

26 February 2010

The Manager
Company Announcements Office
ASX Limited
20 Bridge St
SYDNEY NSW 2000

Dear Sir,

APPENDIX 4D- HALF YEAR REPORT

Pursuant to Listing Rule 4.2A.3, CBio Limited attaches its Appendix 4D & Half Yearly Financial Report for the period ending 31 December 2009.

Shareholders attention is drawn to the 'Subsequent Events' disclosure contained in the Directors Report, which outlines the total funds raised, and shares issued, under the recent IPO capital raising. The impact on equity and cash was finalised subsequent to the end of the reporting period and is therefore not reflected in the Financial Statements as at 31 December.

Following the successful completion of the IPO, CBio has sufficient cash (on hand and from expected inflows) to 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.

The full financial impact of the IPO capital raising, in which \$7.1 million was raised, will be reflected and reported in the full-year financial statements to be released later in the year.

An extract of the Subsequent Events note from the attached Financial Report , which outlines the equity transactions which have occurred since the balance date, can be found below:-

Subsequent to the review date, the Company raised a further \$5,306,900 in new equity as part of the IPO Prospectus lodged in 10 November 2009. A total of \$7,101,717 was raised under the IPO, with 7,101,717 shares issued to IPO subscribers subsequent to the review date.

The Company issued 1,550,000 new shares and 775,000 share options upon conversion of 4 convertible notes subsequent to the review date. The options have an exercise price of \$1 and an expiry date of 31 December 2012.

The Company issued 262,500 shares and 750,000 share options to Novus Capital Limited as Sponsoring Broker for the IPO subsequent to the review date. 87,500 shares and 250,000 share options were issued to S & M Streeter Investments Co Pty Ltd, an entity associated with Mr Stephen Streeter, pursuant to the agreement between Novus Capital Limited and CBio for capital raising services provided throughout the IPO.

As at the date of signing this report there are 75,478,561 shares and 25,684,849 options on issue.

For and on behalf of the Board,

A handwritten signature in black ink, appearing to read 'Ben Graham', written over a white background.

BEN GRAHAM
Company Secretary

CBio Ltd
ABN 76 094 730 417

Appendix 4D

Half Year Report

**For the 6 months ended December 2009 (current period)
And the previous corresponding period 6 months ended 31 December 2008**

Results for announcement to the market

Revenue from ordinary activities:	Down	86%	to	\$'000 137
(Loss) from ordinary activities after tax attributable to members:	Up	13%	to	(8,260)
Net (Loss) for the period attributable to members:	Up	13%	to	(8,260)
		Current period		Previous corresponding period
Net tangible asset backing per ordinary share		(0.11) cents		(0.20) cents
Basic earnings/(loss) per share		(16.34) cents		(18.88) cents

An explanation of the result of the current period is set out in the Directors Report contained in the attached audit reviewed half-year Financial Report

Full financial details of the Company are also contained in the attached audit reviewed half-year Financial Report

Dividends: It is not proposed that any dividend will be paid. No dividends were paid in the previous corresponding period.

CBio Limited

ABN 76 094 730 417

HALF-YEAR FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

CBIO LIMITED

Corporate Information
For the half-year ended 31 December 2009

Directors

Mr. Stephen Jones	Executive Chairman
Dr. Peter Corr	Non-executive director
Dr. Göran Ando	Non-executive director
Prof. John Funder	Non-executive director
Dr. Michael Monsour	Non-executive director
Dr. Dennis Feeney	Executive director
Mr. Jason Yeates	Managing director
Mr. Stephen Streeter	Non-executive director

Company Secretary

Mr. Ben Graham

Registered and Principal Office

85 Brandl Street
Eight Mile Plains
Qld 4113

Auditors

Ernst & Young
1 Eagle Street
BRISBANE QLD 4000

Contact Information

Ph: (07) 3841 4844
Fax: (07) 3341 8189
Email: cbio@cbio.com.au
Web: www.cbio.com.au

Share Registry & Register

Link Market Services Limited
Level 15
324 Queen Street
Brisbane QLD 4000
Ph: 1300 554 474

CBIO LIMITED

Directors' Report

For the half-year ended 31 December 2009

Your directors submit their report for the half-year ended 31 December 2009.

