

CBio Limited

ABN 76 094 730 417

HALF-YEAR FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

CBIO LIMITED

31 December 2006 Half-Year Financial Report

Corporate Information

Directors

Mr Stephen Jones	Chairman
Mr Stephen Streeter	Non-executive director
Dr Michael Monsour	Non-executive director

Company Secretary

Mr Bryan Dulhunty

Registered and Principal Office

85 Brandl St
EIGHT MILE PLAINS QLD 4113

Auditors

Ernst & Young
1 Eagle Street
BRISBANE QLD 4000

Share Registry & Register

Link Market Services Ltd
300 Queen Street
Brisbane QLD 4000
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Website

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Contact Information

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CBIO LIMITED

31 December 2006 Half-Year Financial Report

Directors' Report

Your directors submit their report for the half-year ended 31 December 2006.

DIRECTORS

The names of the directors of the company in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr Stephen Jones	Chairman
Mr Stephen Streeter	Non-executive director
Dr Michael Monsour	Non-executive director (appointed 31 January 2007)
Mr Bryan Dulhunty	Non-executive director (appointed 16 November 2006, resigned 31 January 2007)
Dr Wolfgang Hanisch	Chief Executive Officer (resigned 16 November 2006)
Dr Andy Gearing	Non-executive director (resigned 16 November 2006)

RESULTS AND REVIEW OF OPERATIONS

The consolidated loss after tax attributable to members of CBio Limited for the half-year ended 31 December 2006 was \$1,931,927. For the previous half-year ended 31 December 2005 the consolidated loss after tax of the company was \$6,077,090. The loss after tax attributable to members of CBio limited relating to the operations of BresaGen Limited was \$94,229. For the previous period ending 31 December 2005 the loss attributable to members of Cbio Limited relating to the operations of BresaGen Limited was \$48,490. No dividend was proposed or paid during the period.

A Phase I subcutaneous clinical trial was conducted in healthy volunteers and was completed during the period. The purpose of this trial was to determine the effectiveness of subcutaneous dosing of XToll™ and to evaluate optimal dosing.

During the period, negotiations with a number of major international pharmaceuticals took place with a view to entering into licence and research agreements. Whilst no agreement has been executed to date, CBio remains in contact with a number of interested parties, including those who conducted due diligence.

CBio disposed of its interest in BresaGen Limited during the period. Proceeds from the sale were \$7,766,219, for a net gain of \$6,699,032. BresaGen continues to supply CBio with XToll™ for toxicology studies and clinical trials.

Capital raising initiatives were ongoing during the period. \$1,158,001 was raised at \$3 per share with a further \$2,502,000 raised at \$6 per share. \$260,000 was also raised from the conversion of 200,000 options at \$1 per option and 20,000 options at \$3 per option.

During the period, Dr Wolfgang Hanisch resigned as the Company's Chief Executive Officer. Mr Jason Yeates has been appointed Chief Executive Officer after holding the position of Chief Financial Officer and Chief Operating Officer since 2004. Dr Andy Gearing resigned as a Director on November 16 2006. Mr James Greig has been appointed Chief Financial Officer. Subsequent to balance date, Mr Bryan Dulhunty resigned as a Director after being appointed on November 16 2006 and remains Company Secretary. Dr Michael Monsour was appointed to the Board on January 31 2007.

CBIO LIMITED

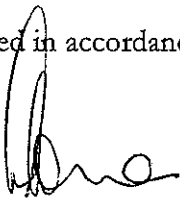
31 December 2006 Half-Year Financial Report

Directors' Report continued

AUDITOR'S INDEPENDENCE DECLARATION

A statement of independence has been provided by our auditors, Ernst & Young, and is included in the attached financial report.

