

**PROSPECTUS
CBio Limited**

ACN 094 730 417

Non-Underwritten

A non-renounceable rights issue of approximately 990,430 New Shares on the basis of 1 New Share for every 20 Shares held, at an issue price of \$3.00 per New Share.

The Offer closes at 5.00pm AEST on 4 March 2005

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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A LETTER FROM THE CHAIRMAN



Dear Shareholder,

At the recent Annual General Meeting of Shareholders a number of shareholders requested that they be allowed to participate in a current capital raising by the Company to sophisticated and institutional investors. This raising, currently in progress, is to finance clinical trials of the Company's Cpn 10 drug in humans.

At that time I advised shareholders that such participation was not possible at law unless the applicant shareholders were classed as sophisticated or institutional investors.

Such was the enquiry that the Board felt that it was appropriate to cut back the institutional placement by \$3 million and offer a pro-rata rights issue to all shareholders, to allow you to participate if you wish, in the capital plans of the Company. The effect being to minimise the dilution to you of institutional investment and allow you to accumulate more shares in the Company should you choose to do so.

The Directors believe it is in the Company's best interests to maintain a diverse member base and to facilitate continued investment by long term supporters of the Company.

The funds raised will aggregate with those raised from institutions to accelerate the clinical trialing program of the Company's Cpn 10 drug.

The Offer set out in this prospectus, is a 1 for 20 rights issue which will seek to raise up to approximately \$2,970,000 from the issue of approximately 990,430 ordinary shares in CBio Limited at a price of \$3.00 per Share.

The Offer is **not underwritten and is non-renounceable** so that any New Shares which are not applied for 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 and will probably be placed with institutions.

The Cpn 10 drug is making positive progress in the clinic. If this progress is sustained, the Company hopes to secure a collaborative arrangement for commercialisation of Cpn 10 with a major pharmaceutical partner within the next 12 months or look towards a possible trade sale or acquisition that would maximise shareholder value.

Thus, I invite your participation in this new offer of CBio shares.

Yours faithfully

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

Stephen Jones
Chairman

1. IMPORTANT INFORMATION

1.1 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.

1.2 Important Information

This prospectus is dated 12 January 2005, 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, being 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 4 of this prospectus regarding the acceptance of your entitlement. Applications can only be submitted on a valid Entitlement and Acceptance Form (or on the Shortfall Application Form where relevant) that is 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. 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 and/or the Shortfall Application Form, 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.

All references to currency are to Australian dollars and all references to time are to AEST, unless otherwise indicated. Capitalised terms in this prospectus are defined in the Glossary.

1.3 Exposure Period

The Corporations Act prohibits the acceptance of applications under the Offer during the period of 7 days after lodgement of this prospectus (which may be extended by ASIC to a period of 14 days). This period is referred to as the Exposure Period. The purpose of the Exposure Period is to enable this prospectus to be examined by market participants prior to the opening of the Offer. Entitlement and Application Forms, and Shortfall Application Forms, received during the Exposure Period will not be accepted until after the expiry of that period. No preference will be conferred on applications received during the Exposure Period. This prospectus (but not the Entitlement and Application Form, and Shortfall Application Form) will be made generally available during the Exposure Period at the Company's website, www.cbio.com.au .

CORPORATE DIRECTORY

DIRECTORS

Mr Stephen Jones (Non-Executive Chairman)

Dr Wolfgang Hanisch (Chief Executive Officer and Executive Director)

Mr Stephen Goodall (Operations Consultant and Non-Executive Director)

COMPANY SECRETARY

Mr Bryan Dulhunty

REGISTERED OFFICE

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Alderley
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SHARE REGISTRY

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2. THE OFFER

2.1 Introduction

This prospectus contains an Offer under a non-renounceable pro-rata rights issue to holders of ordinary shares in the Company who are resident in Australia to take up New Shares in the Company at a subscription price of \$3.00 per New Share, payable in full upon application.

The purpose of this issue is to provide current small Shareholders an opportunity to acquire New Shares at the same price as previously offered to institutions and sophisticated investors.

Shareholders can apply for 1 New Share for every 20 Shares held as at the Record Date (being 5.00pm (AEST) on 25 January 2005). 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 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 4 May 2005.

The Company is seeking to raise approximately \$3 million under this Offer. This amount has been deducted from the amount proposed to be raised from institutional investors and will be used (along with institutional funds raised) to accelerate clinical development of Cpn 10.

	Maximum Subscription \$'000 (approximate)	Minimum Subscription \$'000 (approximate)
Contract Research & Development costs associated with the Phase II Clinical Trials	1,900	1,600
R&D	450	100
Patent costs incurred from the expansion of the patent portfolio based on in-house research activities	50	50
Business development	200	
Operating overheads	400	200
TOTAL	3,000	1,950

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 in the manner set out above, to enable the Company to continue Phase II clinical trials of the Cpn 10 drug. Use of Minimum Subscription funds would be applied towards the Phase II clinical trials of Cpn 10. It is anticipated by the Directors that the shortfall will then be placed with institutional investors.

