

CBio Limited ACN 094 730 417
Further Supplementary Prospectus

This is a further supplementary prospectus (**'Further Supplementary Prospectus'**) dated 22 December 2009 intended to be read with the Prospectus dated 10 November 2009 (**'Prospectus'**) and the Supplementary Prospectus dated 7 December 2009 (**'Supplementary Prospectus'**) relating to an initial public offering of up to 30,000,000 shares in CBio Limited ACN 094 730 417 (**'Company'**). This Further Supplementary Prospectus was lodged with ASIC on 22 December 2009. ASIC takes no responsibility for the contents of this Further Supplementary Prospectus. Terms used in this Further Supplementary Prospectus have the same meaning as those used in the Prospectus as amended by the Supplementary Prospectus. The information below is to further supplement and amend the information presently contained in the Prospectus and the Supplementary Prospectus, namely:

1. Change to Minimum Subscription amount

The Directors have revised the Minimum Subscription under this Offer to \$7 million from \$13 million. This Further Supplementary Prospectus details the corresponding changes to the Offer and the rights of Applicants who have subscribed for Shares up to the date of this Further Supplementary Prospectus. The Maximum Subscription and oversubscriptions remain as per the Prospectus. The Timetable remains as per the Supplementary Prospectus.

2. Further Capital Raising anticipated

As detailed in the Prospectus dated 10 November 2009, the completion of the clinical trial and receipt of the draft report is the priority of the Company. It is anticipated that the revised Minimum Subscription of \$7 million as described in this Further Supplementary Prospectus will fund the Company until January 2011 and will allow completion of dosing for all patients in the trial to the primary end-point of 12 weeks. Should only the Minimum Subscription of \$7 million be received under this Offer, it is anticipated that further funding will be necessary by Q1 2011 to enable the Company to complete the clinical trial and receive the draft report.

All references to the Minimum Subscription throughout the Prospectus are amended correspondingly, including:

Page 1, Key Details of the Offer

Replace:

"Minimum Subscription: The Minimum Subscription is \$13 million. This amount must be raised in order for the Offer to complete."

With:

"Minimum Subscription: The Minimum Subscription is \$7 million. This amount must be raised in order for the Offer to complete."

Page 2, Key Details of the Offer

The Capital Structure Table is deleted and replaced with the following:

	Minimum Subscription \$7 million	Maximum Subscription \$30 million	Over Subscription \$35 million
Number of existing Shares	66,476,844	66,476,844	66,476,844
Number of existing Options	23,909,849	23,909,849	23,909,849
Number of new Shares offered under this Prospectus	7,350,000	30,350,000	35,350,000
Number of Options issued under this Prospectus	1,000,000	1,000,000	1,000,000
Number of Shares issued upon acquisition and immediate conversion of Convertible Note *	2,000,000	2,000,000	2,000,000
Number of Options issued upon acquisition and immediate conversion of Convertible Note *	2,000,000	2,000,000	2,000,000
Number of Shares on issue post IPO	75,826,844	98,826,844	103,826,844
Number of options on issue post IPO	26,909,849	26,909,849	26,909,849
Offer Price per Share	\$1.00	\$1.00	\$1.00
Market capitalisation at Offer Price post IPO (undiluted)	\$75,826,844	\$98,826,844	\$103,826,844

* As detailed in Section 3 of this Supplementary Prospectus

Page 8, Description of the Offer

Replace:

“This Prospectus offers a total of 30 million Shares at an Offer Price of \$1.00 per Share. The Offer seeks to raise a minimum of \$13 million and a maximum of \$30 million (with Over Subscriptions of up to \$5 million).”

With:

“This Prospectus offers a total of 30 million Shares at an Offer Price of \$1.00 per Share. The Offer seeks to raise a minimum of \$7 million and a maximum of \$30 million (with Over Subscriptions of up to \$5 million).”

Replace:

“Pursuant to section 723(2) of the Corporations Act, the Minimum Subscription for the Offer is \$13 million.”

With:

“Pursuant to section 723(2) of the Corporations Act, the Minimum Subscription for the Offer is \$7 million.”

Page 8, Purpose of the Offer and utilisation of funds

Replace:

“In the event that only the Minimum Subscription is raised, the completion of the current trial and receipt of the draft report will be the Company’s priority. It is anticipated that funds raised under the Minimum Subscription scenario will also enable:

- full provision of supply of drug for the current Phase II RA clinical trial;
- completion of the clinical trial;

- further strengthening the patent portfolio;
- commencement of regulatory filing in the US for the product development program;
- detailed studies into the mechanism of action; and
- preclinical studies on drug development platform pipeline assets.”