Signed in accordance with a resolution of directors



Mr Stephen Jones
Chairman

Date:

CBIO LIMITED

31 December 2006 Half-Year Financial Report

Condensed Income Statement

for the half-year ended 31 December 2006

Continuing Operations	Notes	December 2006 \$	December 2005 \$
Income from Ordinary Activities	2	823,183	422,642
Expenses from Ordinary Activities			
Borrowing costs expense		(109)	(32,516)
Administration expenses	3	(2,247,259)	(1,140,438)
Research and development		(5,444,656)	(3,922,139)
Patent costs		(417,315)	(154,824)
Marketing expenses		(250,573)	(372,540)
Equity-based compensation		(1,000,001)	(828,785)
Loss before income tax from continuing operations		(8,536,730)	(6,028,600)
Income tax expense		-	-
Loss from continuing operations after income tax		(8,536,730)	(6,028,600)
Discontinued Operations			
Profit/(Loss) from discontinued operations after income tax	4	6,444,497	(107,101)
Loss for the period		(2,092,233)	(6,135,701)
Loss attributable to minority equity interest	4	160,306	58,611
Loss attributable to members of the parent entity		(1,931,927)	(6,077,090)
Loss per share (cents per share)			
Basic/Diluted		(7.49)	(28.60)

The Condensed Income Statement is to be read in conjunction with the notes to the Financial Statements.

CBIO LIMITED

31 December 2006 Half-Year Financial Report

Condensed Balance Sheet

31 December 2006

	Notes	31 December 2006 \$	30 June 2006 \$
Current assets			
Cash and cash equivalents		4,126,054	419,802
Trade and other receivables		1,522,583	1,135,466
Inventories		-	525,590
Other current assets		30,985	49,767
Total current assets		<u>5,679,622</u>	<u>2,130,625</u>
Non-Current Assets			
Property, plant and equipment		1,021,851	11,646,999
Trade and other receivables		172,472	169,533
Total Non-Current Assets		<u>1,194,323</u>	<u>11,816,532</u>
Total Assets		<u>6,873,945</u>	<u>13,947,157</u>
Current Liabilities			
Trade and other payables		1,631,441	1,423,760
Short-term provisions		126,287	545,537
Interest-bearing liabilities		-	596,895
Total current liabilities		<u>1,757,728</u>	<u>2,566,192</u>
Non-Current Liabilities			
Interest-bearing liabilities		-	6,487,699
Long-term provisions		19,091	59,021
Total Non-Current Liabilities		<u>19,091</u>	<u>6,546,720</u>
Total Liabilities		<u>1,776,819</u>	<u>9,112,912</u>
Net Assets		<u>5,097,126</u>	<u>4,834,245</u>
Equity			
Issued Capital	5	34,838,009	31,026,008
Reserves		4,382,852	3,671,597
Accumulated Losses		<u>(34,123,735)</u>	<u>(32,191,808)</u>
Total Parent Entity Interest in Equity		5,097,126	2,505,797
Total Minority Equity Interest in Equity		-	2,328,448
Total Equity		<u>5,097,126</u>	<u>4,834,245</u>

The Condensed Balance Sheet is to be read in conjunction with the notes to the Financial Statements

CBIO LIMITED

31 December 2006 Half-Year Financial Report

Condensed Cash Flow Statement

for the half-year ended 31 December 2006

	Notes	December 2006 \$	December 2005 \$
Cash flows from/(used in) operating activities			
Payments to suppliers and employees		(8,028,940)	(7,465,883)
Grant income received		694,465	365,669
Cash received in the course of operations		520,026	1,557,241
Interest received		95,333	32,455
Interest paid		(59,697)	(283,591)
Net cash used in operating activities		<u>(6,778,813)</u>	<u>(5,794,109)</u>
Cash flows from/(used in) investing activities			
Cash disposed on disposal of controlled entity	4	(284,028)	-
Purchase of Plant and equipment		(246,654)	(603,339)
Proceeds from sale of investments	4	7,766,219	47,834
Loan to related entity		(1,684,000)	-
Repayment of loan		650,000	-
Bank guarantee deposit		(2,939)	(3,907)
Net cash used in investing activities		<u>6,198,598</u>	<u>(559,412)</u>
Cash flows from/(used in) financing activities			
Proceeds from issue of shares		3,860,001	7,221,462
Proceeds from issue of shares in controlled entity		-	352,350
Repayment of borrowings		(65,534)	(672,033)
Proceeds from issue of convertible note		600,000	900,000
Repayment of convertible note		-	(375,000)
Payment of share issue costs		(108,000)	(83,906)
Net cash provided by financing activities		<u>4,286,467</u>	<u>7,342,873</u>
Net increase/(decrease) in cash held		3,706,252	989,352
Cash at beginning of the financial period		<u>419,802</u>	<u>1,822,756</u>
Cash at the end of the financial period		<u>4,126,054</u>	<u>2,812,108</u>

