

# PROSPECTUS

## CBio Limited

**ACN 094 730 417**

A renounceable rights issue of approximately 1,285,000 New Shares on the basis of 1 New Share for every 12 Shares held, at an issue price of \$2.00 per New Share.

### **Important Information**

This document is important and requires your immediate attention. If after reading this prospectus you have any questions about the New Shares being offered pursuant to this prospectus or any other matter, then you should consult your professional adviser.

**An investment in the New Shares offered by this prospectus should be considered speculative.**

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## GLOSSARY

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\$	Australian Dollars unless otherwise stated
AEST	Australia eastern standard time
Applicant	A person who, or entity which, submits an Application
Application Form	The application form attached to this prospectus, for use by those who are not Shareholders as at the date of this prospectus, but to whom the Company may place New Shares which are not taken up under the rights issue.
Application Price	The application price is \$2.00 being the amount payable in respect of each share at which Applicants must apply for New Shares under the Offer
ASIC	Australian Securities and Investments Commission
Closing Date	The date on which the offer to Shareholders (rights issue) closes being 17 December 2003 or such other earlier or later date as determined by the Company
Company, or Cbio	CBio Limited ACN 094 730 417
Cpn10	Chaperonin 10, a product of the Company which is in the process of being developed and tested, for ultimate commercialisation
Directors	The directors of the Company
Entitlement and Acceptance Form	The entitlement and acceptance form accompanying this prospectus
IB	Investigators' brochure detailing the clinical and scientific information about a drug that supports the rationale for testing it in a particular disease. It is the regulatory documentation for the Phase II Clinical Trials.
Minimum Subscription	\$1.6 million
New Shares	The Shares in the Company offered under this prospectus
Offer	The offer of New Shares pursuant to this prospectus, namely the rights issue to Shareholders, and the subsequent placement of any Shortfall New Shares
Options	Options to acquire Shares in the Company
Phase I Clinical Trials	A drug dosing study in human subjects to establish that the drug is safe to be used in further clinical evaluations.
Phase II Clinical Trials	A study to establish the effects of a drug in human patients and determine the primary parameters of the drug use
Record Date	24 November 2003
Renunciation Transfer Form	The form which you must complete in order to renounce your entitlement to another party. This form may be obtained by contacting the share registry on Telephone 07 3228 4219 or the Company on 07 3252 1022.
R&D	Research and Development
Share	A fully paid ordinary share in the capital of the Company
Shareholders	Holders of Shares in the Company at the Record Date
Shortfall Closing Date	The date on which the Offer shortfall of New Shares to parties other than Shareholders closes, being Friday 20 February 2004
Shortfall New Shares	New Shares which are not taken up by Shareholders, nor renounced by Shareholders, which form the remainder of New Shares which the Directors may place at their discretion

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# CORPORATE DIRECTORY

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## BOARD OF DIRECTORS

Mr Stephen Jones (Non-Executive Chairman)  
Dr Wolf Hanisch (Chief Executive Officer and Executive Director)  
Mr Stephen Goodall (Chief Operating Officer and Executive Director)

## COMPANY SECRETARY

Mr Bryan Dulhunty

## REGISTERED OFFICE

CBio Limited  
17 Wakefield Street  
Alderley  
Brisbane Qld 4051

Tel: +61 7 3252 1022  
Fax: +61 7 3252 1305  
Email: [cbio@cbio.com.au](mailto:cbio@cbio.com.au)  
Website: [www.cbio.com.au](http://www.cbio.com.au)

## SHARE REGISTRY

Pitcher Partners Registries  
Level 22  
300 Queen Street  
Brisbane Qld 4000

Tel: +61 7 3228 4219  
Fax: +61 7 3221 3149

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## A LETTER FROM THE CHAIRMAN

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18 November 2003

Dear Investor

The Offer set out in this Prospectus, is in the form of a 1 for 12 rights issue seeking to raise up to approximately \$2,570,000 from the issue of approximately 1,285,000 Ordinary Shares in CBio Limited at a price of \$2.00 per Share.

The Offer is **not underwritten, however the rights to acquire New Shares are renounceable** i.e. you may sell or dispose of them to another party with the intention that they may take up your rights to the New Shares by paying the subscription price of \$2.00 per Share. Any New Shares which are not applied for or renounced by Shareholders will become Shortfall New Shares at the Closing Date. These Shortfall New Shares may then be placed by the Company at the Company's discretion.

The Company is approaching a very exciting phase in its development, which also necessitates significant funding in order to prove its drug, Cpn10 can progress to the next phase of clinical trials.

CBio has produced clinical grade trial quantities of Cpn10 and introduced it to Phase I Clinical Trials which continue at the date of this Prospectus. The trials so far have been successful.

When CBio raised \$5 million pursuant to a Prospectus in 2001, the funds were raised to take the drug (then in its infancy) through to Phase I Clinical Trials. This has been completed on time and on budget.

CBio is now in need of a further \$2.5 million to prepare the Cpn10 drug for the Phase II Clinical Trial program in humans, expected to commence in mid 2004. Phase II Clinical Trials will be conducted with patients suffering from chronic inflammatory conditions such as multiple sclerosis, crohn's disease, or rheumatoid arthritis.

The funds raised in this Offer will fund the Company for the period up to the commencement of these clinical trials. These funds will provide adequate quantities of the drug needed for commencement of the Phase II Clinical Trial program, and enable development of scientifically appropriate trial designs and preparation of technical documentation to support approval of the trials by ethics committees at relevant trial centres for each chosen disease state.

The funds raised from this Prospectus will not be used in the conduct of the Phase II Clinical Trials. Further funds, estimated at \$30 million are required to be raised in early 2004 to fund the Phase II Clinical Trials. It is intended that these funds will be sourced from external parties by way of a placement of funds to sophisticated investors. This Offer is an opportunity for you as Shareholders to participate in the Company's future successes.

CBio has so far been successful in achieving its stated objectives and we believe the potential of the Cpn10 drug is significant. Given that the Phase I Clinical Trials currently in progress continue to be successful, an opportunity to invest in CBio now at the current price is considered by your Board to be of great potential benefit to Shareholders.

On behalf of my Board I urge you to subscribe for your full entitlement.

Yours faithfully

A handwritten signature in black ink, appearing to read "Stephen Jones".

Stephen Jones  
**Chairman**

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*Capitalised terms in this prospectus are defined in the Glossary.*

## **Important Notice**

Investment in the New Shares that are offered under this prospectus should be considered speculative. Applicants should read this prospectus in its entirety before deciding to apply for the New Shares. If, after reading this prospectus, you have any questions as to how to deal with this prospectus, you should contact your stockbroker, solicitor, accountant or professional adviser.

## **Important Information**

This prospectus is dated 18 November 2003 and was lodged with ASIC on that date with the consent of all the Directors. No New Shares will be allotted or issued on the basis of this prospectus after the expiry date of this prospectus, which is 13 months after the date of this prospectus.

Neither ASIC nor its officers take any responsibility for the contents of this prospectus. This prospectus has been lodged in Australia and no action has been taken by the Company to lodge this prospectus in any jurisdiction outside of Australia. The Entitlement and Acceptance Form accompanying this prospectus is important. Please refer to the instructions in section 1 of this Prospectus regarding the acceptance of your entitlement. Applications can only be submitted on a valid Entitlement and Acceptance Form (or on the Application Form where relevant) that are only available with this prospectus. This prospectus is not to be distributed in, and no offer of New Shares is to be made in countries other than Australia and New Zealand. Applicant residents outside Australia should consult their professional adviser as to whether any consents are required or whether any formalities need to be observed in the jurisdiction of their residence to enable them to accept their Entitlement pursuant to the Offer.

This prospectus does not constitute an offer in any place where, or to any person to whom, it would not be lawful to make an offer. The distribution of this prospectus in jurisdictions outside the Commonwealth of Australia may be restricted by law, and Shareholders in those jurisdictions should seek advice on and observe all applicable restrictions. Any failure to comply with applicable restrictions may constitute a violation of applicable securities laws.

