, and monitoring the achievement of these goals); and
- o) oversight of Committees

Day to day management of the Company's affairs and the implementation of strategy and policy initiatives are formally delegated by the Board to the chief executive officer and senior executives.

## Corporate Governance Statement

The Nomination and Remuneration Committee is to assist the Board of CBio Limited in fulfilling its duties and responsibilities by reviewing, advising and making recommendations to the Board on, amongst other things, evaluating the performance of the CEO and other Key Management Personnel; and monitoring the implementation by management of the strategic objectives and policies of the Board.

### THE BOARD

**CBio has a Board of effective composition, size and commitment to adequately discharge its responsibilities and duties (ASX CGC Principle 2).**

The Board considers that its membership should comprise directors with an appropriate mix of skills, experience and personal attributes that allow the directors individually and the Board collectively to:

- a) discharge their responsibilities and duties under the law effectively and efficiently;
- b) understand the CBio business and the environment in which CBio operates so as to be able to agree with management the objectives, goals and strategic direction which will maximize shareholder value; and
- c) assess the performance of management in meeting those objectives and goals.

In the year under review there have been significant changes to the Board of CBio. Further information on these changes, as well as details of each director's skills and experience, are set out in the Director's Report.

The Board strives to achieve diversity in its composition. The current directors collectively bring to the Board a broad range of experience, expertise, skills, diversity and contacts relevant to CBio and its business.

The Board keeps the balance of skills and experience of its members, as well as their independence, under review. The Board considers the following to be independent directors: Dr Ralph Craven, Mr Brett Heading, Mr Warren Brown. Dr James Campbell is an executive director and as such is not deemed to be independent by the definition detailed in the Company's corporate governance charter.

In accordance with the corporate governance charter, the Chairman is an independent director, appointed from the Board's membership. The Chairman provides leadership to ensure that a high standard of values, processes and constructive interaction is maintained. The Chairman is not CEO of the Company, and the distinction in roles and responsibilities is set out in the corporate governance charter.

#### Board Committees

To assist the Board in carrying out its functions effectively and efficiently, the Board has established an audit and risk management (ARM) committee, and a nomination and remuneration committee. It is the Board's policy that each committee of the Board will consist of at least three members and a majority of independent, non-executive directors. Each committee has a charter which includes a more detailed description of its duties and responsibilities. The charter of each committee is available in the corporate governance charter on the Company's website.

#### Training and advice for directors and access to information

It is the policy of the Board that directors are provided with information about the group - before accepting and continuously after appointment - appropriate for them to discharge their responsibilities. To help directors maintain their understanding of the business, directors have access to the members of the management team and also to employees at all levels. Directors are given access to continuing education in relation to the Company's business and industry, and other information required by them to discharge their responsibilities. With approval from the Chairman which will not be unreasonably withheld or delayed, each director may seek independent legal or other professional advice at the Company's expense.

The Board appoints and removes the company secretary. All directors have access to the company secretary who is accountable to the Board, through the Chairman, on all governance matters.

### *Board evaluation*

The Board of CBio seeks to promote transparency and accountability. Evaluation of performance is a key element of these goals, and the performance of the Board and senior executives is to be reviewed and assessed on an annual basis. The Board will follow a process of self assessment of both its collective performance and that of individual directors, and will seek feedback from management on performance issues. The Chairman's performance will be reviewed and assessed by the other directors. A director whose performance is unsatisfactory may be asked to retire. The Board will seek to undertake an external assessment of its policies, procedures and effectiveness within three years. The Board is satisfied that its performance is efficient.

### **ETHICAL AND RESPONSIBLE DECISION MAKING**

#### **CBio promotes ethical and responsible decision making (ASX CGC Principle 3)**

The underlying principle of the Board's code of conduct is that ethical behaviour is required of directors, executives and employees of the Company, as well as of advisors and consultants to the Company.

The Board has adopted specific policies in key areas, including diversity, dealing with price sensitive and other confidential information, and dealing in the securities of the Company. The Board has also adopted a Corporate Governance Charter. Each of these documents is available on the Company's website. The Company's employees are required to sign in confirmation that they agree to adhere to the Company's conduct policy. CBio employees are encouraged to report breaches of conduct on a confidential basis. The Company did not have a whistleblower policy in place during the year under review, however a policy is in place at the date of this report. The Company's whistleblower protection policy provides that an employee will not be subject to retaliation by the Company for reporting in good faith a possible violation of the code of conduct.

### *Diversity*

The Board of CBio recognises that improving diversity is important to improving and sustaining a workforce that is capable of achieving the strategic and business goals of the Company. The Board also recognizes the challenges of achieving prescribed levels of diversity in a Company with a relatively small workforce.

CBio is committed to creating a profitable, clinical-stage development Company. The Board is committed to identifying and attracting employees, including management, with relevant experience, and its overriding principle is to treat people equally and with respect. By focusing on identifying and employing the best people for the tasks required, the Company has created a workforce that reflects its diversity principles. The Company is committed to employee advancement based on skills and experience regardless of gender, race, ethnicity, religion, orientation or disability. The Board considers the diversity achieved to date to be a favourable endorsement of the Company's policies.

Overall, 66% of CBio employees are female. This figure includes the CSO (Acting CEO) and the company secretary.

The Board expects that female representation across the Company to remain at no less than approximately 40-50% for the next five years. The Board has targeted that female representation in senior management and non executive director appointments should be above 20% within five years.

Diversity will continue to be encouraged by a commitment by the Board and senior managers to model the code of conduct in all aspects of the business, by ensuring managers tasked with recruiting or advancement understand the rule and spirit of the code of conduct and diversity policy, through employee training and development, and through the continued flexible approach to work conditions (to the extent such flexibility does not conflict with the needs of the Company).

### **INTEGRITY IN FINANCIAL REPORTING**

**CBio has a structure to independently verify and safeguard the integrity of the Company's financial reporting (ASX CGC Principle 4)**

The Company has established an audit and risk management committee that consists of at least three members each of whom are non-executive directors. The committee consists entirely of independent directors, and the chair of the committee is not the chair of the Board. Its members are Mr Warren Brown (chair), Mr Brett Heading and Dr Ralph Craven.

The objectives of the audit and risk management committee are to assist the Board in fulfilling its corporate governance responsibilities in regard to financial reporting, audit and risk management, including ensuring the integrity of CBio's financial reporting, compliance with legal and regulatory obligations, ensuring the effectiveness of CBio's risk management and internal control framework, and oversight of the independence of the external auditors. The charter of the audit and risk management committee is incorporated in the corporate governance charter which is available on the Company's website. The external audit firm partner in charge of the Company's audit attends committee meetings by invitation, together with relevant executives.

#### **Financial Report Accountability**

Each of the CEO and CFO sign a statement to the yearly and half-yearly accounts to the effect that the Company's financial reports have been properly maintained, present a true and fair view, in all material respects, of the Company's financial conditions and operational results, are in accordance with relevant accounting standards; and are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

### **TIMELY AND BALANCED DISCLOSURE**

**CBio promotes timely and balanced disclosure of all material matters concerning the Company (ASX CGC Principle 5)**

CBio believes that all stakeholders should be informed of all major business events and risks that influence the Company, in a factual and timely manner. Further, the Company's practice of providing relevant and timely information is supported by its continuous disclosure policy which details comprehensive processes to ensure compliance with obligations under the Corporations Act and ASX Listing Rules. Under this policy all price-sensitive material for public announcement will be lodged with ASX and subsequently posted on the Company's website. The company secretary is responsible for communications with the ASX.

CBio provides a review of operations and financial performance in its Annual Report, which includes the Company's financial report. Announcements to the ASX, investor presentations and the full text of the Chairman and CEO's address to the AGM are made available on the Company's website.

### **RESPECT THE RIGHTS OF SHAREHOLDERS**

**CBio respects the rights of shareholders and facilitates the effective exercise of those rights (ASX CGC Principle 6).**

The Board is committed to communicating effectively and transparently with shareholders about the Company's performance and results. Where practical, the Company utilizes technology to facilitate open and continual communications with shareholders and the market in general. Shareholders and other interested parties can elect to receive emails with the latest investor announcements, the annual report, as well as General Meeting information. Proxies for meetings can also be lodged electronically. The Company keeps summary records for internal use of issues discussed at group and one-on-one briefings for investors and analysts.

#### **Auditor attendance at the annual general meeting**

The external audit firm partner in charge of the Company's audit is available to answer shareholder questions at the Company's AGM.

## **RECOGNISE AND MANAGE RISK**

### **CBio has a sound system of risk oversight and management and internal control (ASX CGC Principle 7)**

There are many risks in the market in which CBio operates. A range of factors, some of which are beyond CBio's control, can influence performance and the achievement of results. The Company takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board has mechanisms in place to ensure that management's objectives and activities are aligned with identified risks. These include the Board review of business strategy, the implementation of Board approved operating plans and budgets, and Board monitoring of progress against these budgets.

The audit and risk management committee assists the Board in fulfilling its responsibilities in regard to financial reporting, audit and risk management. The senior management team manages and reports to the Board on business and financial risks and overall compliance.

In accordance with section 295A of the Corporations Act, the CEO is required to state in writing to the Board that the Company's reporting is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

## **REMUNERATE FAIRLY AND RESPONSIBLY**

### **CBio seeks to ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear (ASX CGC Principle 8).**

The Board has established a Nomination and Remuneration Committee to assist the Board in fulfilling its duties and responsibilities by reviewing, advising and making recommendations to the Board on issues of nomination and remuneration. The Committee currently consists of three non-executive directors: Mr Brett Heading, Mr Warren Brown and Dr Ralph Craven.

The remuneration report (audited) contains details on remuneration policy and remuneration of the Company's Key Management Personnel and its relationship to performance in the year under review. The remuneration report clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives. Shareholders are invited to vote on the adoption of the report at the Company's AGM.

## **Corporate Governance and Disclosure**

The Board of CBio Limited considers that the above corporate governance practices comply with the ASX CGC's Principles and Recommendations. The Board is committed to the continuous improvement of its corporate governance framework.

## **CEO and CFO certification**

In accordance with section 295A of the Corporations Act, the CEO and CFO have provided a written statement to the Board that:

- Their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board
- The Company's risk management and internal compliance and control system is operating effectively in all material respects in relation to reporting financial risks.