The Condensed Cash Flow Statement is to be read in conjunction with the notes to the Financial Statements.

CBIO LIMITED

31 December 2006 Half-Year Financial Report

Condensed Changes in Equity Statement

for the half-year ended 31 December 2006

*Attributable to equity holders of the parent***CONSOLIDATED**

	Issued capital	Accumulated losses	Other reserves	Total	Minority interest	Total equity
	\$	\$	\$	\$	\$	\$
At 1 July 2005	19,134,858	(20,244,553)	1,848,497	738,802	1,177,448	1,916,250
Share issue costs	(224,159)	-	-	(224,159)	-	(224,159)
Profit/(Loss) for the period	-	(6,077,090)	-	(6,077,090)	(58,611)	(6,135,701)
Total income / expense for the period	(224,159)	(6,077,090)	-	(6,301,249)	(58,611)	(6,359,860)
Cost of share based payment	-	-	828,785	828,785	16,634	845,419
Convertible notes issued	955,373	-	-	955,373	-	955,373
Issue of share capital – Parent	7,235,643	-	-	7,235,643	-	7,235,643
Issue of share capital – subsidiary	-	-	326,677	326,677	1,025,323	1,352,000
Other movements	-	-	-	-	17,315	17,315
At 31 December 2005	27,101,715	(26,321,643)	3,003,959	3,784,031	2,178,109	5,962,140
At 1 July 2006	31,026,008	(32,191,808)	3,671,597	2,505,797	2,328,448	4,834,245
Share issue costs	(108,000)	-	-	(108,000)	-	(108,000)
Profit/(Loss) for the period	-	(1,931,927)	-	(1,931,927)	(160,306)	(2,092,233)
Total income / expense for the period	(108,000)	(1,931,927)	-	(2,039,927)	(160,306)	(2,200,233)
Cost of share based payment	-	-	1,000,001	1,000,001	-	1,000,001
Disposal of controlled entity	-	-	(288,746)	(288,746)	(2,168,142)	(2,456,888)
Issue of share capital – Parent	3,920,001	-	-	3,920,001	-	3,920,001
At 31 December 2006	34,838,009	(34,123,735)	4,382,852	5,097,126	-	5,097,126

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

Notes to the Financial Statements

for the half-year ended 31 December 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of the Half-Year Financial Report

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of CBio Limited as at 30 June 2006.

It is also recommended that the half-year financial report be considered together with any public announcements made by CBio Limited during the half-year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

a) Basis of Accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements.

The half-year financial report has been prepared in accordance with the historical cost basis.

For the purposes of preparing the half-year financial report, the half-year has been treated as a discrete reporting period. The financial report is presented in Australian Dollars.

b) Statement of Compliance

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereon, complies with International Financial Reporting Standards ('IFRS').

There are no AIFRS standards issued but not yet effected that are expected to impact the position and performance of the group.

c) Going Concern

The financial report for the half-year ended 31 December 2006 is prepared on a going concern basis. The directors believe that the going concern basis is appropriate due to a strong history of capital raising and the positive clinical results to date. The company incurred an operating loss after income tax of \$1,931,927 (2005: \$6,077,090).