The minimum subscription amount would permit the Company to meet budgeted expenditure under its business plan for a period of 6 months from the date of this prospectus. The Company may choose to raise additional funds during or at the expiration of the period. The ability to procure additional funds as and when required is one of the risks associated with the Company. Shareholders should carefully consider the risks disclosed in section 6.

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.

2.2 Details of the Offer

The Company currently has 19,808,530 fully paid ordinary shares on issue. The Company is offering for subscription, under a non-renounceable pro-rata rights issue, New Shares in the Company on the basis of 1 New Share for every 20 Shares held with fractional entitlements rounded up to the nearest whole New Share. The subscription price for each New Share is \$3.00.

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, 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 \$3 per New Share. Any Shortfall New Shares placed by the Company in this manner will be subscribed for under this prospectus, on the Shortfall Application Form for new shareholders.

There are currently 7,951,000 Options on issue. There are 6,916,000 Options that are exercisable prior to the Record Date. The Options currently on issue are exercisable at either \$1.00, \$2.00 or \$3.00 and are exercisable on varying dates prior to December 2009 (refer to Section 5.1 for further details). As at the date of this prospectus, none of these Options have been exercised.

2.3 Timetable for the Offer

Lodgement of Prospectus with ASIC	12 January 2005
Record Date to determine entitlements to the New Shares	25 January 2005
Prospectus and Entitlement and Acceptance Forms despatched	28 January 2005
Closing Date for acceptance and payment of subscription price	4 March 2005
Shortfall Closing Date for placement of Shortfall New Shares	4 May 2005
Allotment date	11 March 2005

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

2.4 Subscription Price

Each New Share is offered at a subscription price of \$3.00 each payable in full upon acceptance.

2.5 Your Entitlement

The Company is making a non-renounceable pro-rata rights issue of New Shares in the Company on the basis of 1 New Share for every 20 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.

2.6 Issue Amount

The total number of New Shares to be issued pursuant to the Issue will be approximately 990,430 New Shares, to raise approximately \$2,970,000, before Offer 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.

2.7 Entitlements and Acceptances

This Offer may be accepted in whole or in part prior to the Closing Date. The Minimum Subscription amount is \$1,950,000. 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 Shortfall Application Form, if you are applying for Shortfall New Shares.

2.8 How to apply for Shares in the Offer

Applications for New Shares under the Offer can only be made by completing the Entitlement and Acceptance Form in full, in accordance with the instructions on it and sending it to ASX Perpetual Registrars. A personalised Entitlement and Acceptance Form accompanies this prospectus for use by Shareholders who are entitled to participate in the Offer.

The Offer is scheduled to close at 5:00pm on 4 March 2005 Entitlement and Acceptance Forms must be received by that time by ASX Perpetual Registrars, together with a cheque or bank draft in Australian currency drawn on an Australian branch of a financial institution for the amount of the application.

Shortfall New Shares may be issued within 2 months of the Closing Date.

2.9 Capital Structure

The capital structure of CBio Limited at the completion of the Rights Issue at a price of \$3.00 per share will be as follows:

Date	Number of Shares
Shares on issue as at date of this Prospectus	19,808,530
Shares offered by this Prospectus	990,430
TOTAL	20,798,960

2.10 Allotment and Dispatch

Application monies will be held in trust for applicants until allotment of the New Shares. Interest earned on the application monies will be for the benefit of CBio Limited and will be retained by CBio Limited whether or not allotment takes place. No allotment of New Shares will occur until the proceeds of the Rights Offer have been received.

New Shares under the Rights Offer are expected to be allotted on or before 11 March 2005.

3. PURPOSE OF THE OFFER

3.1 Application of Funds

The purpose of the Offer is to raise capital to enable CBio to accelerate the Phase II Clinical Trials. A fully subscribed offer will allow the Company to engage external contractors to proceed with up to 5 concurrent clinical trials. The allocation of these funds is set out in section 2.1 of this prospectus.

If the Offer is not fully subscribed the projects will be scaled back to enable the Company to continue the Phase II Clinical Trials of the Cpn 10 drug. Use of Minimum Subscription funds would be applied towards the Phase II Clinical Trials. The shortage of funds would result in the deferment of the R&D programs for Cpn 10 which might otherwise potentially enhance the range of applications for the product.

3.2 Background

CBio raised \$5 million under a prospectus dated 29 June 2001 to complete Phase I Clinical Trials of its primary product, Cpn 10. These Phase I Trials were successful. The Company then raised a further \$4 million under a prospectus dated 26 November 2003. CBio also raised, by private placement a further \$3.7 million. These funds were expended on the following:

- Scale up, documentation and manufacture of Cpn 10 for Phase II Clinical Trials
- Acquisition of a controlling interest in BresaGen Ltd, the contract manufacturer of Cpn 10
- Patent portfolio costs for new and existing patents based on in-house research activities
- Successful completion of the documentation for the Phase 1 Clinical Trial in humans
- Obtaining a TGA licence for the testing and release of clinical trial product under GMP
- Receipt of approval by the ethics committee of the Royal Adelaide Hospital for the commencement of a Phase II Clinical Trial – pilot efficacy study in patients with multiple sclerosis
- Receipt of approval by the ethics committee of the Mater Hospital in Brisbane for the commencement of a Phase II Clinical Trial – pilot efficacy study in patients with ulcerative colitis