With:

“It is anticipated that funds raised under the Minimum Subscription scenario will fund the Company until January 2011 and allow for the following activities:

- full provision of supply of drug for the current Phase II RA clinical trial;
- full recruitment into the clinical trial and time allowing for all patients to reach the 12 week dosing primary endpoint;
- further strengthening the patent portfolio; and
- critical research costs.”

Page 9, Section 1.4 Anticipated use of funds

Replace:

“Minimum Subscription (\$13 million).”

With:

“Minimum Subscription (\$7 million).”

Page 9, Section 1.4 Use of Funds table

The table is deleted and replaced with:

Current anticipated use of funds	Minimum Subscription (\$7 million) \$	Maximum Subscription (\$30 million) \$	Over Subscriptions (\$35 million) \$
Completion of the Phase II clinical trials in rheumatoid arthritis and time to receipt of draft report	5,882,854	7,763,540	7,763,540
Product costs	1,504,839	1,903,276	2,388,144
Intellectual property patent costs and research costs	1,964,218	3,023,725	4,315,282
Long-term toxicology studies, including genotox and reprox studies	-	2,832,865	2,832,865
Scale-up of drug manufacture and production	-	12,300,000	12,300,000
Regulatory and pre-IND with FDA	-	150,000	150,000
Scoping studies and other clinical costs	-	800,000	1,937,570
Overhead costs -personal -office, administration, travel -compliance and other corporate costs	2,268,983	3,290,271	5,071,493
Capital expenditure	50,000	50,000	50,000
Capital raising costs	974,926	2,462,061	2,762,061
Closing cash	6,560	945,217	950,000
Total use of funds	12,652,380	35,520,955	40,520,955

Funds breakdown			
Funds raised	7,000,000	30,000,000	35,000,000
Funds received under Convertible Note (and subsequent immediate conversion to shares) **	1,000,000	1,000,000	1,000,000
Opening cash as at 31 October 2009*	2,903,222	2,903,222	2,903,222
Income including milestone payments	1,325,000	1,325,000	1,325,000
Net movement in working capital	424,158	292,733	292,733
Total funding	12,652,380	35,520,955	40,520,955

* The cash balance as at 31 October 2009 reflects the proceeds raised under the Information Memorandum less expenses and costs of running the business in the intervening period from year end to 31 October 2009.

** As detailed in Section 3 of this Supplementary Prospectus

Page 10, Section 1.4 Anticipated use of funds *continued*

Replace:

"In the event that only the Minimum Subscription is raised, the completion of the current trial and receipt of the draft report will be the Company's priority. It is anticipated that funds raised under the Minimum Subscription scenario will also enable:

- full provision of supply of drug for the current Phase II RA clinical trial;
- completion of the clinical trial;
- further strengthening the patent portfolio;

- commencement of regulatory filing in the US for the product development program;
- detailed studies into the mechanism of action; and
- preclinical studies on drug development platform pipeline assets.”

With:

“It is anticipated that funds raised under the Minimum Subscription scenario will fund the Company until January 2011 and allow for the following activities:

- full provision of supply of drug for the current Phase II RA clinical trial;
- full recruitment into the clinical trial and time allowing for all patients to reach the 12 week dosing primary endpoint;
- further strengthening the patent portfolio; and
- critical research costs.”

Replace:

“Funds raised in excess of the Minimum Subscription are intended to be applied in prioritised order to projects that can be completed in parallel to the current trial to maximise the greatest potential value to the asset by the time of commercial discussions, including:

- activities to address future manufacturing requirements;
- commencement of long-term toxicology studies; and
- commencement and completion of smaller clinical scoping studies in other indications.”

With:

“Funds raised in excess of the Minimum Subscription are intended to be applied in prioritised order to projects that can be completed to maximise the greatest potential value to the asset by the time of commercial discussions, including:

- completion of dosing in the clinical trial and receipt of final report;
- further detailed studies into the mechanism of action;
- further preclinical studies on drug development platform pipeline assets;
- activities to address future manufacturing requirements;
- commencement of regulatory filing in the US for the product development program;
- commencement of long-term toxicology studies; and
- commencement and completion of smaller clinical scoping studies in other indications.”

Page 10, Section 1.4 Anticipated use of funds *continued*

The table is deleted and replaced with:

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Clinical development								
Phase IIa RA clinical trial	Minimum Subscription				Maximum Subscription			
Last patient, last dose					Maximum Subscription			
Draft data tables become available							Maximum Subscription	
Intellectual Property Development								
Prosecution and new filings	Minimum Subscription				Maximum Subscription		Over Subscriptions of up to \$5m	
Research and development	Minimum Subscription				Maximum Subscription		Over Subscriptions of up to \$5m	
Clinical scoping studies					Maximum Subscription		Over Subscriptions of up to \$5m	
Regulatory								
Pre-IND application to FDA			Maximum Subscription					
Chemistry manufacturing and controls (CMC)								
Drug scale-up	Maximum Subscription				Maximum Subscription		Over Subscriptions of up to \$5m	
Regulatory								
Long-term toxicology studies					Maximum Subscription			

Minimum Subscription
 Maximum Subscription
 Over Subscriptions of up to \$5m

Page 46, Section 5.3 Historical and Pro-forma Balance Sheets

The table is deleted and replaced with:

	Actual 30 June 2007 \$	Actual 30 June 2008 \$	Actual 30 June 2009 \$	Pre-IPO pro-forma as at 30 June 2009 \$	Post- IPO pro-forma as at 30 June 2009 \$
CURRENT ASSETS					
Cash and cash equivalents	155,708	36,367	40,335	12,033,500	19,016,574
Trade and other receivables	851,846	2,301,490	14,765	14,765	14,765
Financial assets	1,585,129	-	-	-	-
Other current assets	56,346	55,970	51,024	51,024	51,024
Total current assets	2,649,029	2,393,827	106,124	12,099,289	19,082,363
NON-CURRENT ASSETS					
Property, plant and equipment	911,239	662,691	454,826	454,826	454,826
Trade and other receivables	175,462	181,597	150,000	150,000	150,000
Intangible assets	-	-	-	-	-
Total non-current assets	1,086,701	844,288	604,826	604,826	604,826
Total assets	3,735,730	3,238,115	710,950	12,704,115	19,687,189
CURRENT LIABILITES					
Trade and other payables	2,651,841	3,946,121	5,997,398	5,977,398	5,977,398
Short-term provisions	148,828	119,209	151,982	151,982	151,982
Unearned Income	-	-	2,086,158	2,086,158	2,086,158
Financial Liabilities	200,000	272,887	820,441	2,353,151	2,353,151
Total Current Liabilities	3,000,642	4,338,217	9,035,979	10,568,689	10,568,689
NON-CURRENT LIABLITIES					
Long-term provisions	19,809	39,079	74,646	74,646	74,646
Financial Liabilities	-	-	2,405,136	1,535,434	1,535,434
Unearned Income	-	2,086,158	-	-	-
Total non-current liabilities	19,809	2,125,237	2,479,782	1,610,080	1,610,080
Total liabilities	3,020,451	6,463,454	11,515,761	12,178,769	12,178,769
Net assets/(deficiency)	715,279	(3,225,339)	(10,804,811)	525,346	7,508,420
EQUITY					
Issued capital	36,838,670	45,306,148	47,947,588	58,021,450	65,838,685
Reserves	5,494,253	14,101,394	16,628,240	18,263,857	18,585,005
Accumulated losses	(41,617,644)	(62,632,881)	(75,360,639)	(75,759,961)	(76,915,270)
Total equity/(deficiency)	715,279	(3,225,339)	(10,804,811)	525,346	7,508,420

Page 47, Section 5.3 Maximum Subscription

Replace:

“In the event that the Maximum Subscription from the Offer is received (17,000,000 additional Shares at \$1.00 per Share), the Post-IPO Pro-forma Balance Sheet would reflect an increase in Cash and Issued Capital of \$17,000,000 (net of Offer Costs incurred).”

With:

“In the event that the Maximum Subscription from the Offer is received (23,000,000 additional Shares at \$1.00 per Share), the Post-IPO Pro-forma Balance Sheet would reflect an increase in Cash and Issued Capital of \$23,000,000 (net of Offer Costs incurred).”

Page 53, Section 5.5.8 IPO Funds raised (cont)

Replace:

“Additional costs associated with the raising of \$1,386,926 have been incurred. \$1,155,309 costs relate to the listing of historical capital and are considered a period cost. The balance of \$231,617 relates to the raising of new capital and is recorded against equity.”

With:

“Additional costs associated with the raising of \$974,926 have been incurred. \$855,010 costs relate to the listing of historical capital and are considered a period cost. The balance of \$119,916 relates to the raising of new capital and is recorded against equity.”

Page 53, Section 5.6.2 Impact on capital structure

The table will be deleted and replaced with:

	Shares (number)	Shares (\$)	Options (number)	Convertible notes (potential shares)	Convertible notes (potential options)
Capital on issue at 30 June 2009	41,258,424	47,947,588	15,578,697	8,224,000	5,653,412
Add: Net pre-IPO transactions	25,218,420	10,073,862	8,331,125	1,776,000	346,588
Total pre-IPO	66,476,844	58,021,450	23,909,849	10,000,000	6,000,000
Add: Net IPO Pro-forma transactions	9,350,000	7,817,235	3,000,000		
Total post-IPO	75,826,844	65,838,685	26,909,849	10,000,000	6,000,000

Page 92, Glossary

Replace:

“The Minimum Subscription, being the amount referred to in section 1.1 is \$13 million”

With:

“The Minimum Subscription, being the amount referred to in section 1.1 is \$7 million”

3. Issue and Conversion of Convertible Note

Section 9.1 of the Prospectus dated 10 November 2009 states:-

“In addition, an existing Shareholder entered into a convertible note deed dated 13 August 2009 under the terms of which, the note holder agreed to use its best endeavours to acquire further convertible notes of up

to \$1 million in the period up until the listing of CBio with ASX. If the note holder does not take up the option to apply for additional notes, the option will lapse on listing. Any convertible notes that are issued will attract an interest rate of 8% of the face value and expire on 31 December 2010 (unless extended by mutual agreement) and will automatically convert for Shares and Options upon CBio listing on ASX. If the convertible notes are acquired and converted (either at the note holder's election or automatically upon listing), this would result in the issue of a maximum of 2,000,000 Shares and 2,000,000 Options exercisable at \$1.00 each with an expiry of 31 December 2012."

The Company has received notification that the Shareholder will acquire a convertible note for \$1 million and will request immediate conversion of that note to Shares. The impact of this transaction on Share Capital and Use of Funds is included in all tables in this Further Supplementary Prospectus.

Accordingly, the Prospectus is amended as follows on page 2, Key Details of the Offer

Replace:

"The following table shows the Shares and Options which may be on issue post-IPO. Additionally, the Company has convertible notes and other contracts which may give rise to the issue of further equity (up to 12,000,000 Shares and 8,000,000 Options)."

With:

"The following table shows the Shares and Options which may be on issue post-IPO. Additionally, the Company has convertible notes and other contracts which may give rise to the issue of further equity (up to 10,000,000 Shares and 6,000,000 Options)."

4. Allocation of Subscription Monies

Page 49, Section 5.5.1 Shares issued for cash

The Prospectus dated 10 November 2009 states, "Subscription monies of \$50,000 are yet to be allocated to an individual shareholder." This has now been allocated.

5. Change of Expiry Date, Convertible Notes

Page 49, Section 5.5.2 Issue of Convertible Notes

In the table, Convertible Note 1 is stated to have an expiry date of 31 December 2009. Subsequent to the Prospectus and Supplementary Prospectus, the term of the Convertible Note was revised and extended to 31 March 2010. The reference to 31 December 2009 as the expiry date is deleted and replaced with an expiry date of 31 March 2010.

Page 50, Section 5.5 Pro-forma Transactions

Replace:

"1. Notes may be converted to ordinary shares at any time at the discretion of the note holder and in the event of a stock exchange listing of CBio proceeding during the life of the convertible note. This discretion is permissible up to 31 December 2009. Any notes not converted by 31 December 2009 will be repaid in full to the note holder, unless extended by mutual agreement."

With:

"1. Notes may be converted to ordinary shares at any time at the discretion of the note holder and in the event of a stock exchange listing of CBio proceeding during the life of the convertible note. This discretion is permissible up to 31 March 2010. Any notes not converted by 31 March 2010 will be repaid in full to the note holder, unless extended by mutual agreement."

6. In accordance with section 724(2)(d), because of new circumstances, the Company gives each Applicant, who has subscribed under the Offer up to the date of this Further Supplementary Prospectus:

- (a) a copy of this Further Supplementary Prospectus which changes the terms of the Offer; and
- (b) one month to withdraw their application and on an election to do so, each relevant Applicant will be repaid their Application Money in full,

noting that interest on Application Money is not payable by the Company.

Consents

Each of the Directors consents to the issue and lodgement of this Further Supplementary Prospectus. None of the Directors have withdrawn their respective consents before this Further Supplementary Prospectus was lodged with ASIC.



Mr Stephen Jones
Executive Chairman

Dated 22 December 2009