## Statement of Comprehensive Income

for the year ended 30 June 2012

	Note	2012 \$	2011 \$
<b>Continuing Operations</b>			
Interest received		222,146	66,173
Rental revenue		92,893	142,952
<b>Total revenue</b>		<b>315,039</b>	<b>209,125</b>
Fair value movement of derivatives		-	(564,049)
Unrealised / realised foreign exchange gain (loss)		(52,213)	341,044
Other income	5a	5,904,558	2,203
Capital raising costs	5b	(90,757)	(260,990)
Borrowing costs expense	5c	(886,189)	(1,665,638)
Administration & corporate expenses	5d	(3,035,886)	(1,794,792)
Depreciation, amortisation and loss on scrapping	5e	(117,245)	(144,420)
Staff costs	5f	(4,065,187)	(3,092,805)
Rent & occupancy expense		(726,423)	(605,945)
Share based payment expense		(681,210)	(16,396)
Research and development costs	5g	(1,182,417)	(5,144,075)
Patent costs		(504,771)	(543,550)
Business development		(418,222)	(399,706)
<b>Loss before income tax from continuing operations</b>		<b>(5,540,923)</b>	<b>(13,679,994)</b>
Income tax expense	6	-	-
<b>Loss from continuing operations after income tax</b>		<b>(5,540,923)</b>	<b>(13,679,994)</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>(5,540,923)</b>	<b>(13,679,994)</b>
<b>(Loss)/gain per share (cents per share)</b>			
Basic/Diluted – Continuing operations	17	(2.59)	(11.32)

*The Statement of Comprehensive Income is to be read in conjunction with the notes to the Financial Statements.*

# Statement of Financial Position

as at 30 June 2012

	Notes	2012 \$	2011 \$
<b>Current Assets</b>			
Cash and cash equivalents	18a	4,185,201	3,909,426
Trade and other receivables	7a	2,248,115	28,030
Other current assets	8	32,386	340,598
<b>Total Current Assets</b>		<b>6,465,702</b>	<b>4,278,054</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	263,599	132,556
Trade and other receivables	7b	99,462	150,000
Intangible assets	10	-	-
Other non-current assets	8	-	169,074
<b>Total Non-Current Assets</b>		<b>363,061</b>	<b>451,630</b>
<b>Total Assets</b>		<b>6,828,763</b>	<b>4,729,684</b>
<b>Current Liabilities</b>			
Trade and other payables	11	603,776	1,369,158
Financial liabilities	12	-	2,326,681
Short-term provisions	13a	74,669	219,369
Unearned income	14	-	2,805,736
<b>Total Current Liabilities</b>		<b>678,445</b>	<b>6,720,944</b>
<b>Non-Current Liabilities</b>			
Long-term provisions	13b	137,078	151,156
<b>Total Non-Current Liabilities</b>		<b>137,078</b>	<b>151,156</b>
<b>Total Liabilities</b>		<b>815,523</b>	<b>6,872,100</b>
<b>Net Assets (Deficiency)</b>		<b>6,013,240</b>	<b>(2,142,416)</b>
<b>Equity</b>			
Issued Capital	15	97,318,321	84,302,952
Reserves	16	20,083,664	19,402,454
Accumulated Losses		(111,388,745)	(105,847,822)
<b>Total (Deficiency) in Equity</b>		<b>6,013,240</b>	<b>(2,142,416)</b>

The Statement of Financial Position is to be read in conjunction with the notes to the Financial Statements.

## Statement of Changes in Equity

for the year ended 30 June 2012

	Note	2012 \$	2011 \$
<b>ISSUED CAPITAL</b>			
Balance at 1 July		84,302,952	68,291,037
Gross issue of share capital		14,671,166	17,657,658
Cost of capital raising		(1,655,797)	(1,645,743)
Balance at 30 June	15	<u>97,318,321</u>	<u>84,302,952</u>
<b>ACCUMULATED LOSSES</b>			
Balance at 1 July		(105,847,822)	(92,167,828)
Loss for the year		(5,540,923)	(13,679,994)
Other comprehensive income		-	-
Total comprehensive income for the year		<u>(5,540,923)</u>	<u>(13,679,994)</u>
Balance at 30 June		<u>(111,388,745)</u>	<u>(105,847,822)</u>
<b>RESERVES</b>			
Balance at 1 July		19,402,454	19,099,898
Net convertible note issuance/conversion to equity		-	286,160
Equity-based compensation		681,210	16,396
Balance at 30 June	16	<u>20,083,664</u>	<u>19,402,454</u>

*The Statement of Changes in Equity is to be read in conjunction with the notes to the Financial Statements.*

## Statement of Cash Flows

for the year ended 30 June 2012

	Notes	2012 \$	2011 \$
<b>Cash flows from/(used in) operating activities</b>			
Payments to suppliers and employees		(10,831,471)	(13,203,838)
Cash received in the course of operations		79,933	340,964
Interest received		230,339	66,173
Interest paid		(424,491)	(659,410)
Cash received from reimbursement of product costs		325,000	-
<b>Net cash used in operating activities</b>	18b	<b>(10,620,690)</b>	<b>(13,456,111)</b>
<b>Cash flows from/(used in) investing activities</b>			
Capital expenditure		(169,442)	(44,120)
Reduction in bank guarantee		50,538	-
<b>Net cash (used in)/provided by investing activities</b>		<b>(118,904)</b>	<b>(44,120)</b>
<b>Cash flows from/(used in) financing activities</b>			
Proceeds from issue of shares		13,448,594	14,611,362
Proceeds from issue of convertible notes		-	1,650,000
Repayment of convertible notes		(2,000,000)	(1,475,000)
Repayment of borrowings		-	(300,000)
Share issue costs		-	(1,130,884)
Proceeds from borrowings		-	300,000
Costs of capital raising		(433,225)	-
<b>Net cash provided by financing activities</b>		<b>11,015,369</b>	<b>13,655,478</b>
Net increase/(decrease) in cash held		275,775	155,247
Net foreign exchange differences		-	320,731
Cash at beginning of the financial period		3,909,426	3,433,448
<b>Cash at the end of the financial period</b>	18a	<b>4,185,201</b>	<b>3,909,426</b>

*The Statement of Cash Flows is to be read in conjunction with the notes to the Financial Statements.*

## 1. CORPORATE INFORMATION

The financial report of CBio Limited for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the Directors on 27 August 2012. CBio Limited is a Company limited by shares incorporated in Australia whose shares have been publicly traded on the Australian Securities Exchange (ASX) since its listing on 15 February 2011. The nature of the operations and principal activities of the Company are described in the Directors' Report.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1. Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards as issued by the Australian Accounting Standards Board and International Accounting Standards Board. The financial report is presented in Australian dollars. As at 30 June 2012 there were no Australian Equivalents to International Accounting Standards or applicable pronouncements issued and not yet effective that are expected to have a material impact on the financial results or position of the Company.

### 2.2. Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value. New accounting standards and interpretations, including those issued but not yet effective, are detailed in Note 25. The effect of adopting new standards and interpretations effective this year are also disclosed at Note 25.

### 2.3. Going concern

The report has been prepared on a going concern basis. The Company incurred an operating loss after income tax of \$5,540,923 (2011: \$13,679,994) for the year ended 30 June 2012. At 30 June 2012 the Company has net assets of \$6,013,240 (2011: net liabilities of \$2,142,416). In common with other companies in the biotechnology sector, the Company's operations are subject to risks and uncertainty due primarily to the nature of the drug development and commercialisation. In order to improve operational efficiencies and manage the Company's financial position, the Board has reviewed and restructured the Company's operations in the second half of this year. Should the proposed merger with Inverseon Inc. be approved by Shareholders, to allow the Company to execute its near term and longer term plans the Board is preparing to raise capital sufficient enough to meet operational and program development needs. The Board considers it likely that it may be necessary to raise additional capital in the future. These conditions of uncertainty and the need to raise further capital give rise to significant uncertainty as to whether the Company will be able to continue as a going concern and be able to pay its debts as and when they fall due. The Company has a strong history of raising capital, however the Directors cannot be certain that sufficient capital can be raised in future to in order to complete the programs as outlined in the Director's Report. In the event that such arrangements are not entered into or are not successful, there is uncertainty whether the Company will continue as a going concern and the Company may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different from those stated in the financial report. This report does not include any adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

**2.4. Property, plant and equipment**

Plant and equipment is stated at cost less depreciation and impairment in value. Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

	2012	2011
Plant and equipment	10%-50%	10%-50%
Computer equipment	20%-50%	20%-50%
Furniture and fittings	10%-20%	10%-20%

**2.5. Impairment**

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. Any gains or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amounts of the item) is included in the statement of comprehensive income in the period the item is derecognised.

**2.6. Acquisition of assets**

All assets acquired including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market prices at the date of acquisition are used as fair value, except where the notional price at which they could be placed in the market is a better indication of fair value.

**2.7. Recoverable amount of assets**

At each Balance Date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash generating unit to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

**2.8. Trade and other receivables**

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred. Terms of receivables are between 30 and 45 days. Interest is taken up as income on an accrual basis.

**2.9. Intangible assets - Intellectual Property**

Amounts incurred in acquiring and extending patents are expensed as incurred, except to the extent that such costs are expected beyond any reasonable doubt to be recoverable.

## 2.10. Research and development expenditure

Amounts incurred on research and development activities are expensed as incurred, except to the extent that such development costs are expected beyond any reasonable doubt to be recoverable.

## 2.11. Income taxes

Deferred income tax liabilities are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary
- differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward or unused tax assets an unused tax losses can be utilised:

- Except where the deferred income tax asset relating to the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Balance Date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax asset and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the Balance Date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

## 2.12. Other taxes

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense as applicable; or
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

## 2.13. Cash and cash equivalents

Cash on hand and in banks and short term deposits are stated at its fair value. For the purpose of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily

convertible to cash within two working days, net of outstanding bank overdrafts. Bank overdrafts are carried at the principal amount. Interest is charged as an expense on an accrual basis.

## 2.14. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised:

- Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.
- Fee income derived from research & development contracts which is dependant on the satisfaction of certain contractual conditions will be treated as unearned income and be recorded as a liability until any conditions are met, at which time the income will be recognised.
- Contract research income is recognised as and when the relevant research expenditure is incurred. If the Company receives income in advance of incurring the relevant expenditure, it is treated as deferred income as the Company does not control the income until the relevant expenditure has been incurred.

## 2.15. Foreign currency

The functional and presentation currency of CBio is Australian Dollars. Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at Balance Date are translated at the rate of exchange ruling on that date. Exchange differences relating to amounts payable and receivable in foreign currencies, and cash held in foreign currencies, are brought to account in the statement of financial performance as exchange gains or losses, in the financial year in which the exchange rates change.

## 2.16. Trade and other payables

Liabilities for trade creditors and other amounts are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services, whether or not billed to the consolidated entity. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

## 2.17. Issued capital

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

## 2.18. Leased assets

Leases under which the consolidated entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases. Payments made under operating leases are expensed on a straight line basis over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

## 2.19. Superannuation

Contributions are made to approved employee superannuation funds at the rate of 9% of employees' gross salaries as directed by the Superannuation Guarantee Legislation. Contributions are recognised as an expense against income as they are made.