With the approval to and start of the Phase II Clinical Trials in patients with multiple sclerosis and ulcerative colitis, which are being conducted by the Royal Adelaide Hospital and the Mater Hospital in Brisbane, the Company now requires funding to complete the Phase IIA program and plan for the Phase IIB program. Under the Phase IIA program there are up to 5 Clinical Trials planned. This will require establishing new outsourcing contracts to conduct these trials simultaneously. With the successful application of the funds sought data will be generated which the Directors believe is likely to substantiate the ongoing clinical development of Cpn 10.

The Company, at the date of this prospectus, continues to explore an opportunity to procure up to \$550,000 in funding. It is the intention of the Directors to retire this debt at the end of the prospectus period through the issue of shares if this fund raising is successful. These funds will be used for costs associated with contract Research and Development on the Cpn 10 drug.

3.3 Cpn 10

Cpn 10 has been shown by the inventors at Royal Brisbane Hospital and by CBio scientific staff to have a potent effect on the immune system. CBio's pre-clinical data in animals has established its potential use in treating chronic inflammatory and autoimmune diseases.

Cpn 10 is a key protein of the immune system and is virtually identical in all animals.

CBio has the worldwide exclusive licence to develop Cpn 10 as a biological drug for treating auto-immune diseases and chronic inflammatory diseases. Details are contained in Section 7.3.

3.4 The Future

CBio is developing Cpn 10 as a potential drug for the treatment of debilitating auto-immune and chronic inflammatory diseases. The Company has demonstrated the safety of its Cpn 10 in both healthy volunteers and in MS patients in a multi-dose study. Significant biological responses were observed in all patients at the high dose levels. This is a positive indicator of a potential clinical outcome.

CBio has now embarked on a comprehensive clinical program to study the effects of Cpn10 in disease states. Clinical utility is demonstrated initially in Phase IIA studies and CBio has initiated two such studies: one in Multiple Sclerosis and one in Ulcerative Colitis. The Company now plans to expand its Phase IIA trials to up to 5 disease indications.

Positive Phase IIA data is, in the experience of the Directors, the major economic driver for the formation of collaborations with the major pharmaceutical and biotech companies. CBio has established several key contacts in the international pharmaceutical community and will be looking to capitalise its clinical data into key strategic alliances.

The successful formation of a strategic alliance could potentially deliver important and valuable benefits to CBio including:

- upfront or milestone-based payments in recognition of the value of Cpn 10; and
- contributions by a partner to the management and funding of the development program going forward.

The Directors also intend to explore and evaluate a possible trade sale, acquisition or listing to ensure maximum shareholder value would be realised from all opportunities. (This is not to state or imply that CBio's shares will be able to be traded on a financial market, either in Australia or elsewhere. CBio is currently unlisted and may not apply for or be approved for admission to any stock exchange. This is merely indicative of one potential option that the Directors will continue to examine.)

3.5 The Development Stages

Conventional drug development passes through the following industry recognised stages:

- (a) Initial Research – e.g. screening, drug design, molecular characterization and bioactivity studies;
- (b) Preclinical Studies – pilot production, drug characterization, 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 in Phase II Clinical Trials in respect of auto-immune and chronic inflammatory disease applications.

3.6 Current Intellectual Property

The Company has a worldwide exclusive licence to utilise the intellectual property underlying Cpn 10. Details of this licence are contained in Section 7.3. Any further intellectual property developed in regard to Cpn 10 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. This patent is assigned to University of Queensland and licensed exclusively to CBio.

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. This patent is assigned to University of Queensland and licensed exclusively to CBio.

Filing for the Patent titled “Chaperonin 10 and Beta-Interferon therapy of Multiple Sclerosis” are continuing in USA, Australia, Europe, Canada and Japan. Again, this patent is assigned to University of Queensland and licensed exclusively to CBio.

Filing for the Patent titled “Chaperonin 10 Immunosuppression” has been lodged under the Patent Cooperation Treaty (PCT) and is assigned to CBio.

Further patent protection is being sought by the Company with the filing of a provisional patent titled “Chaperonin 10 modulation of Cytokine and Chemokine Secretion ” and has been assigned to CBio.

The Company’s intellectual property rights and its ability to exploit those rights in a timely and profitable way are subject to risks, including those described in Section 6.

4. ACTIONS REQUIRED

Shareholders may:

4.1 Take up their 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 on the Form. Forward your completed Entitlement and Acceptance Form, together with your cheque or bank draft for the amount shown on your Form, in the reply paid envelope to reach the Company's share registry by 5.00pm on the Closing Date or such later date as the Directors notify.

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

4.2 Take up part of their entitlement

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 by 5:00pm on the Closing Date or such later date as the Directors notify.

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

4.3 Take up more than their entitlement

If you wish to apply to take up more than 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 more 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 by 5:00pm on the Closing Date or such later date as the Directors notify.

Cheques and bank drafts, in Australian currency, should be made payable to '**CBio Ltd - Share Offer**' and crossed 'not negotiable'

CBio will refund any amount not used for the additional New Shares applied for.

Subscriptions in excess of entitlements will only be made out of shortfall. The Directors reserve the right to accept, scale back or refuse any application for additional New Shares in excess of a Shareholder's entitlement.

4.4 Decline 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 ASX Perpetual Registrars on +61 7 82807454 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. Applications received after the Closing Date will not be accepted. The Company will not be responsible for postal or delivery delays.

Shortfall Application Forms and accompanying cheques or bank drafts may be lodged at any time before the Shortfall Closing Date.

4.5 Shareholders resident outside Australia

The Company will only extend the Offer to Shareholders with registered addresses in Australia. The Company considers it would be unreasonable to extend the Offer to Shareholders with registered addresses in other jurisdictions 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.

It is the responsibility of any person who comes into possession of this prospectus outside Australia to ensure compliance with all laws of any country relevant to their application. Any person not in Australia considering taking up their entitlement 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 the New 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.

4.6 Underwriting

The Offer is not underwritten.

4.7 Shortfall shares

The Company may seek to place Shortfall New Shares which are not applied for by Shareholders. The Directors reserve the right to issue the Shortfall Shares at their discretion. The Shortfall Shares must be issued before the Shortfall Closing Date (ie within approximately 2 months of the Closing Date). The issue price for the Shortfall Shares will be \$3.00. New Shares placed by the Company in this manner will be subscribed for under this prospectus, on the Share Application Form for new shareholders.

4.8 Opening and closing dates

The prospectus will be despatched by no later than 28 January 2005 and the Closing Date will be on 4 March 2005. The Shortfall Closing Date will be no later than 4 May 2005.

4.9 Allotment

The date for the New Shares allotted as a result of the offer is expected to be no later than 11 March 2005.

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 by Shareholders under the offer at its discretion. Such Shortfall New Shares must be issued within 2 months of the Closing Date.

4.10 Terms of the New Shares

The terms of the New Shares are set out in section 7.1. The New Shares will rank equally with the existing fully paid Shares of the Company. The rights and liabilities attaching to the New Shares are summarised in section 7.2.

4.11 Minimum subscription

The offer made pursuant to this prospectus is subject to a minimum subscription condition under section 723(2) of the *Corporations Act 2001 (Cth)*. The minimum subscription is the amount of \$1.95 million.

5. EFFECT OF THE OFFER ON THE COMPANY

5.1 Impact on Capital Structure

Cash reserves will initially increase by up to \$2,970,000 (before expenses of the Issue) to enable the Company to pursue its objectives (see section 3.1).

The number of Shares on issue will increase from 19,808,530 by up to 990,430 to 20,798,960.

The above assumes none of the Options which are currently on issue are exercised prior to the Record Date.

5.2 Options currently on Issue and Convertible Note

There are currently 7,951,000 Options on issue. There are 6,916,000 Options that are eligible for exercise prior to the Record Date to subscribe for that number of Shares in the Company at exercise prices ranging from \$1.00 to \$3.00 per Share. Details of these Options are:

<i>Number of Options</i>	<i>Expiry Date</i>	<i>Exercise Price (\$)</i>
1,500,000	June 2006	\$1.00
51,000	July 2007	\$1.00
660,000	December 2007	\$1.00
190,000	June 2008	\$1.00
230,000	November 2008	\$1.00
500,000	April 2009	\$1.00
2,500,000	April 2009	\$2.00
50,000	June 2009	\$1.00
50,000	June 2009	\$2.00
300,000	July 2009	\$3.00
900,000	December 2009	\$3.00
1,020,000	December 2009	\$3.00
<u>7,951,000</u>		

If all eligible Options able to be exercised at the Record Date were exercised then the Company would receive \$11.6 million in cash for subscription monies, and the total number of Shares on issue prior to the Issue would increase to 26,724,530.

UniQuest Pty Limited is the holder of a convertible note in the Company (see section 7.3). The current sum, excluding interest, outstanding under this note is \$1,000,000.

If the holder of the note converted the sum under the convertible note to ordinary shares by the Record Date then the total number of Shares on issue prior to the Issue, excluding any Options exercised up to the Record Date, would increase to 20,808,530.

5.3 Annual Report

The Annual Report of the Company as at 30 June 2004 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 7.3 of this prospectus.

6. RISKS

6.1 Risk factors

Investors should be aware that investment in the New Shares does carry particular risks. The Company is subject to all the usual risks associated with emerging companies involved in developing new technologies. Actual events and results could differ significantly from those anticipated in this prospectus. Accordingly, investment in the New Shares should be considered speculative.

The Board of Directors is responsible for ensuring that appropriate strategies, policies and procedures are in place to identify and monitor the risks faced by the Company, and that such risks are managed (where possible) within a level determined by the Board to be prudent. The risks can be categorized as general market risks (matters which relate to business in general), investment risks (matters which related investing in shares) and specific risks (those which relate directly to the Company's business). Other significant issues of which investors should be aware have been identified throughout the prospectus. Potential investors should read the prospectus in full before an investment decision is made.

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.

6.2 General market risks

Actual Events

Actual events and circumstances may differ from those anticipated in this prospectus so that the Company needs to adapt its operations accordingly.

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.

6.3 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.

6.4 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.

If under this Offer, only the Minimum Subscription is raised, development of Cpn 10 and the drug's clinical development program will be delayed.

Cpn 10 risk

The drug, Cpn 10 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 Cpn 10 drug may ultimately not be capable of human application.

Product acceptance

Compared with other products, including competitors with similar products, the Company's 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 Cpn 10 is found to be, or developed so as to be, capable of human clinical application, Cpn 10 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

The operations must grow in years to come. This growth will place a significant strain on operational, human and financial resources. The Company's ability to compete effectively will depend, in large part, on its ability to hire, train and assimilate additional management, professional, scientific and technical personnel and its ability to expand, improve and effectively use operating, management and financial systems to accommodate expanded operations. The Company's 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 the facilities to accommodate future growth may lead to significant costs and divert management and business development resources. If the Company is unable effectively to anticipate, implement and manage the changes required to sustain growth, the Company may not be able to compete successfully.

Development risk

Pharmaceutical products have lengthy development cycles, which could cause the Company's operating results to fluctuate significantly.

Sales of the Company's products may typically involve significant evaluation and development. Accordingly, the development cycles associated with the products and their optimisation 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, the Company's potential strategic research partners' choices as to which types of projects to fund, the Company's competitors' developments and significant regulatory approvals, each of which is beyond the Company's control. Due to this lengthy process, the operating results could fluctuate significantly. The Company expects to continue to experience significant fluctuations as a result of a variety of factors, many of which are outside of the Company's control.

The following factors could affect the Company's 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.

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

The Company 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.

The Company may not be successful in developing new products and services.

For example, the Company's 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 it to continue its research and development of certain products. If this happens, the Company may not be able to take advantage of opportunities identified in this prospectus.

Funding risk

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

The Company is at an early stage of executing its 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.

The Company expects 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 the Phase II Clinical Trials. The time required for the Company to reach or sustain profitability is highly uncertain and the Company may not be able to achieve or maintain profitability. Moreover, if the Company does achieve profitability, the level of any profitability cannot be predicted and may vary significantly.

The ability of the Company to obtain further funds and the way in which it does so may involve certain risks to the respective proportion or value of a shareholders interest, as described in Section 6.6.

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.

Strategic Investments

The Company may from time to time make strategic investments, an example of which is the acquisition of a controlling interest in BresaGen Limited, the contract manufacturer of Cpn10. The value of such investments is itself subject to risks, including general market risk and investment risk similar to that described in sections 6.2 and 6.3 above. In particular, the

Company may suffer losses in connection with such investments, or the Company's proportional equity interest in such investments may be subject to dilution in the event the relevant entity makes a further issue of shares and the Company is not entitled, or determines not to, take up further shares.

Strategic Risks

Additionally, the Company may itself be required or determine to give funding to support entities in which it has invested. This may, for instance, include loan funding or the take up of convertible notes, as is the case with Bresagen Limited. (Refer to section 7.3 Material Contracts for a summary of the Secured Convertible Note Facility). The amount, timing and rate of such funding may have a serious adverse impact on the Company's own financial situation. The Company may have legal obligations to provide such funding and may have limited or no ability to control these factors.

6.5 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 the Company may not have the resources necessary to compete successfully.

The Company competes 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 the Company's 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 the Company 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. The Company anticipates that it will face increased competition in the future as new companies enter the market and advanced technologies become available. The Company's technology, services and expertise may be rendered obsolete or uneconomical by technological advances or entirely different approaches developed by the Company or one or more of its competitors.

The existing approaches of the Company's competitors or new approaches or technologies developed by its competitors may be more effective than those the Company develop. The Company may not be able to compete successfully with existing or potential competitors and competitive factors may prevent it from becoming successful.

Strategic partners

The Company's success will depend on its strategic development partners and the extent to which these partners are interested in pursuing development and marketing of products.

The Company's revenues will be highly dependent on the research and development decisions of the 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 the Company's operations.

Consolidation

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

The number of the Company's potential strategic partners could be reduced if the current trend towards consolidation of the pharmaceutical industry continues. Accordingly, the Company expects that a relatively small number of partners will account for a substantial portion of its 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

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

The Company's employees may leave and the Company may dismiss them. The Company believes that there is a shortage of and significant competition for, scientists with the skills and experience in the sciences necessary to perform the services the Company requires.

The Company competes with the research departments of pharmaceutical companies, biotechnology companies, contract research companies and academic institutions for personnel.

The Company's inability to hire additional qualified personnel could materially and adversely affect its future growth. In addition, the Company's inability to hire additional qualified personnel may require an increase in the level of responsibility for both existing and new personnel. The Company 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 the Company relies to protect the technology underlying the products and techniques may not be adequate, which could enable third parties to use the Company's technology or very similar technology and thereby reduce its ability to compete in the market.