This document is important and should be read in its entirety before deciding to participate in the Offer. This Offer does not take into account your investment objectives, financial or taxation situation or particular needs. Before making any investment in the Company, you should consider whether such an investment is appropriate to your particular needs, objectives and financial circumstances and you should consult your stockbroker, solicitor, accountant or other professional adviser without delay. By returning an Entitlement and Application Form, (or the Application Form, where relevant) you acknowledge that you have received and read this prospectus and you have acted in accordance with the terms of the Offer detailed in this prospectus. Definitions of certain terms used in this prospectus are contained in the Glossary. All references to currency are to Australian dollars and all references to time are to AEST, unless otherwise indicated.

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# 1. THE OFFER

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## 1.1 Introduction

This prospectus contains an Offer under a renounceable pro-rata rights issue to holders of ordinary Shares in the Company who are resident in Australia and New Zealand to take up New Shares in the Company at a subscription price of \$2.00 per New Share, payable in full upon application. Shareholders can apply for 1 New Share for every 12 Shares held as at the Record Date (being 5.00pm (AEST) on 24 November 2003). Existing Option holders cannot participate in this Offer unless they have exercised their Options on or before the Record Date.

Any New Shares which are not applied for or renounced by Shareholders by the Closing Date, will become Shortfall New Shares. The Company will place the Shortfall New Shares with any party at its discretion prior to 20 February 2004.

The Company is seeking to raise approximately \$2.5 million under this Offer. The primary purpose of the Offer is to raise capital for:

	<b>\$'000 (approximate)</b>
Scale up and manufacture of Cpn10 for Phase II Clinical Trials in mid 2004.	\$1,200
Accelerate R&D	\$500
Bring in house the appropriate skill sets for	\$100
• Preparation of the regulatory documentation for Phase II Clinical Trials	
• Preparation of Phase II Clinical Trial design	
Patent costs incurred from the expansion of the patent portfolio based on in-house research activities	\$60
Consultants and business development	\$300
Operating overheads	\$300

If the Minimum Subscription is not raised the Offer will not proceed. If the Offer is not fully subscribed the above items will be scaled back at the Directors' discretion, to enable the Company to continue development of the Cpn10 drug, although possibly at a slower pace than expected.

If you are a Shareholder, this document is important and requires your immediate attention. It should be read in its entirety. Please read carefully the instructions on the accompanying Entitlement and Acceptance Form regarding the acceptance of your entitlement. If you are in doubt as to the course you should follow, you should consult your stockbroker, solicitor, accountant or other professional adviser immediately.

## 1.2 Details of the Offer

The Company currently has 15,436,599 fully paid ordinary shares on issue. The Company is offering for subscription, under a renounceable pro-rata rights issue, New Shares in the Company on the basis of 1 New Share for every 12 Shares held with fractional entitlements rounded up to the nearest whole New Share. The subscription price for each New Share is \$2.00.

The Company may seek to place Shortfall New Shares which are not applied for or renounced by Shareholders at its discretion within approximately 2 months following the Closing Date, but before the Shortfall Closing Date. The Company reserves its right to place the Shortfall New Shares in its absolute discretion at a price of \$2 per New Share.

Any Shortfall New Shares placed by the Company in this manner will be subscribed for under this prospectus, on the Application Form for new shareholders.

There are currently 4,001,000 Options on issue. Of these, 2,250,000 are exercisable prior to the Record Date. The Options currently on issue are exercisable at \$1.00 on varying dates prior to 23 February 2008 (refer to Section 3.1 for further details). It is also proposed that a further 4,200,000 Options be granted, which are subject to Shareholder approval at the Company's upcoming AGM.

The number of New Shares which may be issued could be increased on the basis that 2,250,000 of the Options currently on issue might be exercised after the date of this prospectus, but prior to the Record Date. If these Options are exercised prior to the Record Date, those Option Holders will be entitled to subscribe for 187,500 additional New Shares under the Offer.

### 1.3 Timetable for the Offer

Lodgement of prospectus	Tuesday 18 November 2003
Record Date to determine entitlements to the New Shares	Monday 24 November 2003
Prospectus and Entitlement and Acceptance Forms despatched	Wednesday 26 November 2003
Closing Date for acceptance and payment of subscription price	Wednesday 17 December 2003
Shortfall Closing Date for placement of Shortfall New Shares	Friday 20 February 2004
Allotment of New Shares and Shortfall New Shares	Monday 23 February 2004
Certificates for New Shares and Shortfall New Shares expected to be despatched by no later than	Friday 27 February 2004

The Directors may alter the Closing Date, and the Shortfall Closing Date and any subsequent date, at their discretion.

#### Subscription Price

Each New Share is offered at a subscription price of \$2.00 each payable in full upon acceptance.

#### Your Entitlement

The Company is making a renounceable pro-rata rights issue of New Shares in the Company on the basis of 1 New Share for every 12 Shares held.

The number of New Shares to which you are entitled is calculated as at the Record Date shown above, and is shown on the Entitlement and Acceptance Form, which accompanies this prospectus. Fractional entitlements to New Shares will be rounded up to the nearest whole New Share.

If as a Shareholder you do not take up your entitlement, you will as a result of this rights issue, have your percentage shareholding in the Company diluted.

#### Issue Amount

The total number of New Shares to be issued pursuant to the Issue will be approximately 1,286,383 New Shares, to raise approximately \$2,573,000, before issue costs. The number of New Shares could be increased on the basis that some of the Options currently on issue might be exercised prior to the Record Date.

#### Entitlements and Acceptances

This Offer may be accepted in whole or in part prior to the Closing Date. The Minimum Subscription amount is \$1,600,000. The Directors reserve the right to vary the timetable

for the Offer, including extending the Offer period. You can only accept this Offer by completing the Entitlement and Acceptance Form, which accompanies this prospectus, or by completing the Application Form, if you are applying for Shortfall New Shares.

#### **1.4 Action required by Shareholders**

**As a Shareholder you may:**

##### **A. Take up your entitlement in full**

If you wish to take up all of your entitlement, please complete the Entitlement and Acceptance Form, which accompanies this prospectus, in accordance with the instructions set out in the form. Forward your completed Entitlement and Acceptance Form, together with your cheque or bank draft for the amount shown on your form, to reach the Company's share registry, at:

Pitcher Partners Registries Level 22 300 Queen Street Brisbane Qld 4000	OR	Pitcher Partners Registries GPO Box 35 Brisbane Qld 4001
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by 5.00pm AEST on the Closing Date or such later date as the Directors determine.

Cheques and bank drafts, in Australian currency should be made payable to "**CBio Limited Share Offer**" and crossed "not negotiable".

##### **B. Take up part of your entitlement and let the rest of your entitlement lapse**

If you wish to take up part only of your entitlement, please complete the Entitlement and Acceptance Form, which accompanies this prospectus, by inserting the number of New Shares for which you wish to accept the Offer under this prospectus (being less than your entitlement as specified on the Entitlement and Acceptance Form) and forward the completed form together with your cheque or bank draft for the total amount payable to reach the Company's share registry, at Pitcher Partners Registries, Level 22, 300 Queen Street, Brisbane Qld 4000, or GPO Box 35, Brisbane Qld 4001 by 5.00pm AEST on the Closing Date or such later date as the Directors determine.

Cheques and bank drafts, in Australian currency should be made payable to "**CBio Limited Share Offer**" and crossed "not negotiable".

##### **C. Take up part of your entitlement and renounce some of your entitlement**

If you wish to take up part only of your entitlement, and renounce the remainder of your entitlement to another party, please complete the Entitlement and Acceptance Form, which accompanies this prospectus, by inserting the number of New Shares for which you wish to accept the Offer under this prospectus (being less than your entitlement as specified on the Entitlement and Acceptance Form). The party to which you are renouncing your entitlement must complete the Renunciation Transfer Form. Please contact the share registry on telephone 07 3228 4219 or the Company on 07 3252 1022 for this form.