## 2.20. Employee benefits

Provisions are recognised when CBio has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When CBio expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision

is presented in the statement of comprehensive income net of any reimbursement. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Balance Date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

#### *Wages, Salaries and Annual Leave*

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to Balance Date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at Balance Date, including related on-costs, such as workers compensation insurance and payroll tax.

#### *Long Service Leave*

The amount provided for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made in connection with employees' services provided up to Balance Date. The provision is calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at Balance Date, including related on-costs, such as workers compensation insurance and payroll tax.

#### **2.21. Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

#### **2.22. Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognised in the statement of comprehensive income when the liabilities are de-recognised and as well as through the amortisation process.

#### *Convertible Notes*

The component of the convertible note that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of the convertible notes, the fair value of the embedded derivative and convertible note is determined and the residual (being the conversion option) is recorded as a separate component of equity. The net balance of the convertible note is recorded as an interest bearing liability. The liability is increased over the term of the liability using the effective interest rate implicit in the note. Any increase recorded is recognised as interest expense. Certain convertible notes contain a feature which allows options over ordinary shares to be issued. This option feature is recorded as an embedded derivative liability on issuance of the convertible note at the fair value of the embedded derivative. At each Balance Date while the convertible note is outstanding the embedded derivative liability is re-measured to fair value through the profit and loss.

#### **2.23. Use and revision of accounting estimates**

The preparation of the financial report requires the making of estimations and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making

judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Sources of significant judgement and estimate relate to the following matters. An accounting policy for each matter is included in Note 2:

- Classification of leases
- Impairment
- Share-based payment transactions
- Income Tax
- Provision for Make Good

## 2.24. Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement for borrowings, finance charges in respect of finance leases and foreign exchange differences. Interest payments in respect of financial instruments classified as liabilities are included in borrowing costs. Ancillary costs incurred in connection with the arrangement of borrowings are netted against the relevant borrowings and amortised over their life. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which necessarily take a substantial period of time to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for acquisition, construction or production of a qualifying asset, the capitalised amount of the borrowing costs include costs incurred in relation to that borrowing net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

## 2.25. Earnings Per Share

Basic earnings per share (EPS) is calculated by dividing the net profit attributable to members for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company outstanding during the year. Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares outstanding during the year. As the Company incurred a loss for the current and previous year, potential ordinary shares, being options to acquire ordinary shares, are considered non-dilutive and therefore not included in the diluted earnings per share calculation.

## 2.26. Share-Based Payment Transactions

The Company provides benefits to employees, including Directors, of the Company and to selected contractors in the form of share based payment transactions, whereby participants render services in exchange for shares or rights over shares (equity-settled transactions). The costs of the equity settled transactions with participants are measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black Scholes option-pricing model. In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of CBio Limited. The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity settled transactions at each Balance Date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Company will ultimately vest. This opinion is based on the best available information at Balance Date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No

expense is recognised for awards that do not ultimately vest. Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award is treated as if it were a modification of the original award, as described in the previous paragraph.

## **2.27. Significant accounting judgements, estimates and assumptions**

Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

### *Share-based payment transactions*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined with using a Black Scholes standard model, with the assumptions detailed in Note 20(c). The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

### *Make Good Provision*

The Company measures the make good provision at the present value of management's best estimate of the expenditure required to settle the present obligation at the Balance Date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

## **3. FINANCIAL RISK MANAGEMENT**

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans and convertible notes. The main purpose of financial instruments is to raise finance for Company operations. The Company manages its exposure to key financial risks, including interest rate risk and currency risk in accordance with the Company's financial risk management policy. The objective of the policy is to support delivery of the Company's financial targets while ensuring that financial risks faced by the Company are known and managed appropriately. Primary responsibility for identification and control of financial risks rests with the Board.

### **3.1. Interest rate risk**

The Company's exposure to market interest rates relates primarily to its cash holdings. The Company constantly analyses its interest rate exposure. Within this analysis consideration is given to a mix of fixed and variable interest arrangements. The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at Balance Date. This sensitivity analysis demonstrates the effect on the current year results which could result from a change in these risks. As at 30 June 2012, the effect on profit

and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows. The table below shows the impact on cash to exposure to variable interest rates:

	2012 \$	2011 \$
Change in profit/(loss) and equity		
Increase in interest rate by 2%	115,296	(66,874)
Decrease in interest rate by 2%	(115,296)	66,874

### 3.2. Foreign currency risk

The major foreign currency exposures are in US Dollars (USD), British Pound Sterling (GBP) and Euro (€). This is as a result of cash funds held and both receivable and payable contracts entered into in these currencies. The Company maintains foreign currency bank accounts denominated in USD and GBP in order to minimize foreign currency risk exposure. The Company had a deficit of foreign currency receivables over payables of \$22,697 at 30 June 2012 (2011: \$158,608 deficit). Cash held in USD and GBP are the only assets exposed to foreign currency risk at the Balance Date. The Company does not hold any Euros. Trade creditors are the only liability exposed to foreign currency risk at the Balance Date. As at 30 June 2012, the effect on profit and equity as a result of changes in the value of the Australian Dollar to USD and GBP, with all other variables remaining constant, would be as follows:

	2012 \$	2011 \$
Change in profit/(loss) and equity		
Improvement in AUD by 15%	27,740	450,207
Decline in AUD by 15%	(22,320)	(569,124)

### 3.3. Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to standardised financial assets, is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to and forming part of the financial report. The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments.

### 3.4. Liquidity risk

Liquidity risk arises from the financial liabilities of the Company and the Company's subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due. The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources will be available as and when required, as well as ensuring capital raising initiatives are conducted in a timely manner as required.

### 3.5. Equity risk

Equity risk as a result of the \$12.45 million Convertible Loan Agreement entered into by the Company with SpringTree Special Opportunities Fund in May 2010 is extinguished subsequent to the termination by mutual consent of the Agreement in August 2011.

### 3.6. Net fair values

The financial liabilities of the Company at the Balance Date are classified as Level 2 financial instruments. Their fair value is estimated using inputs other than quoted prices in active markets that are observable for the liability, either directly (as prices) or indirectly (derived from prices). The net fair values of financial assets approximate their carrying value. No financial assets and financial liabilities are readily traded on standardised markets in standardised form. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial report.

# Notes to the Financial Statements

for the year ended 30 June 2012

## Financial Instrument Composition & Maturity Analysis at present value

2012	1-6 months \$	6-12 months \$	1-5 years \$	>5 years \$	Total \$
<b>Financial Assets</b>					
Cash	4,185,201	-	-	-	4,185,201
Receivables/ other assets	2,248,115	-	99,462	-	2,347,577
<b>Total Financial Assets</b>	<b>6,433,316</b>	<b>-</b>	<b>99,462</b>	<b>-</b>	<b>6,532,778</b>
<b>Financial Liabilities</b>					
Trade and other payables	603,776	-	-	-	603,776
<b>Total Financial Liabilities</b>	<b>603,776</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>603,776</b>

2011	1-6 months \$	6-12 months \$	1-5 years \$	>5 years \$	Total \$
<b>Financial Assets</b>					
Cash	3,909,426	-	-	-	3,909,426
Receivables/ other assets	28,030	-	150,000	-	178,030
<b>Total Financial Assets</b>	<b>3,937,456</b>	<b>-</b>	<b>150,000</b>	<b>-</b>	<b>4,087,456</b>
<b>Financial Liabilities</b>					
Trade and other payables	1,369,158	-	-	-	1,369,158
Convertible note (i)	2,250,959	-	-	-	2,250,959
Unearned income (ii)	12,180	2,793,556	-	-	2,805,736
<b>Total Financial Liabilities</b>	<b>3,632,297</b>	<b>2,793,556</b>	<b>-</b>	<b>-</b>	<b>6,425,853</b>

(i) Fair Value

The Company uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1- the fair value is calculated using quoted prices in active markets.
- Level 2- the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3- the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The Convertible notes issued by the Company were deemed to be a Level 2 financial instrument. The Company uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use other observable and unobservable market inputs.

(ii) The terms of the Option Agreement with Novo Nordisk A/S were satisfied during the year, previously recorded unearned income was therefore released into revenue during the year.

## 4. SEGMENT REPORTING

The Company operates as a research and development Company in the pharmaceutical industry. The activities of the Company take place primarily in Australia.

# Notes to the Financial Statements

for the year ended 30 June 2012

	2012 \$	2011 \$
<b>5. INCOME &amp; EXPENSES</b>		
<i>(a) Other Income</i>		
Fees earned (i)	3,352,057	-
Reimbursement of product costs	325,000	-
Research and development tax offset	2,227,501	-
Other	-	2,203
	<b>5,904,558</b>	<b>2,203</b>
<i>(b) Capital Raising Costs</i>		
Advisor fees	90,757	260,990
<i>(c) Borrowing Costs</i>		
Interest expense on Convertible notes:		
- Related entities	-	-
- External	424,491	659,452
Non cash interest on convertible notes	-	794,828
Other fees paid to advisors	461,698	211,358
	<b>886,189</b>	<b>1,665,638</b>
<i>(d) Administration &amp; corporate expenses:</i>		
Legal fees	515,370	51,285
Termination and bonus payments to former executive chairman	558,999	-
Other	1,961,517	1,743,507
	<b>3,035,886</b>	<b>1,794,792</b>
<i>(e) Depreciation, amortisation and loss on scrapping</i>		
Amortisation:		
- Make good asset	3,270	-
Depreciation of non-current assets:		
- Leasehold improvements	21,531	22,636
- Plant and equipment	58,997	121,784
Loss on scrapping of non-current assets:		
- Leasehold Improvements	6,572	-
- Plant and equipment	26,875	-
	<b>117,245</b>	<b>144,420</b>
<i>(f) Staff Costs</i>		
Salaries, wages & fees	2,302,478	2,557,030
Superannuation	257,307	224,686
Payroll tax	204,047	149,427
Employee entitlements	128,227	101,076
Termination payments to former executives	736,614	-

## Notes to the Financial Statements

for the year ended 30 June 2012

Redundancy and ETP payments to non-executive employees	377,472	-
Other staff costs	59,042	60,586
	<b>4,065,187</b>	<b>3,092,805</b>
<i>(g) Research and development</i>		
Clinical trial costs	562,802	3,107,971
Drug production and supply	324,794	1,580,497
Other research and development costs	294,821	455,607
	<b>1,182,417</b>	<b>5,144,075</b>

(i) Fees earned relate to fees received from Novo Nordisk A/S in relation to the Option Agreement signed by CBio in 2008. In previous years the fees were classified as unearned because the conditions for recognising the income had not yet been satisfied. The conditions for recognising the income were satisfied during the course of the financial year.