The Company's success will depend on its ability to obtain, protect and enforce patents on its technology and to protect its trade secrets. Any patents the Company owns or licenses may not afford meaningful protection for its technology and the products.

Others may challenge the patents or the patents of the Company's licensors and, as a result, these patents could be narrowed, invalidated or rendered unenforceable. In addition, current and future patent applications on which the Company depends 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, the Company also relies 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, the Company requires 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, the Company's 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 the Company requires 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 the Company wins or loses. The cost of such litigation could affect the Company's financial position.

Further, if the Company does not succeed in an infringement lawsuit brought against us, in addition to any damages the Company might have to pay, the Company could be required to stop the infringing activity or obtain a licence. Any required licence may not be available to the Company on acceptable terms, or at all. In addition, some licences may be non-exclusive, and therefore, the Company's competitors may have access to the same technology licensed to the Company. If the Company is 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. These circumstances, however, do not reduce the importance of the foregoing considerations for investors.

Cpn 10 Intellectual Property

In addition to the general intellectual property risks described above, it should be noted that the Company's rights with respect to Cpn 10 are significantly derived from the research agreement described in Section 7.3.

The term of the exclusive licence commences on the date of the first sale of the product (as defined in the agreement) and ends on the earlier of the tenth anniversary of that date or the expiration of the patent for that product.

There is a potential risk that this contract may be terminated early, or that it may run for the expected term but not be extended or satisfactorily substituted on terms favourable to the Company. This would have a significant negative impact upon the Company's ability to generate profits.

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, the Company could be held liable for any damages that result, and any such liability could exceed its resources and disrupt the business. In addition, the Company 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 the Company to spend substantial amounts of money.

6.6 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

It is intended that funds raised from the Offer will be applied as explained in Section 2.1. Until the Company applies funds raised from this Offer it will be invested in short-term liquid investments. The actual application of the funds raised may vary if it is in the best interests of the Company when assessed by the Directors in the prevailing circumstances. For instance, the commencement, duration and extent of clinical trials and the ability to negotiate a favourable strategic partnership at the optimum time may impact upon the amounts and timing of actual expenditure compared to budgeted amounts.

Control issues

The Company's executive officers, Directors and major Shareholders own a large percentage of the Company's voting capital and could potentially delay or prevent a change in control, sale of its business, or other matters requiring Shareholder approval, even if favoured by other Shareholders. This may be a disincentive to investment by a major institution and/or prevent Shareholders from realising the value of their investment.

Funding

The Company will need substantial funds to continue to research, develop and enhance its technology. To the extent that the Company's capital resources are insufficient to meet future capital requirements, the Company will have to raise additional funds to continue the development of our technology. The Company may not be able to raise funds on favourable terms, or at all. The current operating plan could change as a result of many factors, and the Company could require additional funding sooner than anticipated. The 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.

If the Company needs, but is unable to obtain, additional funding to support operations, the Company would have to reduce or cease operations or attempt to sell all or a part of its operations.

To the extent that the Company raises 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, the Company may be required to curtail operations significantly or to obtain funds through entering into collaboration agreements on unattractive terms.

Because it is unlikely that the Company 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.

7. ADDITIONAL INFORMATION

7.1 Terms of the New Shares

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

- (a) the subscription price is \$3.00 each;
- (b) the New Shares may be subscribed for at any time before 5.00pm (AEST) on the Closing Date;
- (c) New Shares issued pursuant to this Offer will rank pari passu with existing Shares of the Company in all respects.

7.2 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.

7.3 Material Contracts

There are a number of contracts relating to the rights, title and property associated with Cpn 10. 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 capitalisation 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). Under the terms of the Deed of Assignment, CSL Limited will receive 2% royalty on direct sales and 5% of any royalty revenue received by CBio in respect of Cpn 10. This shall apply for the life of the patents set out below.

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 Cpn 10 (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 Cpn 10 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 capitalized 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.

Intellectual property (as defined in the Research Agreement) that remains 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.

Secured Convertible Note Facility

As part of the Deed of Company Arrangement entered into by CBio and the administrators of BresaGen Limited dated 24 May 2004, a working capital facility in the form of a convertible note was provided by CBio to BresaGen Limited. A summary of the principle terms of this facility is set out below:

- (a) CBio will make available to the Company a loan facility with a maximum limit of \$3.4m. (subsequently it has been agreed that obligations to the extent of \$900,000 of this facility will be assumed by Australian Technology Innovation Fund Limited (ATIF),(see section titled “Convertible Note Facility amendment” below);
- (b) BresaGen Limited will issue a maximum of 34 Notes (now 25 notes - see section titled “Convertible Note Facility amendment” below) to CBio at an issue price of \$100,000 per Note;
- (c) the maturity date for the facility is 5 years from the commencement of the Convertible Note Facility;
- (d) the Notes are transferable at the option of the holder
- (e) the Notes are convertible at the option of the holder
- (f) each Note will be convertible into that number of shares determined by reference to the amount of the face value of the Notes and the following price: the higher of \$0.05 per share and the rolling three month volume weighted average price of BresaGen’s ordinary shares, traded on the ASX discounted at 20% (that is the lowest price at which shares will be converted is \$0.05 per share) such that the maximum number of shares which may be issued is 68,000,000;
- (g) Shares issued on conversion of a Note will be fully paid ordinary shares in BresaGen Limited; and
- (h) Interest will be payable by BresaGen Limited on the face value of the Notes issued at a rate of 8% per annum.