DIRECTORS

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

Mr. Stephen Jones	Executive Chairman
Dr. Peter Corr	Non-executive director
Dr. Göran Ando	Non-executive director
Prof. John Funder	Non-executive director
Dr. Michael Monsour	Non-executive director
Dr. Dennis Feeney	Executive director
Mr. Jason Yeates	Managing director
Mr. Stephen Streeter	Non-executive director

RESULTS AND REVIEW OF OPERATIONS

The loss attributable to members of CBio Limited for the period ending 31 December 2009 was \$8,259,988 (2008: \$7,328,603). No dividend was proposed or paid during the period.

The Company focused its research & development activities during the period on its 150-patient Phase IIa clinical trial in Rheumatoid Arthritis. The trial is the largest to date conducted by CBio, with 18 clinical trial sites across Australia and New Zealand active during the period.

As at 31 December, 74 patients had been enrolled in the study. Although recruitment had been suspended for a period during 2009, due to impaired drug manufacturing capacity, patients already enrolled in the study continued to progress through the trial.

As at the review date, 70 patients have reached the week 12 primary efficacy endpoint as determined by the protocol, whilst 53 patients have reached week 24 and have therefore completed the study.

Recruitment of the remaining 76 patients into the study recommenced during the period, with the Company engaging a European-based Clinical Research Organisation (CRO) to manage several new clinical trial sites in Central and Eastern Europe (CEE). Although recruitment of the remaining 76 patients into the trial will continue in both Australia and New Zealand, it is expected that a substantial number of these patients will be recruited from the CEE sites. Importantly, the rate of recruitment in CEE is expected to be substantially quicker than in Australia and New Zealand, with the recruitment of the 150th patient expected to occur in Q3, 2010.

Should the rate of recruitment be as expected, the Company expects all patients to have completed dosing in Q1, 2011, with draft clinical data available in Q2, 2011.

As the trial is blinded, results will not be available until trial completion. However, the Company at this time is satisfied with the blinded data it has collected to date and remains confident in the potential of its XToll® technology.

The Company continues to make significant progress in strengthening its intellectual property (IP) position. CBio has built and continues to build a robust portfolio of patents around its key XToll®

CBIO LIMITED

Directors' Report

For the half-year ended 31 December 2009

technology, with the company's current patent portfolio containing over 120 individual patents & patent applications across 11 patent families. The Company's key immunosuppression patent was issued in the United States, China and India during the period, with a new patent filing in Australia and a patent acceptance in New Zealand also occurring in the period under review. The Company is continuing to work on the development of new IP, which may lead to potential new drug candidates in the future.

The Company has continued to raise new funds from a variety of sources, with a total of \$14.8m being raised during the period (net of costs). Of the total funds raised, \$5.2m was via the issue of new Convertible Notes, while \$7.6m was raised through an Information Memorandum. The balance of funds raised came via the IPO Prospectus (\$1.8m as at 31 December) and loan funds subsequently converted to equity totalling \$256k.

During the period, Convertible Notes, with a total value of \$4,112,000, were converted to equity. A total of 8,224,000 shares and 5,474,000 share options were issued pursuant to these conversions. In addition, accrued interest of \$198,790 in respect of these notes was converted to 397,580 ordinary shares.

A total of 25,218,420 new shares and 8,331,152 share options were issued during the half year ending 31 December. Further details can be found in Note 7 Issued Capital, in the attached Notes to the Financial Report.

In November, the Company issued an IPO Prospectus and as at 31 December, \$1.8m in subscriptions had been received. These IPO shares were subsequently issued in February (refer to Note 12 Subsequent Events, for further details).

The funds raised under the IPO prospectus (\$7.1m in total) will primarily be applied to the completion of dosing for all 150-patients in the phase IIa clinical trial through to the 12-week primary endpoint. Additional funding will be required to complete the trial.

Listing the Company on the Australian Securities Exchange (ASX) offers CBio the best opportunity to raise the capital required to complete the current clinical trial, and importantly broadens the potential base of investors who will be able to support equity raisings by the company.

The Company adopted a new ASX-compliant Constitution during the period in order to satisfy ASX Listing Rule requirements and to bring the Constitution into line with changes in corporate legislation which have occurred since the Company's inception. A copy of the new Constitution can be found on CBio's website.