	2012 \$	2011 \$
<b>6. INCOME TAX</b>		
<b>(a) Statement of comprehensive income</b>		
<i>Current income tax</i>		
Current income tax benefit	3,174,622	4,488,243
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(1,278,809)	(146,191)
Deferred tax assets (not recognised)/recognised	(1,895,813)	(4,342,052)
Income tax expense reported on the statement of comprehensive	-	-

**(b) A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Company's applicable income tax rate is as follows:**

Accounting Profit (Loss) before income tax	(5,540,923)	(13,679,994)
At the Company's statutory income tax rate of 30%:	(1,662,277)	(4,103,998)
Additional deductions – Research and Development	-	(549,353)
Non tax deductible items – Permanent Differences	1,045,273	457,490
Movement in temporary differences not recorded	(1,278,809)	(146,191)
Tax assets not recognised	1,895,813	4,195,861
Income tax expense	-	-
<b>Tax assets (At 30%)</b>		
Domestic tax losses	30,650,406	28,504,079
Temporary differences – including balances in equity	1,863,511	3,333,290
Total unrecorded tax assets	<b>32,513,917</b>	<b>31,837,369</b>

At 30 June 2012 the Company has significant estimated, unconfirmed and un-recouped losses as disclosed above. No future income tax benefit for the tax losses incurred by the Company has been recognised as an asset. Because of the complexity of the Company's changing shareholder base and operations, combined with

# Notes to the Financial Statements

for the year ended 30 June 2012

income tax legislation, the amount of the Company's available tax losses as at 30 June 2012 which are available for carry forward use can not be determined with a sufficient degree of probability. Management will undertake a detailed review of the ability to carry forward and use these losses on a needs basis. As a result of this the losses disclosed as available below may not be available in full.

	2012	2011
	\$	\$
<b>6. INCOME TAX</b>		
<b>(c) Temporary differences</b>		
Capital raising costs	1,253,508	793,712
Patent costs	145,169	1,015,863
Research licence	360,000	405,000
Unearned income	-	838,067
Provisions and accruals	104,834	280,648
	<b>1,863,511</b>	<b>3,333,290</b>

The losses disclosed as at 30 June 2012 will only be obtained in future periods if:

- Future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;
- The conditions for deductibility imposed by tax legislation continue to be complied with; and
- No changes in tax legislation adversely affect the Company in realising the benefit.

## 7. TRADE & OTHER RECEIVABLES

### (a) Current

Trade debtors	20,614	28,030
R&D income tax rebate	2,227,501	-
	<b>2,248,115</b>	<b>28,030</b>

### Terms and conditions

All receivables are non-interest bearing and are usually settled on terms of between 30 and 45 days. Credit risk is assessed as low on all receivables. At 30 June 2012, \$11,937 of trade debtors are past due but not impaired (2011: \$2,997).

### (b) Non-current

Bank Guarantee Deposit (i)	99,462	150,000
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(i) Guarantee deposit lodged with the Company's bank as support for the lease of premises which was tenanted by the Company in May 2012.

## 8. OTHER ASSETS

Current – Prepayments	32,386	340,598
Non current – Prepayments	-	169,074
	<b>32,386</b>	<b>509,672</b>

# Notes to the Financial Statements

for the year ended 30 June 2012

	2012 \$	2011 \$
<b>9. PROPERTY, PLANT &amp; EQUIPMENT()</b>		
Total property, plant and equipment		
- At Cost	528,152	1,872,457
- Accumulated Depreciation and Amortisation	(264,553)	(1,739,901)
Total written down value	263,599	132,556
<b>Leasehold Improvements</b>		
At cost	146,554	152,056
Provision for depreciation	(1,944)	(125,898)
	144,610	26,158
Movement in carrying value		
Carrying value at the beginning of the year	26,158	43,939
- Additions	146,555	4,855
- Depreciation and loss on scrapping	(28,103)	(22,636)
Carrying value at the end of the year	144,610	26,158
<b>Make good asset</b>		
At cost	78,846	-
Provision for amortisation	(3,270)	-
	75,576	-
Movement in carrying value		
Carrying value at the beginning of the year	-	-
- Additions	78,846	-
- Amortisation	(3,270)	-
Carrying value at the end of the year	75,576	-
<b>Plant &amp; Equipment</b>		
At cost	302,752	1,720,401
Provision for depreciation	(259,339)	(1,614,003)
	43,413	106,398
Movement in carrying value		
Carrying value at the beginning of the year	106,398	188,917
- Additions	22,888	39,265
- Depreciation and loss on scrapping	(85,872)	(121,784)
Carrying value at the end of the year	43,414	106,398

# Notes to the Financial Statements

for the year ended 30 June 2012

## 10. INTANGIBLE ASSETS

Intellectual property	4,125,000	4,125,000
Provision for recoverability (i)	(4,125,000)	(4,125,000)
	-	-

(i) The Directors have provided against the notional book value of the intellectual property purchased given the risks and uncertainties associated with the continued research and development and ultimate commercialisation of this asset.

## 11. TRADE & OTHER PAYABLES

	2012 \$	2011 \$
Trade payables	379,457	793,968
Accrued expenses	158,075	564,890
Director and Director related payables	66,244	10,300
	603,776	1,369,158

The Director and Director related payables relates to the balance of fees outstanding to McCullough Robertson Lawyers as at 30 June 2012. See Note 22, Related Party Transactions.

Trade creditors are non-interest bearing and are normally settled on 30-day terms. Director and Director related entity payables are non-interest bearing and are payable for services provided in the ordinary course of operations. Details of payments made to Directors are set out in the Directors Report. Details of payments made to related parties are set out in Note 22 - Related Party Transactions.

## 12. FINANCIAL LIABILITIES

	2012 \$	2011 \$
Convertible notes	-	1,780,006
Embedded derivative in convertible notes	-	497,360
Interest payable on Convertible Notes	-	49,315
	-	2,326,681

### *SpringTree Notes*

On 17 May 2011 the Company signed a Convertible Loan Agreement with SpringTree Special Opportunities Fund. No Notes were outstanding at 1 July 2012 and the Agreement was terminated by mutual consent in August 2012.

### *Other Notes*

During prior years, the Company issued a number of Convertible Notes ("Other Notes") under a Convertible Note Deed dated 30 August 2007. The notes had varying face values and interest of between 10% and 20% per annum payable monthly. Two notes with a combined face value of \$2,000,000 were paid out in cash during the year. The Company currently has no Convertible Notes on issue.

## Notes to the Financial Statements

for the year ended 30 June 2012

	2012 \$	2011 \$
<b>13. PROVISIONS</b>		
Short-term employment provisions (i)	74,669	219,369
Long-term employment provisions (ii)	58,232	151,156
Long-term make good provisions (iii)	78,846	-
	<b>137,078</b>	<b>151,156</b>
	<b>211,747</b>	<b>370,525</b>
Movement in carrying value		
At 1 July	370,525	269,448
Accrued in the period	207,070	222,331
Used in the period	(365,848)	(121,254)
At 30 June	<b>211,747</b>	<b>370,525</b>

- (i) Short-term employment provisions represent the estimated costs in respect of current employment benefits payable to Company employees. The provision for current employment benefits includes accrued annual and long-service leave and related on-costs payable on the accrued entitlements. It is expected these costs will be settled by 30 June 2013.
- (ii) Long-term employment provisions represent the estimated costs in respect of non-current employment benefits payable to Company employees. The provision for non-current employment benefits includes accrued long-service leave and related on-costs payable on the accrued entitlements. Due to the nature of the provision, the Company is unable to determine a date by which these costs will be settled.
- (iii) Long-term make good provisions represent the estimated costs of "making good" the Company's leased premises. It is expected these costs will be incurred at the completion of the current lease in 2015.

	2012 \$	2011 \$
<b>14. UNEARNED INCOME</b>		
Option agreement	-	2,793,556
Other	-	12,180
	<b>-</b>	<b>2,805,736</b>

In previous years, unearned income represented the fees received from Novo Nordisk A/S in relation to the Option Agreement entered into with CBio in 2008. As the terms of the Agreement were satisfied during the year, the amount is now recorded as income.

## Notes to the Financial Statements

for the year ended 30 June 2012

	2012 Number	2012 \$	2011 Number	2011 \$
<b>15. ISSUED CAPITAL</b>				
Ordinary shares fully paid	239,144,963	97,318,321	159,854,762	84,302,952
<b>Movements in shares on issue</b>				
As at 1 July	159,854,762	84,302,952	80,104,905	68,291,037
SpringTree convertible loan	-	-	2,316,093	551,882
Exercise of options (i) and commission(ii)	300,000	172,400	611,367	168,994
Consideration for provision of services	-	-	51,282	33,846
Payment by Spring Tree relating shares held as security (ii)	-	180,160	-	-
Consideration for payment of capital raising costs (iii)	5,851,126	1,153,573	2,854,770	460,569
Private placement (iv)	13,081,039	2,354,587	11,627,687	5,116,182
Rights issue (v)	60,058,036	10,810,446	58,288,658	9,326,185
Conversion of convertible notes	-	-	4,000,000	2,000,000
Transaction costs	-	(1,655,797)	-	(1,645,743)
<b>As at 30 June</b>	<b>239,144,963</b>	<b>97,318,321</b>	<b>159,854,762</b>	<b>84,302,952</b>

- (i) 200,000 shares were issued upon the exercise of share options pursuant to the Convertible Loan Agreement with SpringTree Special Opportunities Fund LP.
- (ii) On 15 July 2011, 100,000 shares were issued with Shareholder approval to Dr Michael Monsour as commission in connection with the Rights Issue conducted by the Company in 2010.
- (iii) In August 2011, the Company announced the termination by mutual consent of the Convertible Note facility with the SpringTree Special Opportunities Fund, LP. SpringTree made a payment to the Company on termination of \$180,160 in connection with shares issued as security upon execution of the Agreement in 2010
- (iv) Shares were issued in lieu of underwriting and placement services
- (v) Shares were issued in a share placement in connection with the Rights Issue conducted by the Company
- (vi) Shares were issue in connection with the Rights Issue conducted by the Company at \$0.18 per share

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holders to one vote per share, either in person or by proxy, at a meeting of the Company.