Charge

- (a) Fixed and floating charge over all of BresaGen’s assets and undertaking
- (b) Secures all monies advanced to BresaGen by CBio from time to time, including under the Convertible Note Facility; and
- (c) Secured monies are repayable in accordance with the terms of any relevant agreement (such as the Convertible Note Facility) or otherwise on demand by CBio.

Convertible Note Facility amendment

On the 6 December 2004 the Secured Convertible Note Facility with BresaGen was amended and ATIF agreed to subscribe for up to the first 9 Notes (\$900,000) upon being called to do so by BresaGen. ATIF and BresaGen will be covered by the same terms and conditions as the original facility provided by CBio except that this facility is not secured over the assets of the Company. Subsequent to the 6 December 2004 the Company called upon 2 notes (\$200,000) provided under this facility. Immediately upon the issue of the Notes ATIF exercised their right and converted the Notes into 4,000,000 shares. It is the stated intention of all parties that these Convertible Note Facilities will only be drawn upon if required for continued cash solvency of the Company.

7.4 Material lodged with ASIC

In accordance with section 712 of the *Corporations Act 2001*, the Company wishes to identify documents lodged with ASIC containing important information for investors, professional analysts and advisers. Such information is taken to be included in this prospectus under section 712(3).

The Company is a disclosing entity subject to regular reporting and disclosure obligations (including continuous disclosure under section 675 of the *Corporations Act 2001*).

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:

Date lodged with ASIC	Form Type	Effective Date
22 December 2004	484 Change to Company Details	22 December 2004
	4840 Change to Share Structure	22 December 2004
	484G Notification of Share Issue	22 December 2004
16 December 2004	484 Change to Company Details	16 December 2004
	4840 Change to Share Structure	16 December 2004
	484G Notification of Share Issue	16 December 2004
6 December 2004	7053 Disclosure Notice (Chairman's, MD's and CSO's AGM address)	25 November 2004
18 November 2004	484 Change to Company Details	18 November 2004
	4840 Change to Share Structure	18 November 2004
	484G Notification of Share Issue	18 November 2004
28 October 2004	7053 Disclosure Notice (Notice of AGM)	26 October 2004
28 October 2004	7053 Disclosure Notice (Notice of AGM)	26 October 2004
25 October 2004	484N Change to Company Details Changes to (Members) Share Holdings	27 October 2004
28 September 2004	388A Financial Report - Public Company or Disclosing Entity (Annual Report)	30 June 2004
21 September 2004	484 Change to Company Details	21 September 2004
	4840 Change to Share Structure	21 September 2004
	484G Notification of Share Issue	21 September 2004
21 September 2004	484 Change to Company Details	21 September 2004
	4840 Change to Share Structure	21 September 2004
	484G Notification of Share Issue	21 September 2004
21 September 2004	484 Change to Company Details	21 September 2004
	4840 Change to Share Structure	21 September 2004
	484G Notification of Share Issue	21 September 2004
21 September 2004	484 Change to Company Details	21 September 2004
	4840 Change to Share Structure	21 September 2004
	484G Notification of Share Issue	21 September 2004
21 September 2004	484 Change to Company Details	21 September 2004
	4840 Change to Share Structure	21 September 2004
	484G Notification of Share Issue	21 September 2004

The information in the Annual Report, including audited financial statements for the period to 30 June 2004, may be of particular interest to investors, professional analysts and advisers. As noted above, the Annual Report was lodged with ASIC on 28 September 2004.

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*.

7.5 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:

Directors	SHARES		OPTIONS	
	Direct	Indirect	Direct	Indirect
Mr Stephen Jones (Chairman)	33	1,190,000	800,000	-
Dr Wolfgang Hanisch (Director and CEO)	33	1,190,000	800,000	-
Mr Stephen Goodall (Director and COO)	33	1,190,000	800,000	-

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 receives a salary for his services as Chief Executive Officer. 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.

7.6 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.

7.7 Commissions

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

7.8 Expenses of the Offer

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

7.9 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.

7.10 Consents

ASX Perpetual 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. ASX Perpetual Registrars has not caused or authorised the issue of this prospectus and takes no responsibility for any part of this prospectus.

7.11 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 replacement prospectus.

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



Stephen Jones
Chairman

Dated 11 January 2005

GLOSSARY

\$	Australian Dollars unless otherwise stated
AEST	Australia eastern standard time
Applicant	A person who, or entity which, submits an Application
Application Price	The application price is \$3.00 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 4 March 2005 or such other earlier or later date as determined by the Company
Company, or CBio	CBio Limited ACN 094 730 417
Cpn 10	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
Exposure Period	Period of 7 days after lodgement of Prospectus with ASIC
Minimum Subscription	\$1.95 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	25 January 2005
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 Application Form	The Shortfall Application Form available with 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.
Shortfall Closing Date	The date on which the Offer shortfall of New Shares to

parties other than Shareholders closes, being 11 March 2005

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

This is an important document. If you do not understand it or are in any doubt as to how to complete this form, you should contact your stockbroker, legal or financial advisor without delay.