The company's forward cash-flow projections currently anticipate an excess of cash outflows over inflows and currently available cash, from operating activities. The directors intend

Notes to the Financial Statements

for the half-year ended 31 December 2006

c) Going Concern (continued)

to undertake a capital raising of approximately \$16m prior to the end of June 2007. This additional funding would enable the company to continue the development of Cpn10. The directors expect to continue to receive the support of shareholders and creditors. Should this fund raising not be successful and alternative funds not be available, the company may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

d) Comparative Figures

Where required by Accounting Standards comparative information has been adjusted to confirm with changes in presentation for the current year, including reclassification of discontinued operations.

	Consolidated	
	December 2006	December 2005
	\$	\$
2. INCOME		
Interest received	135,278	20,042
Government grants	647,255	365,669
Other income	40,650	36,931
	823,183	422,642
3. ADMINISTRATION EXPENSES		
Consulting fees	418,037	132,500
Depreciation	151,805	104,296
Office rental	162,181	107,836
Legal & compliance costs	101,160	65,186
Administration salaries	276,120	179,482
Director salaries	490,885	126,499
Employment related costs	300,323	150,962
Travel costs	103,280	101,572
Utilities	35,701	23,768
Insurances	13,232	17,669
Share registry costs	8,861	4,889
Repairs & maintenance	21,819	12,595
Other administration expenses	163,855	113,184
	2,247,259	1,140,438

CBIO LIMITED

31 December 2006 Half-Year Financial Report

Notes to the Financial Statements

for the half-year ended 31 December 2006

4. DISCONTINUED OPERATIONS**(a) Details of operations disposed**

On 11 August 2006, the Company sold a 19.95% stake in BresaGen Limited to Hospira Holdings (S.A.) Pty Ltd at 14 cents per share. Effective from this date, CBio no longer held a controlling interest in BresaGen. The Company subsequently accepted an offer from Hospira Holdings (S.A.) Pty Ltd in October 2006 to purchase its remaining 17.1% stake in BresaGen Ltd at 14 cents per share. The total proceeds from the sale of CBio's holding in BresaGen was \$7,766,219. This represents a profit on sale of \$6,699,032.

	Consolidated	
	December 2006	December 2005
	\$	\$
(b) Financial performance of operations disposed		
The results of the discontinued operations for the period until disposal are presented below:		
Revenues	67,711	1,081,930
Expenses	(322,246)	(1,189,031)
Loss before income tax	(254,535)	(107,101)
Gain on disposal	6,699,032	-
Income tax expense	-	-
Net profit/(loss)	6,444,497	(107,101)
Net loss attributable to minority interest	160,306	58,611
Net profit/(loss) attributable to members of CBio Limited	6,604,803	(48,490)

(c) Reconciliation of gain on disposal

Consideration received on sale of investments	7,766,219
Less net assets disposed (i)	1,067,187
Gain on sale of investment	6,699,032

(i) Included in net assets disposed is cash of \$284,028.

CBIO LIMITED

31 December 2006 Half-Year Financial Report

Notes to the Financial Statements

for the half-year ended 31 December 2006

	Consolidated	
	December 2006	December 2005
	\$	\$
5. CONTRIBUTED EQUITY		
Ordinary shares issued and fully paid at the beginning of the half-year	31,026,008	19,134,858
<i>Shares issued this half year</i>		
Shares issued to sophisticated investors	3,660,001	7,235,643
Shares issued on conversion of options	260,000	-
Shares issued via convertible note facility	-	955,373
Share issue costs	(108,000)	(224,159)
Ordinary shares issued and fully paid at the end of the half-year	34,838,009	27,101,715
6. ACCUMULATED LOSSES		
Accumulated losses at the beginning of the period	32,191,808	20,244,553
Net loss attributable to members of the parent entity	1,931,927	6,077,090
Accumulated losses at the end of the period	34,123,735	26,321,643

7. SEGMENT INFORMATION

The company operates solely as a research & development company in the biotechnology/pharmaceutical industry in Australia.

8. CONTINGENT ASSETS AND LIABILITIES**Secured Credit Note Facility**

A convertible note facility was approved by Shareholders of BresaGen Limited at the Company's shareholders meeting held on 11 October 2004 with CBio Limited.

As part of CBio's agreement with Hospira Holdings (S.A.) Pty Ltd to sell its holding in BresaGen, the secured credit note facility was cancelled and the contingent liability is now nil.

Notes to the Financial Statements

for the half-year ended 31 December 2006

9. CHANGE IN COMPOSITION OF ENTITY

On 11 August 2006, CBio disposed of 19.95% of its stake in BresaGen Limited. Effective from this date, CBio no longer held a controlling interest in BresaGen. In October 2006, CBio disposed of its remaining 17.1% stake in BresaGen. As at the date of this report, the consolidated entity consists only of Cbio Limited. For further details please refer to Note 4 above.

10. RELATED PARTY TRANSACTIONS

During the period the company extended a loan to a director related entity, Australian Technology Innovation Fund Limited. The loan is repayable on demand and interest is payable monthly in arrears at the rate of 2% above the Reserve Bank of Australia's key lending rate at the time the loan was advanced. At 31 December 2006 an amount of \$39,318 in outstanding interest had been accrued on the principal balance of \$1,034,000.

11. COMMITMENTS

As at the balance date, the Company had unfinalised contracts for clinical trial and production of Cpn10. The estimated remaining contracted costs amount to approximately \$2,398,568. It is expected that these contracts will be finalised by 30 June 2007. Approximately \$1,300,000 is denominated in a foreign currency (Euro) and is fully unhedged.

In 2005, the Company entered into a long-term property lease for purpose-built facilities which expires in March 2012. Current lease payments are approximately \$405,000 per annum. A portion of the facilities has been sub-leased until November 2008 at approximately \$73,000 per annum.

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 Limited to CSL for payment of \$125,000. The Royalty Agreement stipulates that CBio is to pay royalties to CSL after commercialisation of products developed under the Research Agreement.

12. CORPORATE INFORMATION

CBio Limited is a company incorporated in Australia and limited by shares. The nature of the operations and principal activities of the group are contained in Note 7.

CBIO LIMITED

31 December 2006 Half-Year Financial Report

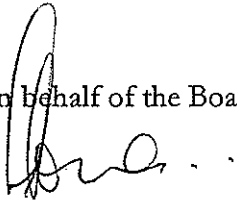
Directors' Declaration

In accordance with a resolution of the directors of CBio Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company:
 - (i) give a true and fair view of the company's financial position as at 31 December 2006 and the performance for the half-year ended on that date; and
 - (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) Subject to the inherent uncertainty regarding the continuation as a going concern as expressed in Note 1 to the financial report, that is, the ability of the company to pay its debts as and when they fall due, there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

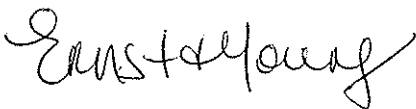


Stephen Jones
Chairman

Date: 9 March 2007

Auditor's Independence Declaration to the Directors of CBio Limited

In relation to our review of the financial report of CBio Limited for the half year ended 31 December 2006, 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.



Ernst & Young



Winna Brown
Partner

9 March 2007

INDEPENDENT REVIEW REPORT

To the members of CBio Limited

PO Box 7878
Waterfront Place
Brisbane QLD 4001**Report on the Half-Year Condensed Financial Report**

We have reviewed the accompanying half year financial report of CBio Limited and the entities it controlled during the half year, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the half year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of CBio Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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.

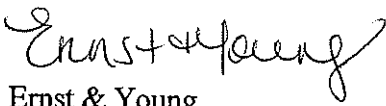
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of CBio Limited and the entities it controlled during the half year, is not in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

Inherent Uncertainty Regarding Continuation of Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1c to the financial statements "Going Concern", there is significant uncertainty whether the company will be able to 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.


Ernst & Young



Winna Brown
Partner
Brisbane

9 March 2007