**Capital Management**

When managing capital, management's objective is to ensure the Company continues as a going concern as well as to maintain optimal returns to shareholders and benefits to other stakeholders. The gearing ratios for the year ended 30 June 2012 and 30 June 2011 are as follows:

	2012 \$	2011 \$
Total borrowings (at face value)	-	2,000,000
Trade and other payables	603,776	1,369,158
Less cash and cash equivalents	(4,185,201)	(3,909,426)
Net debt	(3,581,425)	(540,268)
Total equity (including liabilities at face value)	6,013,241	(1,865,050)
Total net debt plus equity	2,431,816	(2,405,318)
Gearing ratio	147%	(22%)

**16. RESERVES****Equity reserve**

Balance at 1 July	19,402,454	19,099,898
Convertible note issue	-	286,160
Repayment of convertible notes	-	-
Share option expense	681,210	16,396
Adjustment to convertible notes on modification	-	-
Balance at 30 June	20,083,664	19,402,454

**Nature and purpose of equity reserve**

The equity reserve records:

- (i) Items recognised as an expense with respect to share-based consideration; and
- (ii) The equity component of convertible notes.

	2012 \$	2011 \$ (ii)
<b>17. EARNINGS PER SHARE</b>		
Basic/Diluted (loss) per share (cents per share) – continuing operations	(2.59)	(11.32)
Basic/Diluted (loss)/earnings per share (cents per share) – attributable to the members of the Company	(2.59)	(11.32)
Income and share data used in the calculation of basic & diluted earnings per share:		
Loss from continuing operations after income tax expense	(5,540,923)	(13,679,994)
Loss attributable to members of the parent entity	(5,540,923)	(13,679,994)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic & diluted EPS	214,205,311	120,891,672
Effect of dilutive securities:		
- Share options	-	-
-Convertible Notes	-	-
Adjusted weighted average number of ordinary shares outstanding during the year used in calculation of basic & diluted EPS (i) and (ii)	214,205,311	120,891,672

- (i) As at the Balance Date, there were 38,884,849 exercisable options on issue at prices ranging between \$0.517 and \$3.00. There were also 1,900,000 nil-strike-price Performance Rights on issue which are expected to vest upon successful completion of the proposed merger with Inverseon Inc.
- (ii) Prior year comparative values have not been adjusted. If prior year weighted average number of ordinary shares was adjusted for the dilution effect and used in the prior period calculation to account for significant share issuances the resultant basic and diluted earnings per share would be (10.88) cents per share.

## 18. CASH AND CASH EQUIVALENTS

### (a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash at bank	4,035,201	3,909,426
Term Deposit	150,000	-
	<b>4,185,201</b>	<b>3,909,426</b>

	2012 \$	2011 \$
<b>18. CASH AND CASH EQUIVALENTS (cont'd)</b>		
<i>(b) Reconciliation of net cash flows from operating activities to operating loss after income tax</i>		
Operating loss after taxation	(5,540,923)	(13,679,994)
<b>Non cash items</b>		
Interest	-	794,828
Transaction cost	-	211,400
Termination fee	-	-
Depreciation, Amortisation	83,798	144,420
Equity based compensation	681,210	16,396
Capital raising costs	-	-
Reversal of Convertible Note	(497,360)	-
Unrealised foreign exchange gain	-	(341,044)
Net foreign exchange	53,475	-
Loss on disposal	33,447	-
rental income (unearned)	(12,180)	-
<b>Change in assets and liabilities</b>		
(Increase)/decrease in receivables and prepayments	(1,692,265)	133,623
Increase/(decrease) in payables	(765,380)	(824,637)
Increase/(decrease) in provisions	(158,776)	101,077
Increase/(decrease) in unearned income	(2,805,736)	(12,180)
Net cash flows used in operating activities	(10,620,690)	(13,456,111)

**19. KEY MANAGEMENT PERSONNEL***(a) Compensation for key management personnel*

Short-term employee benefits	1,698,464	1,264,157
Post-employment benefits	118,424	65,443
Termination payments (i)	1,195,613	-
Share based payments	87,500	16,396
	<b>3,100,001</b>	<b>1,345,996</b>

- (i) In February 2012 the Company commenced legal proceedings against four former officers of the Company. The proceedings relate to the resignations on or about 12 October 2011 of the Company's then executive chairman, chief executive officer, chief financial officer and Company secretary; and gross payments made to these officers. A statement of claim was filed at the Queensland Supreme Court on 23 February 2012. An amended statement of claim was filed on 3 April 2012. A further amended statement of claim was filed on 31 July 2012. In the further amended statement of claim the Company claims a total of approximately \$1,200,000 from the former executives. The further amended statement of claim reflects information known at the date of this report.

*Shareholdings of current key management personnel*

2012	Balance 1 July	Options Exercised	Net Acquired/ (Disposed)	Balance 30 June
R Craven	223,949	-	-	223,949
W Brown (i)	8,982,564	-	100,000	9,082,564
J Campbell	-	-	-	-
B Heading	-	-	-	-
D Vanags	-	-	-	-
M Farris	-	-	-	-
T Coogan (ii)	62,500	-	123,500	186,000
	<b>9,269,013</b>	<b>-</b>	<b>223,500</b>	<b>9,492,513</b>

- (i) On 17 January 2012, with the approval of the Board, Mr Gregory Thomas Brown was appointed to act as an alternate director for Mr Warren Brown. Mr Gregory Thomas Brown does not hold any securities in the Company.
- (ii) Mr Coogan acquired 123,500 shares via Rights Issue entitlement and on-market trades, prior to his engagement on 23 April 2012.

*Option holdings of current key management personnel*

2012	Balance 1 July	Remuneration Options Granted	Acquired/ (Disposed)	Balance 30 June	Total Vested 30 June	Total Exercisable 30 June	Total Unexercisable 30 June
R Craven	40,000	-	-	40,000	40,000	40,000	-
W Brown	-	-	-	-	-	-	-
J Campbell	-	-	-	-	-	-	-
B Heading	-	-	-	-	-	-	-
D Vanags	150,000	150,000 (i)	-	300,000	150,000	150,000	150,000
M Farris	60,000	100,000 (i)	-	160,000	60,000	60,000	100,000
T Coogan	-	-	-	-	-	-	-
	<b>250,000</b>	<b>250,000</b>	<b>-</b>	<b>500,000</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>

- (i) Performance Rights were granted subsequent to shareholder approval in July 2011, and prior to the appointment of Dr Vanags and Ms Farris as management personnel. Performance Rights remained unvested at the Balance Date.

# Notes to the Financial Statements

for the year ended 30 June 2012

## Shareholdings of former key management personnel

2012	Balance 1 July	Options Exercised	Net Acquired/ (Disposed)	Balance 30 June
S Jones (i)	1,819,196	-	(970,903)	848,293
P Corr	-	-	-	-
G Ando	-	-	-	-
J Funder	170,000	-	(32,500)	137,500
M Monsour (i)	9,612,000	-	2,637,189	12,249,189
J Yeates	-	-	-	-
T Kalland	-	-	-	-
T Lonngren	-	-	-	-
J Greig	20,000	-	-	20,000
B Graham	18,181	-	-	18,181
R Mangelsdorf (ii)	1,666,994	-	-	1,666,994
W Brooks (ii)	2,005,000	-	-	2,005,000
H Cameron (ii)	448,000	-	(448,000)	-
	<b>15,759,371</b>	<b>-</b>	<b>1,185,786</b>	<b>16,945,15</b>

- (i) Mr Jones and Dr Monsour have relevant interests in the CBio Limited shareholder, Australian Biofunds Investments Limited. This entity held 194,280 shares at the Balance Date.
- (ii) Dr Monsour, Mr Mangelsdorf and Mr Brooks are Directors of CBio Limited shareholder, Analytica Limited. At the Balance Date, Analytica held 1,044,712 shares, and 3,000,000 options with an exercise price of \$1.00 and an expiry date of 31 December 2012.
- (iii) Balance of securities held as at the date of appointment. No securities were issued to these directors on their appointment.

2011	Balance 1 July	Options Exercised	Net Acquired/ (Disposed)	Balance 30 June
S Jones	1,614,559	-	204,637	1,819,196
P Corr	-	-	-	-
G Ando	-	-	-	-
J Funder	100,000	-	70,000	170,000
M Monsour	6,081,702	-	3,530,298	9,612,000
S Streeter	256,589	-	(50,000)	206,589
J Yeates	-	-	-	-
D Feeney	-	-	-	-
T Kalland	-	-	-	-
T Lonngren	-	-	-	-
J Greig	25,714	-	(5,714)	20,000
B Graham	18,181	-	-	18,181
	<b>8,096,745</b>	<b>-</b>	<b>3,749,221</b>	<b>11,845,966</b>

# Notes to the Financial Statements

for the year ended 30 June 2012

## Option holdings of former key management personnel

2012	Balance 1 July	Remuneration Options Granted	Acquired/ (Disposed)	Balance 30 June	Total Vested 30 June	Total Exercisable 30 June	Total Unexercisable 30 June
S Jones	300,000	-	-	300,000	300,000	300,000	-
P Corr (i)	1,000,000	200,000	(200,000)	1,000,000	1,000,000	1,000,000	-
G Ando (i)	1,000,000	200,000	(200,000)	1,000,000	1,000,000	1,000,000	-
J Funder (i)	1,000,000	200,000	(200,000)	1,000,000	1,000,000	1,000,000	-
M Monsour (i)	3,104,000	200,000	(200,000)	3,104,000	3,104,000	3,104,000	-
J Yeates	2,000,000	-	-	2,000,000	2,000,000	2,000,000	-
J Greig	1,000,000	-	-	1,000,000	1,000,000	1,000,000	-
T Kalland (i)	1,000,000	200,000	(200,000)	1,000,000	1,000,000	1,000,000	-
T Lonngren (i)	1,000,000	200,000	(200,000)	1,000,000	1,000,000	1,000,000	-
B Graham	78,350	-	-	78,350	78,350	78,350	-
R Mangelsdorf	150,000	-	-	150,000	150,000	150,000	-
W Brooks	-	-	-	-	-	-	-
H Cameron	-	-	-	-	-	-	-
	<b>11,632,350</b>	<b>1,200,000</b>	<b>(1,200,000)</b>	<b>11,632,350</b>	<b>11,632,350</b>	<b>11,632,350</b>	<b>-</b>

(i) Performance Rights granted by shareholder approval in July 2011. Rights lapsed upon resignation.