SUBSEQUENT EVENTS

Subsequent to the review date, the Company raised a further \$5,306,900 in new equity as part of the IPO Prospectus lodged in 10 November 2009. A total of \$7,101,717 was raised under the IPO, with 7,101,717 shares issued to IPO subscribers subsequent to the review date.

The Company issued 1,550,000 new shares and 775,000 share options upon conversion of 4 convertible notes subsequent to the review date. The options have an exercise price of \$1 and an expiry date of 31 December 2012.

CBIO LIMITED

Directors' Report

For the half-year ended 31 December 2009

The Company issued 262,500 shares and 750,000 share options to Novus Capital Limited as Sponsoring Broker for the IPO subsequent to the review date. 87,500 shares and 250,000 share options were issued to S & M Streeter Investments Co Pty Ltd, an entity associated with Mr Stephen Streeter, pursuant to the agreement between Novus Capital Limited and CBio for capital raising services provided throughout the IPO.

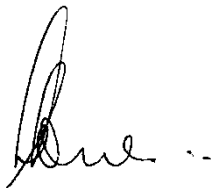
As at the date of signing this report there are 75,478,561 shares and 25,684,849 options on issue.

On 10 February 2010, the Company was admitted to the Official List of the Australian Securities Exchange. Shares and Options in the Company were tradable on the ASX from 15 February 2010.

AUDITOR'S INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of directors



Mr Stephen Jones
Executive Chairman

Date: 26 February 2010

CBIO LIMITED

Statement of Comprehensive Income

For the half-year ended 31 December 2009

		December 2009	December 2008
	Notes	\$	\$
Interest received		16,530	11,351
Government grants		-	972,594
Other income		15,762	18,785
Fair value movement of derivative		104,695	-
Borrowing costs expense	2	(1,584,191)	(80,802)
Administration expenses	3	(2,837,193)	(2,394,970)
Research and development		(3,439,858)	(5,047,290)
Patent costs		(203,270)	(535,767)
Marketing expenses		(332,463)	(272,504)
Loss before income tax from continuing operations		(8,259,988)	(7,328,603)
Income tax expense		-	-
Loss from continuing operations after income tax		(8,259,988)	(7,328,603)
Other comprehensive income		-	-
Total comprehensive income for the period		(8,259,988)	(7,328,603)
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders to the parent			
Basic earnings per share (cents)		(16.34)	(18.88)
Diluted earnings per share (cents)		(16.34)	(18.88)

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

CBIO LIMITED**Statement of Financial Position**

As at 31 December 2009

		31 December 2009 \$	30 June 2009 \$
	Notes		
Current assets			
Cash and cash equivalents		2,102,880	40,335
Trade and other receivables		205,362	14,765
Other current assets		347,579	51,024
Total current assets		2,655,821	106,124
Non-Current Assets			
Property, plant and equipment		339,813	454,826
Trade and other receivables		212,703	150,000
Intangible assets	4	-	-
Total Non-Current Assets		552,516	604,826
Total Assets		3,208,337	710,950
Current Liabilities			
Trade and other payables	5	3,286,655	5,977,398
Short-term provisions		218,336	151,982
Financial liabilities	6(a)	4,759,631	820,441
Unearned income		2,086,158	2,086,158
Total current liabilities		10,350,780	9,035,979
Non-Current Liabilities			
Long-term provisions		150,740	74,646
Financial Liabilities	6(b)	-	2,405,136
Total Non-Current Liabilities		150,740	2,479,782
Total Liabilities		10,501,520	11,515,761
Net Assets		(7,293,183)	(10,804,811)
Equity			
Issued Capital	7(a)	59,273,433	47,947,588
Reserves	7(b)	17,074,011	16,628,240
Accumulated Losses		(83,640,627)	(75,380,639)
Total Equity		(7,293,183)	(10,804,811)

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

CBIO LIMITED**Statement of Changes In Equity**

As at 31 December 2009

	Notes	December 2009 \$	December 2008 \$
SHARE CAPITAL			
Balance at 1 July		47,947,588	45,306,148
Issue of share capital		13,026,888	1,687,450
Cost of capital raising		(1,701,043)	(163,485)
Balance at 31 December	7(a)	<u>59,273,433</u>	<u>46,830,113</u>
RESERVES			
Balance at 1 July		16,628,240	14,101,394
Share-based payment		319,951	243,602
Equity-based compensation		35,700	911,947
Convertible note issuance		90,120	-
Balance at 31 December	7(b)	<u>17,074,011</u>	<u>15,256,943</u>
ACCUMULATED LOSSES			
Balance at 1 July		(75,380,639)	(62,632,881)
Loss for the period		(8,259,988)	(7,328,603)
Other comprehensive income		-	-
Total comprehensive income for the half-year		<u>(8,259,988)</u>	<u>(7,328,603)</u>
Balance at 31 December		<u>(83,640,627)</u>	<u>(69,961,484)</u>