Please then forward the completed Entitlement and Acceptance form together with cheque or bank draft for the amount payable for the New Shares which are part of your entitlement. A cheque or bank draft for the total amount payable for the New Shares which you have renounced will be required to be attached to the Renunciation Transfer Form and reach the Company's share registry, at Pitcher Partners Registries, Level 22, 300 Queen Street, Brisbane Qld 4000, or GPO Box 35, Brisbane Qld 4001 by 5.00pm AEST on the Closing Date or such later date as the Directors determine.

Cheques and bank drafts, in Australian currency should be made payable to "**CBio Limited Share Offer**" and crossed "not negotiable".

**D. Take up your entitlement in full and apply to take up additional New Shares**

If you have taken up all of your entitlement, you may apply for, at the same price per New Share, additional New Shares which may be available if other Shareholders do not exercise their entitlement.

If you wish to take up additional New Shares please complete the Entitlement and Acceptance Form, which accompanies this prospectus, by inserting the number of New Shares for which you wish to accept the Offer under this prospectus (being more than your entitlement as specified on the Entitlement and Acceptance Form) and forward the completed Entitlement and Acceptance Form together with your cheque or bank draft for the total amount payable to reach the Company's share registry at Pitcher Partners Registries, Level 22, 300 Queen Street, Brisbane Qld 4000, or GPO Box 35, Brisbane Qld 4001 by 5.00 pm AEST on the Closing Date or such later date as the Directors determine.

Cheques and bank drafts should be made payable to "CBio Limited Share Offer" and crossed "not negotiable".

**E. Renounce all of your entitlement**

If you wish to renounce all of your entitlement to another party, please complete the Renunciation Transfer Form. To obtain this form please contact the share registry on telephone 07 3228 4219 or the Company on 07 3252 1022.

The party which acquires your rights must attach a cheque or bank draft for the total amount payable for the New Shares which you have renounced to the Renunciation Transfer Form to reach the Company's share registry, at Pitcher Partners Registries, Level 22, 300 Queen Street, Brisbane Qld 4000, or GPO Box 35, Brisbane Qld 4001 by 5.00pm AEST on the Closing Date or such later date as the Directors determine.

Cheques and bank drafts, in Australian currency should be made payable to "CBio Limited Share Offer" and crossed "not negotiable".

**F. Ignore the Offer**

If you do not wish to take up any part of your entitlement to New Shares, you are not required to take any action, in which case you will receive no New Shares and your rights will lapse. If you do not take up your entitlement, you will, as a result of this Offer, have your percentage shareholding in the Company diluted.

If you have any queries concerning your entitlement, please contact Pitcher Partners Registries on telephone 07 3228 4219 or contact your stockbroker or professional adviser.

***Entitlement and Acceptance Forms and accompanying cheques or bank drafts may be lodged at any time before the Closing Date. Renunciation Transfer Forms and accompanying cheques or bank drafts may be lodged at any time before the Closing Date. Application Forms and accompanying cheques or bank drafts may be lodged at any time before the Shortfall Closing Date. Applications received after the Closing Date will not be accepted. The Company will not be responsible for postal or delivery delays.***

**1.5 Shareholders resident outside Australia and New Zealand**

The Company will only extend the Offer to Shareholders with registered addresses in Australia and New Zealand. The Company considers it would be unreasonable to extend the Offer to Shareholders with registered addresses in other jurisdictions ("Excluded Shareholders") having regard to the small number of such Shareholders, the small number and value of securities that would be offered in such jurisdictions and the costs of complying with legal and regulatory requirements in those jurisdictions.

As at the date of this prospectus, there are no Excluded Shareholders.

It is the responsibility of any person who comes into possession of this prospectus outside Australia or New Zealand to ensure compliance with all laws of any country relevant to their application. Any person not in Australia or New Zealand considering taking up rights and Shareholders who are resident outside those countries should consult their professional advisers as to whether or not any governmental or other consents are required, or if other formalities need to be observed, to enable them to accept shares under this prospectus.

This prospectus does not constitute an offer in the USA or in any place in which, or to any person to whom, it would not be lawful to make such an offer.

## **1.6 Underwriting**

The Offer is not underwritten.

The Company may seek to place Shortfall New Shares which are not applied for by Shareholders, at its discretion within approximately 2 months following the Closing Date. The Company reserves its right to place the Shortfall New Shares in its absolute discretion at a price of \$2 per New Share prior to the Shortfall Closing Date. Any Shortfall New Shares placed by the Company in this manner will be subscribed for under this prospectus, on the Application Form for new shareholders.

## **1.7 Opening and closing dates**

The prospectus will be despatched by no later than 26 November 2003 and the Closing Date will be on 17 December 2003. The Shortfall Closing Date will be 20 February 2004.

## **1.8 Allotment**

The New Shares are expected to be allotted by not later than 23 February 2004.

All Shareholders who accept the Offer will receive their Entitlement in full. If more additional and New Shares are applied for than are available from the shortfall under the Offer, the Company will scale back those applications in its absolute discretion and excess application money will be refunded without interest.

The Company may seek to place Shortfall New Shares which are not applied for or renounced by Shareholders at its discretion within 2 months following the Closing Date, but before the Shortfall Closing Date. The Company reserves its right to place the Shortfall New Shares in its absolute discretion at a price of \$2 per New Share. Any Shortfall New Shares placed by the Company in this manner will be subscribed for under this prospectus, on the Application Form for new Shareholders.

## **1.9 Terms of the New Shares**

The terms of the New Shares are set out in section 5. The New Shares will rank equally with the existing fully paid Shares of the Company and the rights and liabilities attaching to the New Shares are summarised in section 5.

## **1.10 Minimum subscription**

If a Minimum Subscription of \$1.6 million is not raised by the Shortfall Closing Date, the Offer will not proceed.

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## 2. PURPOSE OF THE OFFER

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### 2.1 Application of Funds

The purpose of the Offer is to raise capital to enable CBio to prepare for the commencement of Phase II Clinical Trials. Funds to be allocated as below:

	<b>\$'000</b>
Scale up and manufacture of Cpn10 for Phase II Clinical Trials in the second quarter of 2004.	\$1,200
Accelerate R&D to support the new clinical trials submissions, including both in house and out sourced R&D contracts.	\$500
Bring in house the appropriate skill sets for	\$100
• Preparation of the regulatory documentation for Phase II Clinical Trials	
• Preparation of Phase II Clinical Trial design	
Patent costs incurred from expansion of the patent portfolio based on in-house research activities.	\$60
Consultants and business development	\$300
Operating overheads	\$300

If Minimum Subscription is not raised the Offer will not proceed. If the Offer is not fully subscribed the above items will be scaled back at the Directors' discretion, to enable the Company to continue development of the Cpn10 drug, although possibly at a slower pace than expected.

### 2.2 Background

CBio raised \$5.0 million under a prospectus dated 29 June 2001 to complete Phase I Clinical Trials of its primary product, Cpn10.

The funds were expended on the following:

- Establishment of the R&D infrastructure required to develop a new drug.
- Preparation of high quality drug suitable for trials in humans.
- Successful completion of the extensive pre-clinical animal studies required before a new drug can be administered to humans
- Compilation and submission of the complete data package (Investigators Brochure or IB) required by an ethics committee prior to approval of a Phase I Clinical Trial in humans.
- On the basis of this IB, the Phase I Clinical Trial was approved by Royal Adelaide Hospital, Adelaide, SA.
- CBio has entered into Phase I Clinical Trials with its product, Cpn10, for use in chronic inflammatory and autoimmune diseases. The trials are proceeding well and are expected to be formally concluded in February 2004.