2011	Balance 1 July	Remuneration Options Granted	Acquired/ (Disposed)	Balance 30 June	Total Vested 30 June	Total Exercisable 30 June	Total Unexercisable 30 June
S Jones	300,000	-	-	300,000	300,000	300,000	-
P Corr	1,000,000	-	-	1,000,000	1,000,000	1,000,000	-
G Ando	1,000,000	-	-	1,000,000	1,000,000	1,000,000	-
J Funder	1,000,000	-	-	1,000,000	1,000,000	1,000,000	-
M Monsour	3,104,000	-	-	3,104,000	3,104,000	3,104,000	-
J Yeates	2,000,000	-	-	2,000,000	1,500,000	1,500,000	500,000
J Greig	1,000,000	-	-	1,000,000	800,000	800,000	200,000
T Kalland	-	1,000,000	-	1,000,000	1,000,000	1,000,000	-
T Lonngren	-	1,000,000	-	1,000,000	1,000,000	1,000,000	-
B Graham	78,350	-	-	78,350	78,350	78,350	-
D Feeney	1,800,000	-	-	1,800,000	1,300,000	1,300,000	500,000
S Streeter	1,550,000	-	-	1,550,000	1,550,000	1,550,000	-
	<b>12,832,350</b>	<b>2,000,000</b>	<b>-</b>	<b>14,832,350</b>	<b>13,632,350</b>	<b>13,632,350</b>	<b>1,200,000</b>

The disclosure of shares and options held by Key Management Personnel (KMP) are determined in accordance with the requirements of AASB 124, which requires that KMP holdings also include the holdings of 'close family members'. Disclosure of 'close family member' holdings is not required by the Corporations Act 2001 and therefore the figures shown at Note 19 (above) may differ from those holdings reported in the Directors' Report.

	2012 \$	2011 \$
<b>20. SHARE-BASED PAYMENTS</b>		
(a) <i>Recognised share-based payment expense</i>		
Expenses arising from equity-settled share-based payment transactions	681,210	16,396
Expenses arising from cash-settled share-based payment transactions	-	-
	<b>681,210</b>	<b>16,396</b>

(b) *Types of share-based payment plans*

**Current and Former Employee Share Option Plan**

In prior years, 15,941,500 share options have been granted to former Directors, and 1,783,697 share options have been granted to employees as remuneration to accept ordinary shares at an exercise price of \$1.00. All options have an expiry date of 31 December 2012, and options not exercised within the prescribed period will lapse. Options have no voting or dividend rights, and there are no cash settlement alternatives. The share options outstanding at 30 June 2012 had a weighted average exercise price of \$1.00 and a weighted average contractual life of 0.5 years. There were no new options issued in 2012 to Directors or employees under the Employee Share Option Plan.

**Performance Rights**

On 15 July 2011 shareholders approved the issue of 1,200,000 million nil-strike-price Performance Rights to Non-executive directors of the Company. These rights were issued but subsequently lapsed and were forfeited upon the resignation of each director. On 15 July 2011 the issue of 1,900,000 million nil-strike-price performance rights to employees of the Company was approved by shareholder vote. The Performance Rights of staff who ceased to be employees of the Company for any reason other than resignation or summary dismissal were secured by resolution of the Board in January 2012. The Board considers that if the proposed merger with Inverseon Inc. is approved by Shareholders, a vesting event will have occurred and the 1,900,000 Performance Rights on issue to current and former employees of the Company will vest. If the proposed merger is not approved, the Rights will remain unvested.

**"Other" Option Plan**

19,459,652 share options remain in issue to persons who are not directors, former directors, executives, former executives, employees or former employees of the Company. These options have an exercise price of between \$1.00 and \$3.00 and an expiry date of 31 December 2012. Those options not exercised within the prescribed period will lapse. Options have no voting or dividend rights. There are no cash settlement alternatives.

1,700,000 share options remain on issue to SpringTree Opportunities Fund in relation to the Convertible Note Agreement signed in May 2010 and terminated in August 2011. These options have an exercise price of \$0.52 and an expiry date of 16 May 2015. Those options not exercised within the prescribed period will lapse. Options have no voting or dividend rights. There are no cash settlement alternatives.

**Summary of Above**

Current and Former Employee	Performance Rights	Other	Total
17,725,197	1,900,000	21,159,652	40,784,849

(c) *Summary of options granted*

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options issued during the year:

	Number 2012	WAEP 2012	Number 2011	WAEP 2011
Outstanding at the beginning of the year	37,084,849	\$1.03	32,732,997	\$1.03
Options issued during the year	2,000,000	\$1.00	4,963,219	\$0.93
Options exercised during year	(200,000)	\$0.52	(611,367)	\$0.28
Performance Rights issued during the year	3,100,000	-		
Performance Rights lapsed during the year	(1,200,000)	-		
<b>Outstanding at the end of the year</b>	<b>40,784,849</b>	<b>\$0.98</b>	<b>37,084,849</b>	<b>\$1.03</b>

The following average inputs were applied to the option pricing model:

Weighted average exercise price	\$0.52
Weighted average life of the option	1 year
Underlying share price	\$0.69
Expected share price volatility	50-70%
Risk free interest rate	5%

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value. As at 30 June 2012 there were a total of 38,884,849 unissued ordinary shares for which options were outstanding (2011: 37,084,849). At 30 June 2012 there were 38,884,849 (2011: 35,884,849) exercisable options at an average of \$0.98 (2011: \$1.03). At 30 June 2012 there were a total of 1,900,000 un-exercisable nil-strike-price Performance Rights on issue (2011: nil).

## 21. COMMITMENTS

In March 2012 the Company's long-term property lease for purpose built facilities expired and was not renewed. In May 2012 the Company entered into a four-year lease for new premises. The lease expires in April 2016. Current lease payments are approximately \$80,000 per annum. The lease includes a requirement that the Company make good the premises at the expiration of the lease term. The directors have estimated that the cost of making good at the end of the lease term is \$78,846. This commitment has been included as a liability in the financial statements and is progressively amortised over the term of the lease agreement.

The Company has leasing commitments in connection with telephone, broadband and photocopying/printing totalling approximately \$87,825 over the next three years.

In April 2012, the Company entered into a corporate advisory agreement. At the Balance Date there were outstanding commitments of \$20,000 associated with this agreement. These commitments have been paid down as at the date of this report. In addition there is a commitment of a fee payable in the event of the completion of a successful commercial transaction.

As at the Balance Date, the Company had unfinalised contracts involving preclinical research and drug formulation. The estimated remaining contracted costs amount to approximately \$332,804. It is expected that these contracts will be finalised by 30 June 2013.

On 30 March 2001, the Company entered into a Royalty Agreement with CSL Limited (CSL). This agreement was entered into contemporaneously with the Deed of Assignment, an agreement which assigned CSL's rights

to its Research Agreement with Uniquest Pty Ltd to CSL for payment of \$125,000. The Royalty Agreements stipulates that CBio is to pay royalties to CSL after commercialisation of products developed under the Research Agreement.

	Within one year	After one year but within five years
<b>Operating leases</b>		
Premises	80,000	226,667
Premises – “make good”	-	78,846
Telephone, broadband, photocopying, printing	30,676	57,149
<b>Commitments</b>		
Corporate Advisory (i)	20,000	-
Preclinical research and drug formulation	332,804	-
	463,480	362,662

(i) The corporate advisory “success fee” is a payment based on a percentage value of a successfully completed corporate transaction. The fee is therefore undetermined at the date of this report.

## 22. RELATED PARTY TRANSACTIONS

Total consulting fees of \$737,136 were paid to SGB Jones Pty Ltd during the year to 30 June 2012 in connection with the provision of consulting services by Mr Stephen Jones (2011: \$432,000). The total consulting fees includes \$458,999 paid to SGB Jones Pty Ltd after Mr Jones resigned as Executive Chairman and Consultant to the Company on 12 October 2011. SGB Jones Pty Ltd is a Company associated with Mr Jones. The total consulting fees also includes a \$100,000 performance bonus which related to capital raisings during the half-year to 31 December 2011. The balance outstanding at the Balance Date was \$nil.

In July, the Company issued 100,000 shares to entities associated with Dr Michael Monsour as commission on the firm commitment to subscribe for shares under the Rights Issue conducted by the Company in 2010. The share issue was approved by shareholders in a general meeting on 15 July 2011. The balance outstanding at the Balance Date in relation to the share commission payable was nil.

During the year, consulting fees of €90,000 were paid or payable to NDA Advisory Services 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 Balance Date was nil.

McCullough Robertson Lawyers has provided legal advisory services to the Company for a number of years. Mr Brett Heading, who was appointed to the Board on 26 February 2012, is a Partner at McCullough Robertson. In the period from 26 February 2012 to 30 June 2012, fees of \$264,102 were paid or were payable to McCullough Robertson Lawyers in connection with the provision of legal advisory services to the Company. The balance outstanding at the Balance Date was \$66,244.

## 23. SUBSEQUENT EVENTS

On 2 July 2012, the Company announced that it had entered into a Merger Agreement with Inverseon Inc., a private Company incorporated in Delaware, United States, that is focused on treatments for inflammatory conditions of the lungs. The Company announced it intends to acquire all of the issued securities in Inverseon in consideration for the issue, allotment and transfer of up to 143,486,978 fully paid ordinary Shares. The proposed merger is a result of a detailed strategic review undertaken by the Board regarding the future direction of the Company. The merger will be undertaken as a ‘reverse triangular merger’ under Delaware law. Following completion of the proposed merger, two members of Inverseon’s management team, Dr William Garner and Dr Mitchell Glass, will join the Company’s executive team and be represented on the Board. The Company engaged BDO Corporate Finance (Qld) Limited to prepare a report for shareholders about the

# Notes to the Financial Statements

for the year ended 30 June 2012

proposed merger. BDO concluded that the proposed merger is fair and reasonable to CBio shareholders. A copy of this report has been released to ASX and has been provided to CBio Shareholders. A general meeting of CBio Shareholders has been called for 3.00pm, Thursday 30 August 2012 where shareholders will be asked to consider and vote on resolutions relating to the merger.

Should the proposed merger not proceed, in certain circumstances CBio will reimburse Inverseon for certain expenses incurred in relation to the proposed merger up to a maximum fee of US\$60,000.

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>24. AUDITORS REMUNERATION</b>		
Amounts received or due and receivable by the auditors of the Company for:		
- an audit of the financial report	<b>66,435</b>	<b>85,968</b>
- taxation services and taxation advisory	<b>25,734</b>	<b>19,084</b>
- agreed upon services	<b>5,000</b>	<b>-</b>
	<b>97,169</b>	<b>105,052</b>

## 25. CHANGES IN ACCOUNTING POLICY

The Company has adopted the following new and amended Australian Accounting Standards and AASB Interpretations.

Reference	Title & Summary	Application date of standard	Application date for Company
AASB 2009-5	<p>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project – The subject of amendments to the standards are set out below:</p> <ul style="list-style-type: none"> <li>• AASB 5 – Disclosures in relation to non-current assets (or disposal groups) classified as held for sale or discontinued operations</li> <li>• AASB 8 – Disclosure of information about segment assets</li> <li>• AASB 101 – Current/non-current classification of convertible instruments</li> <li>• AASB 107 – Classification of expenditures that does not give rise to an asset</li> <li>• AASB 117 – Classification of leases of land</li> <li>• AASB 118 – Determining whether an entity is acting as a principle or an agent</li> <li>• AASB 136 – Clarifying the unit of account for goodwill impairment test is not larger than an operating segment before aggregation</li> </ul> <p>AASB 139 – Treating loan prepayment penalties as closely related embedded derivatives, and revising the scope exemption for forward contracts to enter into a business combination contract</p>	1 January 2010	1 July 2010
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	1 January 2010	1 July 2010
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	1 February 2010	1 July 2010
AASB 2011-3	<p>Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 &amp; AASB 139]</p> <p>Limits the scope of the measurement choices of non-controlling interest to instruments that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of NCI are measured at fair value.</p> <p>Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), in a consistent manner i.e., allocate between consideration and post combination expenses.</p> <p>Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated.</p> <p>Clarifies that the revised accounting for loss of significant influence or joint control (from the issue of IFRS 3 Revised) is only applicable prospectively.</p>	1 July 2010	1 July 2010
Interpretation 19	<p>Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments</p> <p>This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability.</p> <p>The interpretation states that equity instruments issued as payment of a debt should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.</p>	1 July 2010	1 July 2010

# Notes to the Financial Statements

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When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Company, its impact is described below. There were no standards adopted during the period which were deemed to have an impact on the financial statements in the current year.

## Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the reporting period ending 30 June 2012. The Company has not yet assessed the financial impact to either the statement of comprehensive income or the statement of financial position once these accounting standards are adopted. These are outlined in the table below.

Reference	Title & Summary	Application date of standard	Application date for Company
AASB 9	<p>Financial Instruments</p> <p>AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.</p> <p>(a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.</p> <p>(b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p>	1 January 2013	1 July 2013
AASB 2009-11	<p>Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 &amp; 1038 and Interpretations 10 &amp; 12]</p> <p>► These amendments arise from the issuance of AASB 9 <i>Financial Instruments</i> that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>► <u>This Standard shall be applied when AASB 9 is applied.</u></p>	1 January 2013	1 July 2013

# Notes to the Financial Statements

for the year ended 30 June 2012

Reference	Title & Summary	Application date of standard	Application date for Company
AASB 124 (Revised)	<p>Related Party Disclosures (December 2009)</p> <p>The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <ul style="list-style-type: none"> <li>(a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other</li> <li>(b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other</li> <li>(c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other</li> </ul> <p>A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.</p>	1 January 2011	1 July 2011
AASB 2009-12	<p>Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 &amp; 1031 and Interpretations 2, 4, 16, 1039 &amp; 1052]</p> <p>This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.</p> <p>In particular, it amends AASB 8 <i>Operating Segments</i> to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.</p>	1 January 2011	1 July 2011
AASB 2009-14	<p>Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement</p> <p>These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit.</p> <p>The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.</p>	1 January 2011	1 July 2011
AASB 1053	<p>Application of Tiers of Australian Accounting Standards</p> <p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <ul style="list-style-type: none"> <li>(a) Tier 1: Australian Accounting Standards</li> <li>(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements</li> </ul> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <ul style="list-style-type: none"> <li>(a) For-profit entities in the private sector that have public accountability (as defined in this Standard)</li> <li>(b) The Australian Government and State, Territory and Local Governments</li> </ul> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <ul style="list-style-type: none"> <li>(a) For-profit private sector entities that do not have public accountability</li> <li>(b) All not-for-profit private sector entities</li> </ul> <p>Public sector entities other than the Australian Government and State, Territory and Local Governments</p>	1 July 2013	1 July 2013

# Notes to the Financial Statements

for the year ended 30 June 2012

Reference	Title & Summary	Application date of standard	Application date for Company
AASB 1054	<p>Australian Additional Disclosures</p> <p>This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB.</p> <p>This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:</p> <ul style="list-style-type: none"> <li>(a) Compliance with Australian Accounting Standards</li> <li>(b) The statutory basis or reporting framework for financial statements</li> <li>(c) Whether the financial statements are general purpose or special purpose</li> <li>(d) Audit fees</li> </ul> <p>Imputation credits</p>	1 July 2011	1 July 2011
AASB 2011-4	<p>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]</p> <p>Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.</p> <p>Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.</p> <p>Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions.</p> <p>Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.</p>	1 January 2011	1 July 2011
AASB 2011-5	<p>Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 &amp; 1038 and Interpretations 112, 115, 127, 132 &amp; 1042]</p> <p>This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.</p> <p>These amendments have no major impact on the requirements of the amended pronouncements.</p>	1 January 2011	1 July 2011
AASB 2011-6	<p>Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 &amp; AASB 7]</p> <p>The amendments increase the disclosure requirements for transactions involving transfers of financial assets. <i>Disclosures</i> require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.</p>	1 July 2011	1 July 2011

# Notes to the Financial Statements

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Reference	Title & Summary	Application date of standard	Application date for Company
AASB 2011-7	<p>Amendments to Australian Accounting Standards arising from AASB 9 (December 2011) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, &amp; 1038 and interpretations 2, 5, 10, 12, 19 &amp; 127]</p> <p>The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:</p> <ul style="list-style-type: none"> <li>▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>▶ The remaining change is presented in profit or loss</li> </ul> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p>	1 January 2013	1 July 2013
AASB 2011-8	<p>Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]</p> <p>These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.</p>	1 January 2012	1 July 2012
AASB 2012-1	<p>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]</p> <p>This Standard amends many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.</p>	1 July 2011	1 July 2011
AASB 2012-2	<p>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project – Reduced disclosure regime [AASB 101, AASB 1054]</p> <p>This Standard makes amendments to the application of the revised disclosures to Tier 2 entities, that are applying AASB 1053.</p>	1 July 2013	1 July 2013
Consolidated Financial Statements	<p>IFRS 10 establishes a new control model that applies to all entities. <b>It replaces parts of IAS 27 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities.</b></p> <p>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.</p>	1 January 2013	1 July 2013

# Notes to the Financial Statements

for the year ended 30 June 2012

Reference	Title & Summary	Application date of standard	Application date for Company
Joint Arrangements	IFRS 11 replaces IAS 31 <i>Interests in Joint Ventures</i> and SIC-13 <i>Jointly- controlled Entities – Non-monetary Contributions by Ventures</i> . IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.	1 January 2013	1 July 2013
Disclosure of Interests in Other Entities	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013
Fair Value Measurement	IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets.  IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	1 July 2013

## Directors' Declaration

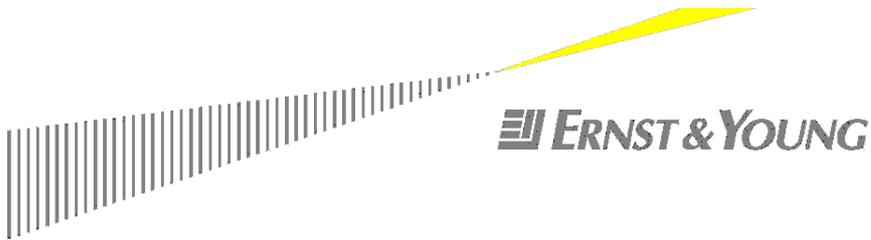
In the opinion of the directors:

- (a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- (b) the financial statements and notes also comply with international Financial Reporting Standards as disclosed in Note 2(a); and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (d) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2012.

Signed in Brisbane on 27 August 2012  
On behalf of the Board



Dr Ralph Craven  
Chairman



111 Eagle Street  
Brisbane QLD 4000 Australia  
GPO Box 7878 Brisbane QLD 4001  
Tel: +61 7 3011 3333  
Fax: +61 7 3011 3100  
www.ey.com/au

## Auditor's Independence Declaration to the Directors of CBio Limited

In relation to our audit of the financial report of CBio Limited for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in cursive script that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Brad Tozer'.

Brad Tozer  
Partner  
27 August 2012

## Independent auditor's report to the members of CBio Limited

### Report on the financial report

We have audited the accompanying financial report of CBio Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Independence*

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

## **Opinion**

In our opinion:

- a. the financial report of CBio Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

## **Report on the remuneration report**

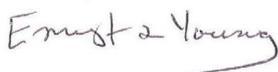
We have audited the Remuneration Report included in pages 10 to 15 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## **Opinion**

In our opinion, the Remuneration Report of CBio Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

## **Material Uncertainty Regarding Continuation as a Going Concern**

Without qualifying our opinion, we draw attention to Note 2.3 in the financial report which indicates that the company incurred a loss from continuing operations after income tax of \$5,540,923 in the year ended 30 June 2012 (2011: \$13,679,994) and is dependent on the raising of additional funds to continue activities. As a result of this matter there is significant uncertainty whether the company will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Brad Tozer'.

Brad Tozer  
Partner  
Brisbane  
27 August 2012

**CBio Limited** ACN 094 730 417

## Registered Office

Unit 2, 120 Bluestone Circuit  
Seventeen Mile Rocks, QLD, 4073  
Tel: (07) 3295 0500  
Fax: (07) 3295 0599  
www.cbio.com.au

## Share Registry

Shareholder information in relation to shareholding or share transfer can be obtained by contacting the Company's share registry:  
Link Market Services, Locked Bag A14,  
Sydney South, NSW, 1235  
Tel: 1300 554 474  
Fax: (02) 9287 0303  
Email: registrars@linkmarketservices.com.au  
www.linkmarketservices.com.au

For all correspondence to the share registry, please provide your Security-holder Reference Number (SRN) or Holder Identification Number (HIN).

## Change of address

Changes to your address can be updated online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) or by obtaining a Change of Address Form from the Company's share registry. CHESS sponsored investors must change their address details via their broker.

## Annual General Meeting

The Annual General Meeting will be held at 10.30am, Thursday 8 November 2012 at the offices of McCullough Robertson Lawyers, Level 11, 66 Eagle Street, Brisbane.

## Annual report mailing list

All shareholders are entitled to receive the Annual Report. In addition, shareholders may nominate not to receive an annual report by advising the share registry in writing, by fax, or by email, quoting their SRN/HIN.

## Securities exchange listing

CBio's shares are listed on the Australian Securities Exchange and trade under the ASX code CBZ. The securities of the Company are traded on the ASX under CHESS (Clearing House Electronic Sub-register System)

## ASX Shareholder Disclosures

The following additional information is required by the Australian Securities Exchange in respect of listed public companies. The information is current as at 31 July 2012.

### 1. Total securities on issue

Security Code	Description	Expiry	Listed	Unlisted
CBZ	Ordinary shares	-	239,144,963	
CBZ23	Options (\$2)	31.12.12		710,000
CBZ25	Options (\$3)	31.12.12		600,000
CBZO	Options (\$1)	31.12.12	35,874,849	
CBZ27	Options (\$0.517)	16.05.15		1,700,000
CBZPR1	Performance Rights (\$0)	10.07.18		1,900,000
			<b>275,019,812</b>	<b>4,910,000</b>
<b>TOTAL FULLY DILUTED</b>			<b>279,929,812</b>	

## Shareholder Information

### 2. Distribution of equity securities

The number of security investors holding less than a marketable parcel of 8929 securities (\$.056 on 31/07/2012) is 990 and they hold 3065893 securities.

#### a. Ordinary Shares

	Number of holders	Number of shares	% Issued Capital
1 - 1,000	289	111,190	0.05
1,001 - 5,000	490	1,525,180	0.64
5,001 – 10,000	337	2,662,913	1.11
10,001 – 100,000	969	39,515,244	16.52
100,001 and over	359	195,330,436	81.68
	2,444	239,144,963	100

#### b. Quoted Share options

	Number of holders	Number of options	% Issued Capital
1 - 1,000	2	2,000	0.01
1,001 - 5,000	8	25,000	0.07
5,001 – 10,000	10	100,000	0.28 28
10,001 – 100,000	56	2,472,157	6.89
100,001 and over	42	33,275,692	92.76
	118	35,874,849	100

#### c. Performance Rights

	Number of holders	Number of performance rights
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	21	1,625,000
100,001 and over	2	275,000
	29	1,900,000

### 3. Voting rights

Shareholders in CBio Limited have a right to attend and vote at general meetings. At a general meeting, individual shareholder may vote in person or by proxy. All quoted and unquoted share options, and convertible notes, have no voting rights.

### 4. Substantial shareholders

The following shareholders have notified the Company as being substantial holders in the Company.

Name	Shares	
	Number	Percentage
Himstedt & Co Pty Ltd	13,671,970	5.72
Dr Michael Monsour	12,249,189	5.12

### 5. Share buy-back

There is no current or planned buy-back of the Company's shares.

### 6. Statement in accordance with ASX Listing Rule 4.10.19

The Company confirms that it has used the cash and assets in a form readily convertible to cash at the time of admission in a way consistent with its business objectives.

## Shareholder Information

### 7. Twenty largest shareholders- ordinary shares

Rank	Name	A/C Designation	31 Jul 12	%IC
1	HIMSTEDT & CO PTY LTD	THE HIMSTEDT FAMILY	9,596,970	4.01%
2	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	<CUSTODIAN A/C>	9,275,401	3.88%
3	M P A M M PTY LTD		8,752,074	3.66%
4	BASILDENE PTY LTD	<WARREN BROWN SUPER FUND A/C>	7,375,194	3.08%
5	SAKURA CAPITAL LTD		7,096,697	2.97%
6	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED		6,995,161	2.93%
7	EXELMONT PTY LTD		6,000,000	2.51%
8	MR WARWICK JOHN SPILLER & MRS CAROL ANN SPILLER	<THE MMD FUND A/C>	5,271,250	2.20%
9	HIMSTEDT SUPERANNUATION PTY LTD	<HIMSTEDT SUPER FUND A/C>	3,607,500	1.51%
10	KENG CHUEN THAM		2,800,000	1.17%
11	M P MONSOUR MEDICAL PRACTICE PTY LTD	<SUPERANNUATION FUND A/C>	2,333,767	0.98%
12	HAWKINS & BIRTHWRIGHT LTD		2,289,543	0.96%
13	RETIREWELL COMMERCIAL SERVICES PTY LTD	GILLETT SUPER FUND	2,063,804	0.86%
14	IOOF INVESTMENT MANAGEMENT LIMITED	<IIML IPS 275670M A/C>	2,062,294	0.86%
15	BLECTOR PTY LTD	<DAVIES FAMILY NO 2 A/C>	2,000,000	0.84%
15	RON MEDICH PROPERTIES PTY LIMITED	<CAPTAIN COOK A/C>	2,000,000	0.84%
15	MR JAMES EDWARD SALTISSI		2,000,000	0.84%
15	MR GRAEME EDMUND MOIR		2,000,000	0.84%
16	W BROOKS INVESTMENTS PTY LTD	<B & P SUPER FUND A/C>	1,805,000	0.75%
17	ACE PROPERTY HOLDINGS PTY LTD		1,700,000	0.71%
18	WHITE TURTLE PTY LTD		1,665,000	0.70%
19	MR EGON KAISER	SPYDER FOUNDATION	1,542,312	0.64%
20	MR NEVILLE ROBERT COOK & MRS WILMA ESMÉ COOK	<NR & WE COOK SUPER FUND A/C>	1,500,000	0.63%
20	MS YEAP CHENG TUAN		1,500,000	0.63%
		TOTAL	93,231,967	38.99%
		Balance of Register	145,912,996	61.01%
		Grand TOTAL	239,144,963	100.00%

### 8. Twenty largest shareholders - quoted share options

Rank	Name	A/C Designation	31 Jul 12	%IC
1	BLB NOMINEES PTY LTD		3,000,000	8.36%
1	ANALYTICA LIMITED		3,000,000	8.36%
2	EXELMONT PTY LTD		2,500,000	6.97%
3	DENNIS J FEENEY & AH FEENEY	<FEENEY FAMILY A/C>	1,800,000	5.02%
4	MPAMM PTY LTD		1,614,000	4.50%
5	MR JASON RICHARD YEATES		1,500,000	4.18%
6	M P MONSOUR MEDICAL PRACTICE PTY LTD	SUPERANNUATION FUND	1,490,000	4.15%
7	NOVUS CAPITAL LIMITED		1,312,500	3.66%
8	S & M STREETER INVESTMENTS CO PTY LTD		1,300,000	3.62%
9	DR JOHN FUNDER & MS VALERIE FUNDER	VAL DIAMOND SUPER FUND	1,000,000	2.79%
9	ROBERT DUNCAN MCLEOD & DEBORAH LEIGH MCLEOD	TAKKZO	1,000,000	2.79%
9	JAMES GREIG		1,000,000	2.79%
9	INOVS LLC		1,000,000	2.79%
9	GORAN ANDO		1,000,000	2.79%
9	DR THOMAS LONNGREN		1,000,000	2.79%
9	DR TERJE KALLAND		1,000,000	2.79%
10	ALAN GRAHAME BAKER & JULIE ANN BAKER	BAKER SUPER FUND	837,844	2.34%
11	PT EQUITIES PTY LTD		800,000	2.23%
12	RETIREWELL COMMERCIAL SERVICES PTY LTD	GILLETT SUPER FUND	745,650	2.08%
13	GERARD KEEGMAN & TANIA KEEGMAN	G & T SUPERANNUATION FUND>	500,000	1.39%
13	WOLFGANG HELMUT HANISCH		500,000	1.39%
13	STEPHEN FRANCIS GOODALL		500,000	1.39%
13	CORTEK DEVELOPMENTS PTY LTD		500,000	1.39%
13	JASON YEATES		500,000	1.39%
14	DR BARBARA JANE JOHNSON		350,000	0.98%
15	RICHARD P WILLIS		300,000	0.84%
15	HIMSTEDT & CO PTY LTD	THE HIMSTEDT FAMILY	300,000	0.84%
15	STEPHEN GEORGE BURCH JONES & NADINE JONES	<S & N SUPER FUND A/C>	300,000	0.84%
16	MR ANDREW FAY	ANDREW FAY SUPER FUND	270,000	0.75%
17	OIC NOMINEES LTD		250,000	0.70%
17	S AND M STREETER INVESTMENT CO PTY LTD		250,000	0.70%
18	MR ANDREW FAY		230,000	0.64%
19	HAWKINS & BIRTHWRIGHT LTD		200,000	0.56%
19	MR STUART ROE		200,000	0.56%
20	S AND M STREETER INVESTMENT CO PTY LTD		187,500	0.52%
		TOTAL	32,237,494	89.86%
		Balance of Register	3,637,355	10.14%
		Grand TOTAL	35,874,849	100.00%

### 9. Largest holders – Performance Rights

1	DAINA VANAGS	150000	13	CHRISTOPHER DE BAKKER	75000
2	DR DEAN NAYLOR	125000	14	FLOR DE MARIA LEON FLORES	75000
3	RICHARD BROWN	100000	15	ANDREW JAMES	75000
4	CAROLINE DOBBIN	100000	16	DANIEL LAMBERT	75000
5	MELANIE FARRIS	100000	17	KYLIE RALSTON	75000
6	TAMARIND HAMWOOD	100000	18	MIRIAM WALDIE	75000
7	JEROME JAYASEKERA	100000	19	JULISSA WEISS	75000
8	WALTER VAN HEUMEN	100000	20	BARBARA CHAMBERS	50000
9	ELIZABETH WHITE	100000	21	NARELLE HILLYARD	50000
10	BRONWYN WILLIAMS	100000	22	JACKI BARNES	25000
11	DAVID BATEMAN	75000	23	MARIANNE DIAZ	25000
12	ANA BENATTI	75000			

## Shareholder Information

10. Restricted Securities - Release from escrow

On 15 February 2012, 3,359,744 ordinary shares and 15,087,494 share options exercisable at \$1.00 each on or before 31 December 2012 were released from escrow.

11. Holders of greater than 20% unquoted securities

The following shareholders hold greater than 20% or more of the following unquoted equity securities (by class) of the Company:

<b>Class of unquoted equity security</b>	<b>Holders with &gt;20% of the equities securities in each class</b>	<b>Number of equity securities held</b>
Share options exercisable at \$2.00 each on or before 31 December 2012	DFCT Pty Ltd	700,000
Share options exercisable at \$3.00 each on or before 31 December 2012	IJONG Pty Ltd	300,000
Share options exercisable at \$3.00 each on or before 31 December 2012	Stephen Francis Goodall	300,000
Share options exercisable at \$0.517 each on or before 16 May 2015	SpringTree Special Opportunities Fund, LP	1,700,000

### **Directors**

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Dr Ralph Craven, Chairman  
Dr James Campbell, Executive Director  
M Brett Heading, Non-executive Director  
Mr Warren Brown, Non-executive Director

### **Company Secretary**

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Ms Melanie Farris

### **Registered Office**

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Unit 2 / 120 Bluestone Circuit  
Seventeen Mile Rocks  
QLD, 4073 Australia  
(07) 3295 0500  
(07) 3295 0599  
investor@cbio.com.au  
www.cbio.com.au

### **Auditors**

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Ernst & Young  
Brisbane  
Australia

### **Lawyers**

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McCullough Robertson Lawyers  
Brisbane  
Australia

### **Securities Exchange Listing**

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Australian Securities Exchange  
ASX Code: CBZ

### **Share Registry**

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Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia  
Tel: 1300 554 474  
Fax: (02) 9287 0303  
www.linkmarketservices.com.au