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

CBIO LIMITED**Statement of Cash Flows**

For the half-year ended 31 December 2009

	December 2009 \$	December 2008 \$
Cash flows from/(used in) operating activities		
Payments to suppliers and employees	(11,508,684)	(6,130,375)
Grant income received	-	898,142
Cash received in the course of operations	113,328	2,858,050
Interest received	16,530	11,351
Interest paid	(215,280)	(4,011)
Net cash used in operating activities	(11,594,106)	(2,366,843)
Cash flows from/(used in) investing activities		
Bank guarantee deposit	(2,703)	(6,886)
Purchase of Plant and equipment	(9,031)	(59,331)
Net cash (used in)/provided by investing activities	(11,734)	(66,217)
Cash flows from/(used in) financing activities		
Proceeds from issue of shares	7,563,000	1,411,662
Proceeds from shares not yet issued	1,794,817	160,150
Proceeds from issue of convertible note	5,200,000	610,000
Cost of capital raising	(1,119,547)	-
Proceeds from borrowings	356,115	262,000
Repayment of borrowings	(126,000)	(10,000)
Net cash provided by financing activities	13,668,385	2,433,812
Net increase/(decrease) in cash held	2,062,545	752
Cash at beginning of the financial period	40,335	36,367
Cash at the end of the financial period	8 2,102,880	37,119

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

Notes to the Financial Statements

For the half-year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of the Half-Year Financial Report

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

The half-year financial report should be read in conjunction with the annual financial report of CBio Limited as at 30 June 2009.

It is also recommended that the half-year financial report be considered together with any public announcements made by CBio Limited during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

(a) Basis of Accounting

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

The half-year financial report has been prepared in accordance with the historical cost basis except for derivative instruments which are measured at fair value, and apply the same accounting policies as used in the 30 June 2009 financial report.

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

b) Statement of Compliance

The half-year financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board. There are no Australian Accounting Standards issued but not yet effective that are expected to impact the position and performance of the group. The company has adopted AASB 101 *Presentation of Financial Statements* and AASB 8 *Operating Segments* in the half-year financial report.

c) Going Concern

The financial report for the half-year ended 31 December 2009 is prepared on a going concern basis. The Company incurred an operating loss after income tax of \$8,259,988 (2008: \$7,328,603) for the half year. At 31 December 2009 the Company has net current liabilities of \$7,694,959 and an excess of total liabilities over total assets of \$7,293,183. These conditions give rise to significant uncertainty as to whether the Company will be able to continue as a going concern and be able to pay its debts as and when they fall due.

CBIO LIMITED

Notes to the Financial Statements

For the half-year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

c) Going Concern (continued)

The directors believe that the going concern basis is appropriate due to a strong history of capital raising, and in this respect for the year to date i.e. 1 July 2009 to 26 February 2010 the Company's ongoing capital raising initiatives thus far totalling \$20,120,832 supports the belief in the continuity of this strong history, current capital raising initiatives in place at the date of signing of these accounts *and* the positive clinical results to date, noted with respect to blinded data.

The success of future capital raising for CBio Limited, as has been the case in the past, will depend on the Company achieving positive results in this and future clinical trials.

Subsequent to the end of the period, CBio listed on the Australian Securities Exchange (ASX) and as a listed entity, the directors believe that a wider range of investors, including institutional investors, will be able to support the future capital raising initiatives of the Company.

Additionally CBio has signed an agreement with Novo Nordisk A/S in connection with its Cpn10 asset. USD\$2 million was received by the company in relation to this agreement during the prior period. This amount remains recorded as unearned income at 31 December 2009. This agreement also provides for the receipt of future funds on the achievement of set milestones.

Should CBio not be successful and repeat its strong history of raising capital it may not be able to continue as a going concern and pay its debts as and when they fall due. Accordingly, the Company may be required to realise assets and extinguish liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report. This report does not include any adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should CBio not be able to continue as a going concern.

	December 2009 \$	December 2008 \$
2. BORROWING COSTS EXPENSE		
Interest expense on convertible notes	226,198	9,628
Interest on valuation on convertible notes	1,327,892	-
Other interest expense	30,101	71,174
	1,584,191	80,802

CBIO LIMITED**Notes to the Financial Statements**

For the half-year ended 31 December 2009

	December 2009 \$	December 2008 \$
3. ADMINISTRATION EXPENSES		
Consulting fees	540,327	379,220
Depreciation	124,044	135,504
Office rental	175,028	161,510
Legal & compliance costs	142,780	146,926
Administration salaries	337,827	257,205
Director salaries	225,000	150,000
Employment related costs	250,202	239,607
Travel costs	183,122	37,695
Share-based payment expense	319,951	243,602
Foreign currency loss/(gain)	(133,613)	338,947
Other administration expenses	672,525	304,754
	<u>2,837,193</u>	<u>2,394,970</u>
	December 2009 \$	June 2009 \$
4. INTANGIBLE ASSETS		
Intellectual property	4,125,000	4,125,000
Provision for recoverability (i)	(4,125,000)	(4,125,000)
	<u>-</u>	<u>-</u>
5. TRADE AND OTHER PAYABLES		
Trade creditors and accruals	1,441,838	5,977,148
IPO subscriptions to be refunded	50,000	-
Shares to be allotted	1,794,817	250
	<u>3,286,655</u>	<u>5,977,398</u>

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

CBIO LIMITED

Notes to the Financial Statements

For the half-year ended 31 December 2009

	December 2009 \$	June 2009 \$
6. FINANCIAL LIABILITIES		
(a) Current		
Convertible notes (i)	4,300,646	710,000
Accrued interest payable on convertible notes	41,096	84,441
Loan liabilities – related entity (ii)	-	26,000
Embedded derivative in convertible note (i)	417,889	-
	4,759,631	820,441
(b) Non Current		
Convertible notes (i)	-	1,746,714
Embedded derivative in convertible note (i)	-	658,422
	-	2,405,136

(i) During the period, the Company issued 19 Convertible Notes under a Convertible Note Deed dated 30 August 2007 raising a total of \$5,200,000. The notes have varying face values and interest of 10% per annum is payable semi-annually. In addition, notes may be converted to shares in CBio Limited in accordance with the terms of each note. Notes have a life of no greater than six months unless extended for a further period if agreed by CBio and the Note holder. 11 of the Notes issued during the period were converted to equity prior to 31 December 2009. 8 Notes remain outstanding at the review date.

A reconciliation of the movement in convertible notes, embedded derivative in convertible notes and interest accrual on convertible notes is noted as follows:

CBIO LIMITED

Notes to the Financial Statements

For the half-year ended 31 December 2009

6. FINANCIAL LIABILITIES (continued)

	Convertible Note	Embedded Derivative	Interest Accrual
Opening balance at 1 July 2009	2,456,714	658,422	84,441
Adjustment on options issued since 30 June 2009	-	(47,460)	-
Interest charge on opening notes	-	-	114,349
Accretion of convertible notes	211,641	-	-
Issue of \$200,000 convertible notes	139,996	-	-
Sub total	2,808,351	610,962	198,790
Conversion to equity	(2,808,351)	(610,962)	(198,790)
Issue of \$5,000,000 convertible notes	3,184,395	654,190	-
Interest charge on \$5,000,000 convertible notes	-	-	111,849
Accretion of convertible notes	1,116,251	-	-
Fair value movement of embedded derivative	-	(236,301)	-
Interest paid on convertible notes	-	-	(70,753)
Closing balance at 31 December 2009	4,300,646	417,889	41,096

As at 31 December 2009, the notes outstanding are as follows:

Value \$	Conversion Rate \$	Shares issued on conversion #	Options issued if converted #	Option exercise price \$	Note expiry
1,000,000	0.50	2,000,000	1,000,000	1.00	31 Mar 2010
2,000,000	0.50	4,000,000	2,500,000	1.00	31 Dec 2010
2,000,000	0.50	4,000,000	2,500,000	1.00	31 Mar 2010
5,000,000		10,000,000	6,000,000		

Refer to Note 12 regarding changes in the position of convertible notes subsequent to period end.

CBIO LIMITED

Notes to the Financial Statements

For the half-year ended 31 December 2009

	2009 Number	2009 \$
7. ISSUED CAPITAL		
(a) Ordinary shares issued and fully paid	66,476,844	59,273,433
(b) Equity reserve	23,909,849	17,074,011
(a) Movements in ordinary shares on issue		
Ordinary shares issued at the beginning of the half-year	41,258,424	47,947,588
- Shares issued via Information Memorandum	15,126,000	7,563,000
- Shares issued to consultants	200,000	100,000
- Shares issued on conversion of convertible notes to equity	8,624,000	4,729,678
- Shares issued on conversion of interest to equity	405,940	202,970
- Shares issued on conversion of debt to equity	512,230	256,115
- Shares issued to consultants relating to IPO	350,250	175,125
Share issue costs	-	(1,701,043)
Ordinary shares at the end of the half-year	66,476,844	59,273,433
(b) Movements in equity reserve		
Balance at beginning of the half-year	15,578,697	16,628,240
- Adjustment on options issued at 30 June 2009	-	179,066
- Conversion of convertible note to equity	-	(1,252,360)
- Issue of convertible notes - \$200,000	-	60,004
- Conversion of convertible note to equity	-	(60,004)
- Employee option expense on existing options	-	147,506
- Options issued pursuant to employee share option plan	60,000	4,180
- Options issued to consultants for commission on funds raised	2,797,152	205,964
- Issue of convertible notes - \$4,112,000	5,474,000	1,161,415
Balance at end of the half-year	23,909,849	17,074,011

CBIO LIMITED

Notes to the Financial Statements

For the half-year ended 31 December 2009

	December 2009 \$	December 2008 \$
8. CASH AND CASH EQUIVALENTS		
For the purpose of the half-year statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	1,960,226	37,119
Short-term deposits	142,654	-
	2,102,880	37,119

9. SEGMENT INFORMATION

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

10. RELATED PARTY TRANSACTIONS

During the period, company's associated with Dr Michael Monsour, provided loans of \$256,115 to the company. The loans were unsecured, with interest payable at 8% per annum, and were repayable on demand. Interest of \$4,180 was payable on the loans during the period. Prior to the review date, these loans, and accrued interest, were converted into 520,590 ordinary shares at \$0.50 per share. The balance outstanding at the review date in relation to these loans was \$nil.

During the review period, the company repaid loan funds of \$26,000 to Australian Technology Innovation Fund Limited (ATIF), a company associated with Mr Stephen Jones, Mr Stephen Streeter & Dr Michael Monsour. At the review date, the balance of the loan owing to ATIF was \$nil.

During the period, entities associated with Mr Stephen Jones loaned the Company \$100,000. The loan was unsecured, non-interest bearing and repayable on demand. The loan was repaid in full during the period.

Mr Stephen Streeter provides fundraising services to the company. During the period, fees totalling \$4,978 were paid to S & M Streeter Investments for raising \$165,954 in new capital for the company. The balance outstanding at the balance date in relation to these fees was \$nil.

Notes to the Financial Statements

For the half-year ended 31 December 2009

11. COMMITMENTS

During the 30 June 2009 year, an option was provided to an existing convertible note holder to acquire a further convertible note to the value of \$1 million with 2,000,000 attaching options with an exercise price of \$1 and expiry on 31 December 2012.

On 4 September 2009, CBio entered into an agreement appointing Novus Capital Limited (Novus) as the Sponsoring Broker & Financial Advisor for the IPO. The appointment is for 24 months from completion of the IPO and fees totalling \$225,000 are payable pursuant to the appointment.

Novus have also been appointed as exclusive Investor Relations Advisor to CBio for a period of 12 months from the completion of the IPO. A monthly fee of \$5,000 is payable to Novus for the provision of investor relations services.

The additional details relating to the shares to be issued and attached options to be provided to Novus Capital upon the completion of the IPO are detailed within Note 12.

As at the review date, the Company had unfinalised contracts involving clinical studies and the production and supply of Cpn10 for use in research and development and clinical studies. The estimated remaining contracted costs to finalise these contracts amount to approximately \$3.8 million. It is expected that these contracts will be finalised by 30 June 2011.

In 2005, the Company entered into a long-term property lease for purpose built facilities which will expire in March 2012. Current lease payments are approximately \$499,000 per annum. A portion of these facilities has been sub-leased until March 2010 at current lease payments of approximately \$131,000 per annum.

On 30 March 2001, the company entered into a Royalty Agreement with CSL Limited (CSL). This agreement was entered into contemporaneously with the Deed of Assignment, an agreement which assigned CSL's rights to its Research Agreement with Uniquet Pty Ltd to CSL for payment of \$125,000. The Royalty Agreements stipulates that CBio is to pay royalties to CSL after commercialisation of products developed under the Research Agreement.

12. SUBSEQUENT EVENTS

Subsequent to the review date, the Company raised a further \$5,306,900 in new equity as part of the IPO Prospectus lodged in 10 November 2009. A total of \$7,101,717 was raised under the IPO, with 7,101,717 shares issued to IPO subscribers subsequent to the review date.

The Company issued 1,550,000 new shares and 775,000 share options upon conversion of 4 convertible notes subsequent to the review date. The options have an exercise price of \$1 and an expiry date of 31 December 2012.

The Company issued 262,500 shares and 750,000 share options to Novus Capital Limited as Sponsoring Broker for the IPO subsequent to the review date. 87,500 shares and 250,000 share options were issued to S & M Streeter Investments Co Pty Ltd, an entity associated with Mr Stephen Streeter, pursuant to the agreement between Novus Capital Limited and CBio for capital raising services provided throughout the IPO.

CBIO LIMITED

Notes to the Financial Statements

For the half-year ended 31 December 2009

12. SUBSEQUENT EVENTS (cont'd)

As at the date of signing this report there are 75,478,561 shares and 25,684,849 options on issue.

On 10 February 2010, the Company was admitted to the Official List of the Australian Securities Exchange. Shares and Options in the Company were tradable on the ASX from 15 February 2010.

13. CORPORATE INFORMATION

CBio Limited is a company incorporated in Australia and limited by shares. The nature of the operations and principal activities of the group are contained in Note 9.

CBIO LIMITED

Directors' Declaration

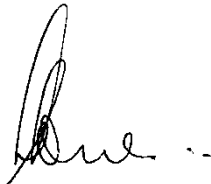
For the half-year ended 31 December 2009

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

In the opinion of the directors:

- (a) the financial statements and notes of the company:
 - (i) give a true and fair view of the company's financial position as at 31 December 2009 and the performance for the half-year ended on that date; and
 - (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) Subject to the inherent uncertainty regarding the continuation as a going concern as expressed in Note 1 to the financial report, that is, the ability of the company to pay its debts as and when they fall due, and based on the statements contained therein relating to funding initiatives currently underway and the possibility of commercial negotiations with major companies, the Board is of the opinion that there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Stephen Jones
Executive Chairman

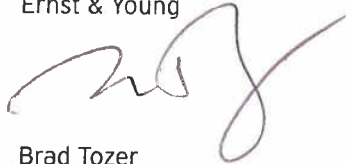
Date: 26 February 2010

Auditor's Independence Declaration to the Directors of CBio Limited

In relation to our review of the financial report of CBio Limited for the half-year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Brad Tozer'.

Brad Tozer
Partner
26 February 2010

To the members of CBio Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of CBio Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of CBio Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of CBio Limited is not in accordance with the *Corporations Act 2001*, including:

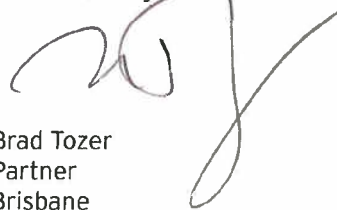
- i giving a true and fair view of the company's financial position as at 31 December and of its performance for the 6 months ended on that date; and
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1(c) "Going Concern" in the financial report which indicates that the company incurred a net loss of \$8,259,988 during the half-year ended 31 December 2009 (2008: loss of \$7,328,603) and has a deficiency in current assets of \$7,694,959 (2008: \$8,929,855), and a deficiency of net assets of \$7,293,183 (2008: \$10,804,811) at that date. As described in Note 1(c) "Going Concern", the company will require additional working capital from capital raisings or funding arrangements to continue its operations and pay its debts as and when due. As a result of these matters there is significant uncertainty whether the Company will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the company not continue as a going concern.



Ernst & Young



Brad Tozer
Partner
Brisbane
26 February 2010