Because the Company has been successful in reaching its objectives set out in the prospectus and the drug is expected to be safe to use in humans, the Company now plans to enter into Phase II Clinical Trials as soon as possible (most likely in mid 2004).

Phase II Clinical Trials consist of testing the drug in humans who have the target disease.

Phase II Clinical Trials are expensive and need to be carried out in a number of indications in order to minimise development risk. The funding for these Phase II Clinical Trials will be sought at the commencement of 2004 when the Phase I Clinical Trials have been formally concluded.

On the basis of the progress in the Phase I Clinical Trials, the Directors consider it prudent to expedite the development of Cpn10 and seek funding to effect expeditious entry into Phase II Clinical Trials.

With successful application of funds sought from this Offer, CBio will be in a strong position to raise the funding required for the Phase II Clinical Trials with:

- Completed documentation of the Phase I Clinical Trial in humans
- Manufacturing scale-up, documentation and production of 20,000 doses of Cpn10 with which to commence the Phase II Clinical Trials
- Submission to and approval by a hospital Independent Ethics Committee for the commencement of a Phase II Clinical Trial – pilot efficacy study in patients with multiple sclerosis
- Establishment of staff and outsourcing contracts required to conduct additional simultaneous Phase II Clinical Trials being in diseases such as rheumatoid arthritis and crohn's disease.

### **2.3 The Future**

Although some risk will have been reduced by the successful completion of the Phase I Clinical Trial of Cpn10, the technical and commercial value of Cpn10 will be established by completion of the Phase II Clinical Trials that will commence in mid 2004.

CBio's strategy is to rapidly and cost effectively establish the clinical scope of Cpn10 utility and prepare data for potential licensing opportunities through the Phase II clinical Trials through the Phase II Clinical Trials by conducting simultaneous small pilot clinical studies to look for efficacy in treatment of a range of inflammatory and autoimmune diseases.

As soon as efficacy is shown, these studies will be expanded to a large number of patients to collect the complete set of data required to finalise a Phase II pivotal Clinical Trial that will support licensing discussions and submission of Phase II (registration) Clinical Trial protocols.

### **2.4 The Development Stages**

Conventional drug development passes through the following industry recognised stages:

- (a) Initial Research – e.g. screening, drug design, molecular characterisation and bioactivity studies
- (b) Preclinical Studies – pilot production, drug characterisation, animal efficacy studies and toxicology
- (c) Phase I Clinical Trials – safety testing of the drug product in humans and indication of uptake and clearance of the drug
- (d) Phase II Clinical Trials – establishment of drug efficacy in human patients with specific diseases
- (e) Phase III Clinical Trials – statistical efficacy studies including contraindications, adverse reactions and precautions for submission to regulatory authorities for product registration
- (f) Registration – review and approval by a regulatory authority such as Therapeutic Goods Authority (TGA, Australia) or Food and Drug Administration (FDA, USA) for release for sale of the drug product

- (g) Marketing – release and sale of the drug product to the market.
- (h) Phase IV Studies – regulatory monitoring of drug product events in the market place.

Cbio is currently completing the Phase I Clinical Trials and preparing to start the Phase II Clinical Trials.

## **2.5 Current Intellectual Property**

The Company has a worldwide exclusive royalty free licence to utilise the intellectual property underlying Cpn10 (for further details, refer to section 5.3). Any further intellectual property developed in regard to Cpn10 as a result of R&D completed by the Company remains the property of the Company.

The patent titled “Method for Promoting Cell Growth and Immunosuppression using Chaperonin 10” has been issued in the USA. Filings are continuing with the patent “Chaperonin 10” in Australia, Europe, Canada, Japan and New Zealand.

The patent titled “Antagonists to Chaperonin 10” has been issued in the USA. Filings are continuing with the patent “Antagonist to Chaperonin 10” in Australia, Europe, Canada, Japan and New Zealand.

Filing for the Patent titled “Chaperonin 10 and Beta-Interferon therapy of Multiple Sclerosis” are continuing in USA, Australia, Europe, Canada and Japan.

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## 3. EFFECT OF THE OFFER ON THE COMPANY

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### 3.1 Effect of Offer on the Company

Assuming all New Shares are issued the principal effects of the Offer will be:

- (a) cash reserves will initially increase by approximately \$2,500,000 (before expenses of the Offer) to enable the Company to pursue its objectives; and
- (b) the number of Shares on issue will increase to approximately 16,722,982.

The above assumes no Options which are currently on issue are exercised prior to the Record Date.

Further details of the possible effect of the Offer are set out below.

### 3.2 Capital Structure

<b>Issued Capital</b>	<b>Shares</b>
Current Shares	15,436,599
New Shares proposed to be issued	<u>1,286,383</u>
Total Shares following the Offer*	16, 722,982

\* The above does not take rounding into account, and assumes all New shares are issued, and that no Options are exercised prior to the Record Date.

#### Options on Issue

There are currently 4,001,000 \$1.00 Options to subscribe for ordinary shares in the Company on issue. Details of these Options are:

<b>Options issued to:</b>	<b>Number</b>	<b>Exercise price</b>	<b>Expiry Date</b>
Directors	1,500,000	\$1.00	15 June 2006
Employees and consultants under the employee share scheme	51,000 600,000 680,000 420,000	\$1.00 \$1.00 \$1.00 \$1.00	26 July 2005 (not yet vested) 25 February 2005 (not yet vested) 1 December 2007 (not yet vested) 23 February 2004 (not yet vested)
Others	<u>750,000</u>	\$1.00	27 February 2004
	<u>4,001,000</u>		

Of these existing Options, 1,751,000 will not have vested prior to the Record Date. Therefore, if all Options possible were to be exercised prior to the Record Date, the total number of Shares on issue prior to the Record Date would amount to approximately 17,686,599. In this event, up to approximately 187,500 additional New Shares may be offered under this prospectus.

#### Proposed Issue of Options

In addition to the Options on issue at the date of this prospectus, Shareholders have been asked to approve the issue of the following Options on the following terms and conditions, at the Company's upcoming AGM:

<b>Options issued to:</b>	<b>Number</b>	<b>Exercise price</b>	<b>Expiry Date</b>
Directors	1,500,000	\$5.00	26 November 2008
Employee and consultants under the employee share scheme	500,000	\$1.00	5 years from vesting date (a)
	500,000	\$1.00	5 years from vesting date (b)
	300,000	\$1.00	26 November 2008
	500,000	\$2.50	5 years from vesting date (c)
	500,000	\$2.50	5 years from vesting date (d)
	<u>400,000</u>	\$2.50	5 years from vesting date (d)
	<u>4,200,000</u>		

- (a) Vesting date: Commencement of Phase II Clinical Trials
- (b) Vesting date: Completion of fund raising under this prospectus
- (c) Vesting date: Completion of Phase II Clinical Trials
- (d) Vesting date: Completion of fund raising for Phase II Clinical Trials

These Options yet to be granted cannot be exercised until after close of the Offer. Note that these Options have differing vesting dates, all of which are in the future.

### **3.3 Annual Report**

The Annual Report of the Company as at 30 June 2003 has recently been sent to existing Shareholders. It contains information about the financial position of the Company and other information required by law, and may be of interest to prospective investors and their advisers. If you require a copy please contact the Company on Tel: +61 7 3252 1022 for a copy free of charge. Refer also to section 5.3 of this prospectus.

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## **4. RISKS**

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### **4.1 Risk factors**

The New Shares offered under this prospectus are considered speculative because of the nature of the business of the Company. Before applying for New Shares, you should consider whether the New Shares are suitable securities for you to acquire, having regard to your own investment objectives and financial circumstances.

In addition, the Directors consider that the following summary, which is not exhaustive, represents major risk factors of which potential investors need to be aware:

### **4.2 General market risks**

#### **General economic conditions**

Any prolonged economic slowdown of global economies may impact on the Company

#### **Managing rapid growth**

As the Company continues to grow, the Company must continue to implement and improve operating and financial systems and controls necessary to ensure effective management of future growth. The Company must continue to expand, train, retain and manage its employee base. No assurance can be given of the ability to manage future growth.