CBIO LIMITED

ACN 094 730 417

ENQUIRIES AND PRINCIPAL REGISTRY OFFICE: ASX Perpetual Registrars Limited,
Level 22, 300 Queen Street, BRISBANE QLD 4000, Telephone: (02) 8280 7454

SRN:

Barcode

ENTITLEMENT AND ACCEPTANCE FORM

NON-RENOUNCEABLE PRO-RATA ISSUE OF ONE (1) NEW ORDINARY SHARE AT 3 DOLLARS (\$3.00) PER SHARE FOR EVERY TWENTY (20) EXISTING ORDINARY SHARES HELD, PAYABLE IN FULL ON APPLICATION.

Your shareholding as at 25 January 2005	Your entitlement to New Shares	Amount payable on acceptance at 3 dollars (\$3.00) per New Share
		\$
Total Shares Accepted/ Amount Payable:		\$

If you wish to take up less than your full entitlement place the number of shares you wish to take up in the column under your entitlement, then enter the amount payable for this number of shares at 3 dollars (\$3.00) per share

This Entitlement and Acceptance Form should not be relied on as evidence of the current holding of the person named in this Entitlement and Acceptance Form.

OFFER CLOSES 5:00pm (AEST) on 4 March 2005

Only the Shareholder(s) named on the Entitlement and Acceptance Form can apply for New Shares. Return of this form with your cheque for the amount payable on or before 5.00pm (AEST) on 4 March 2005 will constitute acceptance of the offer in accordance with the Prospectus dated 12 January 2005 and will constitute your agreement to be bound by the Constitution of CBIO Limited.

THIS OFFER IS NON-RENOUNCEABLE

Payment Details

Please enter the details of your cheque or money order below made payable to "CBIO Limited – Share Offer". Please note no receipt will be given.

Cheque or Money Order Number

BSB Number

Account Number

Cheque Drawer

Cheque (or money order) amount
must correspond with the amount **A\$**
above.

Please provide a daytime telephone number where we can contact you if we have any questions about this application.

Contact Name (PRINT)

Daytime telephone number

NO SIGNATURES ARE REQUIRED ON THIS FORM.

Please see instructions on reverse. If you require further information on how to complete this Application Form please contact the Share Registrar on 02 8280 7454 if calling within Australia, or +61 2 8280 7454 if calling from outside Australia.

LODGEMENT INSTRUCTIONS

Foreign Jurisdictions

The prospectus does not constitute an Offer in any place in which, or to any person to who, it would be unlawful to make such an Offer.

Acceptance of Your Entitlement

Complete the Entitlement and Acceptance Form, attach your cheque or bank draft (made payable to "CBIO Limited – Share Offer"), crossed not negotiable, and forward them to reach the Company's Share Registry, ASX Perpetual Registrars, Level 22, 300 Queen Street, Brisbane, Qld 4000 or GPO Box 2537, Brisbane, Qld 4001, NO LATER THAN 5.00pm (AEST) on 4 March 2005.

Where acceptances and payment have not been received by 4 March 2005, the offer shall be deemed to have been declined wholly or as to any number of New Shares not applied for, or for which the appropriate payment has not been made.

Accept Less Than Your Entitlement

If you wish to take up less than your full entitlement place the number of shares you wish to take up in the column under your entitlement, then enter the amount payable for this number of Shares at 3 dollars (\$3.00) per share (e.g if you want to take up 1,000 shares insert 1,000 under the "Your entitlement" column and multiply that number by 3 dollars (\$3.00) to determine the amount payable and enter that number (~~XXX~~) under "Amount payable").

Entitlement Not Taken Up

If you do not wish to take up your entitlement or any portion thereof you need not take any action. Any shortfall will be placed at the Director's discretion.

General Information

Entitlement and Acceptance Forms do not require signing.

Applications will only be accepted on this Entitlement and Acceptance Form.

No Interest will be paid on application monies

Entitlements not accepted at the close of the Issue, namely 5.00pm (AEST) on 4 March 2005 will lapse.

Payment

Application for New Shares must be accompanied by the application money of 3 dollars per New Share. Payments must be made in Australian currency by cheque or bank draft drawn on an Australian bank and be made payable to "CBIO Limited – Share Offer" and crossed "Not Negotiable".

Lodging of Entitlement and Acceptance Form

Attach your cheque, made payable to "CBIO Limited – Share Offer", to this Entitlement and Acceptance Form and deliver or post it in the Reply Paid envelope to The Share Registry, CBIO Limited, ASX Perpetual Registrars, Level 22, HSBC Building, 300 Queen Street, Brisbane, Qld 4000, or GPO Box 2537, Brisbane Qld 4001.