#### **Technology**

Any inability to respond to technological changes in a timely manner may have an adverse impact on the revenues and earnings of the Company.

#### **Financial market volatility**

Markets are volatile. There is a risk that demand for the Company's product could vary with the movements in markets.

#### **Regulation and legal issues**

It is possible laws that may be introduced or amended in Australia or international jurisdictions relating to any aspect of its business, which may have a material adverse effect on the financial position and operating results of the Company. At the present time the Company is not aware of any such regulatory or legal issues in any of the jurisdictions in which the Company operates or intends to operate.

### **4.3 Investment risk**

Shareholders should be aware there are risks associated with any investment in Shares. The value of the Company's Shares can be expected to fluctuate depending upon various factors including general worldwide economic conditions and general stock market conditions (even though the Company is not listed) as well as the performance of the Company.

The New Shares to be issued pursuant to this prospectus carry no assurance with respect to the payment of dividends, return of capital or the value of the New Shares. Investment pursuant to this prospectus should be regarded as speculative and neither the Company nor its Directors can give assurance that any specific objective of the Company will be achieved.

Actual operating performance of the Company may be affected by a number of business risks and economic conditions. There are a number of risk factors, both specific to the Company and relating to the general business environment which may impact upon the

operating performance and financial position of the Company. Some of these risks can be mitigated by the use of contingency plans and safeguards, however, many are outside the control of the Company and cannot be mitigated. Inflation, currency fluctuation, interest rates, supply and demand and changes in legislation can affect operating costs and share values.

#### **4.4 Risks related to the Company's business**

The details contained in this Prospectus concerning the application of funds are based on estimates and assumptions about certain events and circumstances which have not yet taken place, and are subject to variation and possible non-fulfilment. The Company is involved in technology development. There can be no assurances as to the accuracy of estimated expenditure under the table for the application of funds under this prospectus.

##### **Cpn10 risk**

The drug, Cpn10 and its success in testing is important to the prospects of the Company.

If the Company's technology does not lead to products and services being accepted in the markets for which they are intended, it is unlikely that CBio will ever become profitable. Specifically, investors must be aware that, despite the promising results of research and development to date, it is distinctly possible that the Cpn10 drug may ultimately not be capable of human application.

##### **Product acceptance**

Compared with other products, including competitors with similar products, our product is new and unproven, and the use of product by potential customers or alliance partners is limited. In order to be successful, products must meet the requirements of the markets for which they are intended, and potential customers must be convinced to use our product instead of competing technologies. Market acceptance will depend on many factors, including:

- convincing potential customers that our product is a more attractive alternative to other products;
- manufacturing our products in sufficient quantities with acceptable quality and at an acceptable cost;
- even if Cpn10 is found to be, or developed so as to be, capable of human clinical application, Cpn10 may not be efficacious, and may not be capable of commercial development, exploitation and sale; and
- convincing potential customers and alliance partners to purchase the Company's products.

Because of these and other factors, the Company's products may not gain market acceptance.

##### **Operational risk**

Our operations must grow in years to come. This growth will place a significant strain on our operational, human and financial resources. Our ability to compete effectively will depend, in large part, on our ability to hire, train and assimilate additional management, professional, scientific and technical personnel and our ability to expand, improve and effectively use our operating, management and financial systems to accommodate our expanded operations. Our ability to compete is also reliant, in part, on the provision of appropriate operating facilities including laboratories, specific laboratory equipment and high technology consumables. The physical expansion of our facilities to accommodate future growth may lead to significant costs and divert management and business development resources. If we are unable effectively to anticipate, implement and

manage the changes required to sustain our growth, we may not be able to compete successfully.

#### **Development risk**

Pharmaceutical products have lengthy development cycles, which could cause our operating results to fluctuate significantly.

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

The following factors could affect our operating results:

- FDA and TGA approval processes for the products;
- market acceptance of products; and
- general and industry-specific economic conditions, which may affect the research and development expenditures of our strategic development partners.

We will depend in part on third-party products and services and sole or limited sources of supply to manufacture some components of our products.

We will rely on outside vendors to manufacture many of the components used in the products. Some of these components will be obtained from a single supplier or a limited group of suppliers. Reliance on outside vendors generally, and a sole or a limited group of suppliers in particular, involves several risks, including:

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

We may not be successful in developing new products and services.

For example, our customers or strategic partners may choose to expend their resources on competing products to such a degree that it does not make economic sense for us to continue our research and development of certain products. If this happens, we may not be able to take advantage of opportunities identified in this prospectus.

#### **Funding risk**

There is a risk that we may not achieve or sustain profitability and our operating losses will increase in the future.

We are at an early stage of executing our business plan. The Company’s positive cash position at the time of issue of this prospectus has resulted solely from fund raising from investors. The Company’s present cash surplus has not resulted from operating revenues. The Company’s financial position should be reviewed by prospective investors in light of information in the audited annual financial report, a copy of which can be obtained from the Company on request. (Refer section 5.3 for further detail).

We expect to continue to incur operating and net losses and negative cash flow from operations, which may increase, for the foreseeable future, due in part to anticipated

increases in expenses for research and product development and our expansion. The time required for us to reach or sustain profitability is highly uncertain and we may not be able to achieve or maintain profitability. Moreover, if we do achieve profitability, the level of any profitability cannot be predicted and may vary significantly.

#### **Increased or new competition**

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

#### **Dependence on key personnel**

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

### **4.5 Risks related to operating in this market**

#### **Markets**

The markets in which the Company operates are highly competitive and subject to rapid technological change, and we may not have the resources necessary to compete successfully.

We compete with companies in the US and abroad that are engaged in the development and production of drug products and services including pharmaceutical companies, contract research companies and academic institutions. Many of our competitors have access to greater financial, technical, research, marketing, sales, distribution, service and other resources than CBio. Academic institutions, governmental agencies and other research organisations also are conducting research in areas in which we propose to provide services, either on their own or through collaborative efforts.

#### **Technology**

Moreover, the pharmaceutical and biotechnology industries are characterised by rapid and continuous technological innovation. We anticipate that we will face increased competition in the future as new companies enter the market and advanced technologies become available. Our technology, services and expertise may be rendered obsolete or uneconomical by technological advances or entirely different approaches developed by us or one or more of our competitors.

The existing approaches of our competitors or new approaches or technologies developed by our competitors may be more effective than those we develop. We may not be able to compete successfully with existing or potential competitors and competitive factors may prevent us from becoming successful.

#### **Strategic partners**

Our success will depend on our strategic development partners and the extent to which these partners are interested in pursuing development and marketing of products.

Our revenues will be highly dependent on the research and development decisions of our current and potential strategic partners. Their expenditures are based on a wide variety of factors, including the resources available, the spending priorities among various types of research and policies regarding expenditures during recessionary periods. General economic downturns in our partners' industries or any decrease in research and development expenditures could materially and adversely affect our operations.

## **Consolidation**

The concentration of the pharmaceutical industry and the current trend towards increasing consolidation could adversely affect our business prospects.

The number of our potential strategic partners could be reduced if the current trend towards consolidation of the pharmaceutical industry continues. Accordingly, we expect that a relatively small number of partners will account for a substantial portion of our research, development and marketing activities with third parties.

Additional risks associated with such a highly concentrated industry include:

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

## **Employment risk**

Our future success will depend to a significant extent on our ability to attract, retain and motivate highly skilled scientists and other personnel. Our ability to maintain, expand or renew existing engagements with our strategic partners, enter into new engagements and provide additional products and services to customers depends, in large part, on our ability to hire and retain scientists with the skills necessary to keep pace with continuing changes in drug development technologies and other personnel.

Our employees may leave and we may dismiss them. We believe that there is a shortage of and significant competition for, scientists with the skills and experience in the sciences necessary to perform the services we require.

We compete with the research departments of pharmaceutical companies, biotechnology companies, contract research companies and academic institutions for personnel.

Our inability to hire additional qualified personnel could materially and adversely affect our future growth. In addition, our inability to hire additional qualified personnel may require an increase in the level of responsibility for both existing and new personnel. We may not be successful in attracting new scientists or other personnel or in retaining or motivating our existing personnel.

## **Intellectual property**

The intellectual property rights on which we rely to protect the technology underlying the products and techniques may not be adequate, which could enable third parties to use our technology or very similar technology and thereby reduce our ability to compete in the market.

Our success will depend on our ability to obtain, protect and enforce patents on our technology and to protect our trade secrets. Any patents we own or license may not afford meaningful protection for our technology and the products.

Others may challenge our patents or the patents of our licensors and, as a result, these patents could be narrowed, invalidated or rendered unenforceable. In addition, current and future patent applications on which we depend may not result in the issuance of patents in Australia, the US or foreign countries.

Competitors may develop products similar to ours, which are not covered by our patents. Further, if there is a substantial backlog of patent applications at any Patent and Trademark Office, the approval or rejection of our, or, our competitors' patent applications may take several years.

In addition to patent protection, we also rely on copyright protection, trade secrets, know-how, continuing technological innovation and licensing opportunities. In an effort to maintain the confidentiality and ownership of our trade secrets and proprietary

information, we require our employees, consultants and advisors to execute confidentiality and proprietary information agreements. However, these agreements may not provide adequate protection against improper use or disclosure of confidential information and there may not be adequate remedies in the event of unauthorised use or disclosure.

Furthermore, the Company may from time to time hire scientific personnel formerly employed by other companies involved in one or more areas similar to the activities conducted by us. In some situations, our confidentiality and proprietary information agreements may conflict with, or be subject to, the rights of third parties with whom employees, consultants or advisors have prior employment or consulting relationships. Although we require employees and consultants to maintain the confidentiality of all confidential information of previous employers, the company or these individuals may be subject to allegations of trade secret misappropriation or other similar claims as a result of their prior affiliations.

Others may independently develop substantially equivalent proprietary information and techniques, or otherwise gain access to Company trade secrets. The inability to protect Company proprietary information and techniques may inhibit or limit the Company's ability to achieve or maintain a competitive position in the market.

The Company may be involved in intellectual property lawsuits, which may be expensive.

High technology companies have a history of patent litigation and will be likely to continue to have patent lawsuits. In order to protect or enforce the company's patent rights, the company may have to initiate legal proceedings against third parties. In addition, others may sue the company for infringing their intellectual property rights or the company may find it necessary to initiate a lawsuit seeking a declaration from a court that the company does not infringe the proprietary rights of others.

The patent positions of companies in high technology industries can be uncertain and involve complex legal and factual questions.

Legal proceedings relating to intellectual property could be expensive, take significant time and divert Management's attention from other business concerns, no matter whether we win or lose. The cost of such litigation could affect the Company's financial position.

Further, if we do not succeed in an infringement lawsuit brought against us, in addition to any damages we might have to pay, we could be required to stop the infringing activity or obtain a licence. Any required licence may not be available to us on acceptable terms, or at all. In addition, some licences may be non-exclusive, and therefore, our competitors may have access to the same technology licensed to us. If we are unable to obtain a required licence or are unable to design around a patent, Company outcomes could be affected.

The Directors of the Company are not presently aware of any fact, matter or circumstance by which any party may claim or be entitled to object to or challenge any of the Company's patents, trade marks or intellectual property. The board is not aware of any fact, matter or circumstance which would prevent any investor relying upon the report of the Company's patent attorneys, Fisher Adams Kelly. These circumstances, however, do not reduce the importance of the foregoing considerations for investors.

#### **Liability regarding hazardous materials**

Our research and development processes involve the controlled use of hazardous materials. Cbio is subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of such materials and certain waste products. The risk of accidental contamination or injury from these materials cannot be completely eliminated.

In the event of such an accident, we could be held liable for any damages that result, and any such liability could exceed our resources and disrupt our business. In addition, we may have to incur significant costs to comply with environmental laws and regulations related to the handling or disposal of such materials or waste products in the future, which could require us to spend substantial amounts of money.

#### **4.6 Risks related to this Offer**

##### **Non-liquid market**

The Shares cannot be traded in a liquid market, and there are significant regulatory hurdles to overcome before such a market will exist. As a result, potential investors will have only a limited opportunity to sell their Shares and may therefore have to bear the economic risk of holding the present investment in the Shares for an indefinite period of time.

Merely because the Company is a public company does not mean that there will be a free, or indeed any market for trading in such Shares. Generally speaking, Directors of a public company have no discretion to refuse to register a transfer of Shares. That, however, is essentially a formality. The ability to sell (or buy) Shares in the Company, after the close of this Offer must be regarded as speculative at best. That ability will depend upon the Company's progress and financial performance, the number and spread of Shareholders, and the range of other factors associated with all of the risks highlighted in this Prospectus. The Board urges investors to invest on the basis that in the short to medium term, investors will have practically no opportunity of selling (or buying) Shares in the Company.

##### **Use of proceeds of this Offer**

We may invest or spend the proceeds of this Offer in ways with which an investor may not agree.

The Directors will retain broad discretion over the use of proceeds from this offering. An investor may not agree with how we spend the proceeds, and our use of the proceeds may not yield a significant return or any return at all.

We intend to use a majority of the proceeds from this offering as explained in Section 2.1. Because of the number and variability of factors that determine our use of the net proceeds from this Offer, these uses may vary substantially from our currently planned uses. Until we use the net proceeds of this Offer for the above purposes, we intend to invest the funds in secured short-term liquid investments.

Our executive officers, Directors and principal Shareholders own a large percentage of our voting capital and could delay or prevent a change in our corporate control or other matters requiring Shareholder approval, even if favoured by our other Shareholders.

If we need, but are unable to obtain, additional funding to support our operations, we would have to reduce or cease operations or attempt to sell all or a part of our operations.

##### **Funding**

We will need substantial funds to continue to research, develop and enhance our technology. To the extent that our capital resources are insufficient to meet future capital requirements, we will have to raise additional funds to continue the development of our technology. We may not be able to raise funds on favourable terms, or at all. Our current operating plan could change as a result of many factors, and we could require additional funding sooner than anticipated. Our requirements for additional capital may be substantial and will depend on many factors, some of which are beyond our control, including:

- market acceptance of the products;

- timing of the TGA and/or FDA approval of the products
- continued progress of our research and development of the products;
- competing technological and market developments;
- the cost of protection of patent and other intellectual property rights; and
- progress with commercialisation.

To the extent that we raise additional capital through the issue of Shares, the issuance of those Shares would result in equity dilution for our existing Shareholders. If adequate funds are not available, we may be required to curtail operations significantly or to obtain funds through entering into collaboration agreements on unattractive terms.

Because it is unlikely that we will soon pay dividends, you will only be able to benefit from holding our Shares if the share price appreciates and a market exists for the Shares. As outlined above, the board does not expect any significant market for the Shares to be available in the near future.

*Technology development is inherently high risk and the above risks are not exhaustive. Other risks may become evident with further development of the technology and commercial relationships. The Company can give no assurance that all the Company's objectives can be satisfactorily achieved.*

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## 5. ADDITIONAL INFORMATION

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### 5.1 Terms of the New Shares

The terms and conditions of issue of the New Shares are as follows:

- (a) the subscription price is \$2.00 each;
- (b) the New Shares may be subscribed for at any time before 5.00pm (AEST) on 17 December 2003;
- (c) New Shares issued pursuant to this Offer will rank *pari passu* with existing Shares of the Company in all respects.

### 5.2 Rights and liabilities attaching to New Shares

The following is a broad summary (though not necessarily an exhaustive or definitive statement) of the rights and liabilities attaching to all Shares including New Shares, which will be issued pursuant to this Offer. Full details are contained in the Constitution of the Company and the *Corporations Act 2001*.

#### Share capital

All issued ordinary Shares rank equally in all respects.

#### Voting rights

At a general meeting of the Company, every holder of Shares present in person, by an attorney, representative or proxy has one vote on a show of hands and on a poll, one vote for every fully paid share held.

#### Dividend Rights

Subject to the rights of holders of shares issued with any special or preferential rights at present there are none, the profits of the Company which the Directors may from time to time determine to distribute by way of dividend are divisible among the Shareholders according to the amounts paid on the Shares held by them.

#### Rights on winding-up

Subject to the rights of holders with shares with special rights in a winding-up at present there are none, on a winding-up of the Company all assets which may be legally distributed amongst the members will be distributed in proportion to the Shares held by them respectively.

#### Transfer of Shares

Shares in the Company may be transferred by instrument in any form which complies with the Constitution and the *Corporations Act 2001*.

The Directors may refuse to register a transfer of shares only in those limited circumstances permitted by the *Corporations Act 2001*.

#### Further increases in capital

The allotment and issue of any Shares is under the control of the Directors and subject to any restrictions on the allotment of Shares imposed by the Constitution and the *Corporations Act 2001*, the Directors may allot, issue or grant options over or otherwise dispose of Shares to such persons, with such rights or restrictions as they may from time to time determine.

### **Variations of rights attaching to Shares**

Where shares of different classes are issued, the rights attaching to the shares of a class can thereafter only be varied by a special resolution passed at a separate general meeting of the holders of those shares of that class, or with the written consent of the holders of at least three quarters of the issued shares of that class.

### **General meeting**

Each holder of Shares is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive notices, accounts and other documents required to be furnished to Shareholders under the Constitution and the *Corporations Act 2001*.

A copy of the Constitution of the Company is available for inspection, free of charge, at the registered office of the Company.

### **Dividend policy**

Cbio does not anticipate paying dividends for the forthcoming financial year.

## **5.3 Material Contracts**

There are a number of contracts relating to the rights, title and property associated with Cpn10. Copies of these documents are available for inspection during normal office hours at the registered office of the Company for 13 months from the date of this prospectus.

### **Research Agreement**

On 27 March 1996, UniQuest, the technology transfer and commercialisation company for the University of Queensland, entered into a Research Funding and Commercialisation Rights Agreement (the "Research Agreement") with CSL Limited, whereby CSL Limited was granted the exclusive right to commercialise certain provisional patents owned by UniQuest, and any existing or new intellectual property arising from research and development relating to those patents.

The Research Agreement has been varied by the Deed of Agreement and Variation dated 14 May 2001 and assigned by the Deed of Assignment dated 14 May 2001, so that the full benefit and obligations under the Research Agreement as varied become those of Cbio (in place of CSL Limited).

Below is a summary of the combined provisions currently relevant to Cbio.

UniQuest owns Australian Provisional Patent Applications Nos. PM2705 and PM 8234 ("the Patents"). Cbio was granted an exclusive worldwide licence and right to exploit not only the Patents but also all corresponding international applications, all improvements to the Patents ("the Intellectual Property").

Cbio was granted an exclusive worldwide licence and right to exploit the intellectual property, the subject of the agreement, with such right extending to the right to make, have made, use, market, sell and commercialise products; and, further with the right to grant sub-licences relative to the intellectual property.

The term of the exclusive licence commences on the date of the first sale of the Product and ends on the earlier of the tenth anniversary of that date or the expiration of the Patent for that Product.

For the term, a non-exclusive licence is granted to Cbio to use all of the patents, provisional patents applications, all corresponding international applications, facts, data, opinions, secrets, ideas, processes, methodologies, knowhow, models, reagents or formula which are in the field of diagnostic, prophylactic and therapeutic uses of Cpn10 (or its derivative), and further, have the right to grant sub-licences to that licence.

UniQuest is to provide all necessary information and assistance to CBio for it to manufacture, market, sell and commercialise products. Any information provided to UniQuest will be at its cost, will be confidential and can be communicated to licensees for the purposes of the manufacture and sale of products.

Confidentiality provisions are also in place between the parties.

No royalties are payable by CBio to UniQuest in respect of Cpn10 or the Products.

As part of the above arrangements, a Convertible Note having the face value of \$1,125,000 noting UniQuest as the holder was issued to UniQuest on 14 May 2001.

The material terms and conditions applicable to the Convertible Note are:

- (a) The sum of \$1,125,000 is due by CBio to UniQuest upon certain terms and conditions, including those set out below.
- (b) Interest accrues on the amount outstanding from time to time under the Convertible Note at the rate of 7% per annum, calculated annually, and capitalised until repayment.
- (c) CBio may repay, at any time, any money in reduction of the amount outstanding under the Convertible Note.
- (d) UniQuest may, at any time, elect to convert the whole, or any part of the amount outstanding, under the Convertible Note to ordinary shares, by the delivery of an election notice.
- (e) CBio must make payments of parts of the amount owing under the Convertible Note on the achievement of certain milestones. The sum of \$125,000 has been paid to UniQuest in reduction of the total sum due by Cbio.

Should the Research Agreement be terminated earlier than its anticipated duration, or otherwise, no part of the outstanding face value under the Convertible Note is payable by UniQuest to the Company.

Such of the original intellectual property (as defined in the Research Agreement) as remained registered in the name of UniQuest will remain the property of UniQuest until the payment in full or the conversion in full of the Convertible Note; provided that the University of Queensland, in its unfettered discretion and controlled discretion, declines to assign its equitable ownership of the intellectual property to UniQuest to enable UniQuest to assign the intellectual property to the Company.

#### **5.4 Continuous disclosure and documents available for inspection**

This prospectus is issued by the Company in accordance with section 712 of the *Corporations Act 2001*.

The Company states that:

- (a) as a disclosing entity it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office; and
- (c) any person may request, and the Company will provide free of charge, a copy of each of the following documents during the application period of this prospectus:
  - (i) the annual report and annual financial statements for the year ended 30 June 2003, being the most recent annual report lodged with ASIC by the Company; and
  - (ii) any continuous disclosure notices given by the Company since the lodgement of the annual financial report referred to in (i) above and before the lodgement of this prospectus.

The Company will provide free of charge to any person who requests it during the application period under this prospectus, a copy of the Annual Report and any continuous disclosure notices lodged by the Company. The information in the Annual Report may be of interest to investors and their financial advisers.

The Directors rely upon section 712(3) of the *Corporations Act* with the inclusion by reference of material referred to above for full disclosure of relevant information to Shareholders for the purposes of section 711 of the *Corporations Act*, including the nature and extent of any Directors' interests of or persons identified in section 711(4) of the *Corporations Act*.

## 5.5 Interests of Directors

Other than as set out below or elsewhere in this prospectus, no Director:

- has or had at any time in the last 2 years an interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company in connection with the Offer or promotion of the Company, or the Offer; or
- has been paid or agreed to be paid an amount, or has been given or agreed to be given any other benefit, either to induce him to become, or to qualify him as a Director, or otherwise for services rendered by him in connection with the formation or promotion of the Company or the Offer.

### Interests in Securities

The Directors (and their associates) have the following interests in securities of the Company as at the date of this prospectus:

Director	Ordinary Shares	Options (at \$1.00 per share)	Options proposed to be granted following AGM (at \$5.00 per share)
Mr Stephen Jones	1,190,033	500,000	500,000
Dr Wolfgang Hanisch	1,190,033	500,000	500,000
Mr Stephen Goodall	1,190,033	500,000	500,000

### Remuneration - Directors

Mr Stephen Jones (Non executive Chairman) receives Directors' fees from the Company and from time to time is engaged as a consultant by the Company for which additional fees are paid. Dr Wolfgang Hanisch provides his services to the Company as Chief Executive Officer through a consulting agreement with Ijong Pty Ltd, a company with which he is associated. Mr Stephen Goodall provides his services to the Company as Chief Operating Officer through a consulting arrangement with Process Biotech, a business with which he is associated.

## 5.6 Interests of advisers

Other than as set out in this prospectus, no person named in this prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this prospectus has or had at any time in the last 2 years an interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company in connection with the Offer or the formation or promotion of the Company, or in the Offer; or has been paid or agreed to be paid any amount or agreed to be given any other benefit, either to induce him to become, or to qualify him as a Director, or otherwise for services rendered by him in connection with the formation or promotion of the Company or the Offer.

## **5.7 Commissions**

The Directors anticipate there will be commissions payable on any Shortfall New Shares what are placed, of up to approximately 3% of the amount of Shortfall New Shares placed by the Company.

## **5.8 Expenses of the Offer**

The total expenses of the Offer (excluding commissions which may become payable) payable by the Company are estimated as approximately \$50,000. These expenses include legal fees, printing and other miscellaneous expenses. They will be borne by the Company.

## **5.9 Application moneys and interest**

Moneys received from an applicant on account of New Shares offered under this prospectus will, until those New Shares are issued, be held by the Company in a bank account established and kept by the Company for the purpose of depositing application moneys.

If, after the New Shares are issued, the Company remains liable to repay those moneys under section 723 of the *Corporations Act 2001*, the Company will do so.

To the fullest extent permitted by law, each applicant agrees that such moneys do not bear interest as against the Company and that any interest earned in respect of the application moneys paid into that account or kept in the separate account belongs to the Company, irrespective of whether or not all or any of the New Shares applied for by that applicant are issued to that applicant.

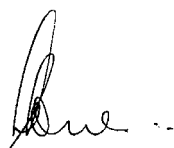
## **5.10 Consents**

Pitcher Partners Registrars has given, and not withdrawn its written consent to be named as share registrar in the form and context in which it is named. Pitcher Partners Registrars has not caused or authorised the issue of this prospectus and takes no responsibility for any part of this prospectus.

## **5.11 Directors' Statement**

Each Director has given, and has not withdrawn, before the date of this prospectus, his consent to the lodgement of this prospectus with ASIC and to the issue of this prospectus in accordance with the *Corporations Act 2001*. The Directors report that after due enquiry by them, that they have not become aware of any circumstances which in their opinion will materially affect the Company's position, other than as disclosed in this prospectus.

This prospectus is signed for and on behalf of the Directors.



Stephen Jones  
Chairman

Dated 18 November 2003

# APPLICATION FORM AND GUIDE

**CBio Limited**

ACN 094 730 417

FOR REGISTRY USE ONLY

FOR BROKERS USE ONLY

## Offer of Shortfall New Shares Only

The *Corporations Act* prohibits any person from passing onto another person this Application Form unless it is attached to or accompanied by this prospectus.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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*Only for use by applicants after the Closing Date and before the Shortfall Closing Date*

### USE BLOCK LETTERS

INSTRUCTIONS ON HOW TO COMPLETE SECTIONS A-H ARE SET OUT ON THE REVERSE OF THIS FORM.

A I/WE APPLY FOR  (Minimum 10,000 securities and then in multiples of 5,000 securities) X A \$2.00 B A \$

Please make sure that the amount of your cheque(s) equals this amount and is made payable to 'CBio Limited Shortfall Security Issue A/C'

### COMPLETE FULL NAME AND ADDRESS DETAILS

C INSERT CORRECT TITLE (MR/MRS/MISS/MS) GIVEN NAME(S) (IN FULL) SURNAME OR COMPANY NAME

<input type="text"/>	<input type="text"/>	<input type="text"/>
----------------------	----------------------	----------------------

INSERT CORRECT TITLE (MR/MRS/MISS/MS) GIVEN NAME(S) (IN FULL) SURNAME OR COMPANY NAME

<input type="text"/>	<input type="text"/>	<input type="text"/>
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D JOINT APPLICATION OR ACCOUNT DESIGNATION EG <SUPER FUND A/C>

<input type="text"/>
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E NUMBER/STREET OR PO BOX NO


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

SUBURB OR TOWN STATE POSTCODE

<input type="text"/>	<input type="text"/>	<input type="text"/>
----------------------	----------------------	----------------------

F CONTACT NUMBER (DAYTIME) CONTACT NAME

<input type="text"/>	<input type="text"/>
----------------------	----------------------

 PIN YOUR CHEQUE(S) HERE

G

DRAWER	BANK	BRANCH	AMOUNT OF CHEQUE	Please make Cheque(s) Payable to CBio Limited Security Issue Account shortfall
<input type="text"/>	<input type="text"/>	<input type="text"/>	\$ <input type="text"/>	
<input type="text"/>	<input type="text"/>	<input type="text"/>	\$ <input type="text"/>	

H I/we declare that this application is complete according to the declaration/appropriate statements on the reverse of this form and agree to be bound by the constitution of CBio Limited. Returning the Application form with your cheque for the Application Monies will constitute your offer to subscribe for securities in CBio Limited.

**NO SIGNATURE REQUIRED**

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

**This application form is for use by non-Shareholders only. Do not use this form if you are taking up your entitlement under the rights issue.**

## How to Complete the Application Form

Forward your completed application together with the application money to:

**By mail:** Pitcher Partners Registries  
GPO Box 35  
Brisbane Qld 4001  
PH:(07) 3228 4219

**By delivery:** Pitcher Partners Registries  
Level 22, 300 Queen Street  
Brisbane Qld 4000  
PH:(07) 3228 4219

### Applications must be received by no later than 5.00PM 20 February 2004.

Please complete all relevant sections of the Application Form using **BLOCK LETTERS**.

- (a) Enter the NUMBER OF SECURITIES you wish to apply for. Applications must be for the minimum of 10,000 securities and thereafter multiples of 5,000 securities.
- (b) Enter the TOTAL AMOUNT of application money payable. To calculate the amount multiply the number of securities applied for by \$2.00 per security.
- (c) Enter the FULL NAME(S) and TITLE(S) of all legal entities that are to be recorded as the registered holder(s). Refer to the name standards below for guidance on valid registration.
- (d) Account designations are optional. In the case of three joint holders, the third name should be written in the account designation.
- (e) Enter the POSTAL ADDRESS for all communications from the Company. Only one address can be recorded.
- (f) Enter the daytime telephone numbers and contact person the registry can speak to if they have any queries regarding this application.
- (g) Complete cheque details as requested. Payments must be made in Australian Currency and cheques must be drawn on an Australian Bank. Cheques or bank drafts must be made payable to "CBio Limited Shortfall Security Issue Account" and crossed "not negotiable".
- (h) Before completing the application form the applicant(s) declare(s) that he or she has read the prospectus to which the application relates. The applicant(s) agree(s) that this application is for securities in CBio Limited upon and subject to the terms of the prospectus, agree(s) to take any number of securities equal to or less than the number of securities indicated in box A that may be issued to the applicant(s) pursuant to the prospectus and declare(s) that all details and statements made are complete and accurate. It is not necessary to sign the application form.

### Ready Reckoner

This ready reckoner will help you calculate the money you need to pay at \$2.00 per security

Securities	Amount	Securities	Amount	Securities	Amount	Securities	Amount	Securities	Amount
<b>10,000</b>	\$ 20,000	<b>15,000</b>	\$ 30,000	<b>20,000</b>	\$ 40,000	<b>30,000</b>	\$ 60,000	<b>40,000</b>	\$ 80,000

### Correct Forms of Registrable Names

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

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full not initials	Mr John Alfred Smith	JA Smith
Company Use the Company's full title not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/c>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith deceased
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr Jon William Alexander Robertson-Smith	Mr John WA Robertson-Smith
Clubs/ Unincorporated Bodies/ Business Names Use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the names of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund