



QUARTERLY INVESTOR UPDATE: Q2 2010

OPERATIONAL UPDATE

Clinical development & trial progress

The Company achieved several operational milestones in Q1 2010 including the opening of new clinical trial sites in Central and Eastern Europe. These sites are now actively recruiting and screening patients for inclusion into the phase IIa rheumatoid arthritis (RA) clinical trial of XToll® - the Company's potential new-generation drug therapy which could provide safer and more effective global treatment of autoimmune diseases.

There are currently 76 patients recruited into the trial and 6 patients currently in screening. 16 clinical trial sites are actively recruiting across Australia, New Zealand and Central and Eastern Europe, and additional sites continue to be initiated to further enhance recruitment timelines. Clinical operations are on track and full recruitment into the trial is still planned to be completed by the end of September 2010.

In March, the Company announced the achievement of a clinical trial milestone under its option agreement with global pharmaceutical leader Novo Nordisk A/S. This triggered a milestone payment of US\$1 million from Novo Nordisk which has now been received.

Intellectual Property development including Research and Development

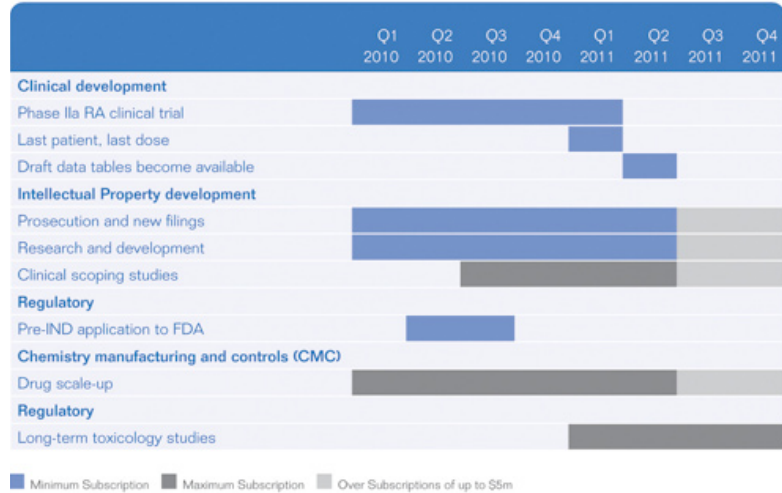
Research and patent activity has been steady with 45 patents now granted or accepted and 84 patents pending. In March, the company filed a new patent application in the United States on 'Treatment of Cutaneous Lupus'.

Also in March, the Company commenced an Australian Research Council Linkage Grant to potentially identify new indications for the therapeutic use of XToll® and/or XToll® variants. This research is being carried out in partnership with University of Queensland and Tetra Q - a leading, fully integrated preclinical drug development Contract Research Organisation.

Regulatory

The Company has commenced work on the pre-IND application for submission to the US Food and Drug Administration (FDA). The company plans to be in a position to submit the pre-IND application in Q3. The pre-IND process is used to discuss clinical testing and data requirements with the FDA, as well as any scientific issues that may need to be resolved before IND submission.

An Investigational New Drug (IND) submission is a request for authorisation from the FDA to administer an investigational drug or biological product to humans. Such authorisation must be secured prior to administration of any new drug or biological product in the United States.



Additional activities

The Company has initiated and received proposals for additional work in manufacturing drug scale-up and long-term toxicology studies. This will enable commencement of these activities should future funds allow. The purpose of commencing these activities while we continue to complete the current clinical trial is to ensure that phase IIb / III clinical trials can be started as soon as possible - thereby adding significant value to the program for any pharmaceutical partner.

ASX LISTING

In February, CBio listed on the Australian Securities Exchange (ASX) after conducting an IPO capital raising which raised \$7.1m. The CBio ASX code is 'CBZ' and all CBio announcements can be located on the ASX website www.asx.com.au. Shareholders now have the ability to trade their CBio shares and are encouraged to contact their stockbroker if they wish to do so.

MARKET UPDATE

Recent market advancements reconfirm that the search for new, safer and more effective treatments is still strong across the globe; new US legislation provides greater value for the developers of novel biologics; and a new report states that US rheumatologists are increasing their prescriptions for new biologics against the market leaders, the 'anti-TNFs'.

New US legislation forming part of Barack Obama's health care reform package provides greater protection to innovative biologics against manufacturers of generics. The new laws mean that innovative biologics, such as CBio's XToll®, will be protected for 12 years (even if this extends beyond patent expiry) from a generic copy coming onto the market - adding the possibility of greater value and more years of peak sales. (Source: Biotech Daily - Biosimilars Special, 7 April 2010)

In the past year, the FDA has approved four new biologic DMARDs – Actemra (Genentech), Orencia (Bristol-Myers Squibb), Simponi (Centocor Ortho Biotech), and Cimzia (UCB). US group, Sermo, who assess physician reaction to major events impacting the US pharmaceutical market, have issued a new report titled “Is there any Threat to Anti-TNFs from Newer Biologic DMARDs?” According to the report new biologics are finding important niche cases that could impact future prescribing. “Our data shows that physicians are increasing prescribing of new biologics that offer patients faster responses, easier administration, and less frequent injections. The ramifications of these benefits on prescribing have the potential to be substantial.” (Source: Sermo)

BUSINESS NEWS

Recent deals concluded in the field of RA demonstrate the interest of global pharmaceutical companies in securing new, safer, more effective treatments. Viewed against these deals, CBio's XToll® continues to represent a unique opportunity as a potentially first-in-class therapy for the treatment of RA - due to its potential to down regulate a number of inflammatory pathways rather than targeting and blocking out a single pathway.

On 16 February, AstraZeneca and Rigel Pharmaceuticals announced an exclusive license agreement for the global development and marketing of R788, Rigel's late-stage investigational product for rheumatoid arthritis and additional indications. R788 which completed its Phase II program, is the furthest developed oral Spleen Tyrosine Kinase (Syk) inhibitor being evaluated for RA. An upfront payment of \$100 million with up to US\$345 million in development milestones and up to US\$800 million in sales based milestone payments plus double-digit royalties was disclosed. (Source: AstraZeneca)

In December 2009, Eli Lilly and Incyte announced a development collaboration for Incyte's JAK inhibitor drug in phase II trials. JAK enzymes are components of signalling mechanisms utilised by a number of cytokines and growth factors, including those that are elevated in RA patients. Cytokines such as interleukin-6 (IL-6), -12, and -23 signal through the JAK pathway and have been clinically validated as therapeutic

targets in inflammatory diseases. An upfront payment of US\$90 million plus US\$665 million in milestone payments due by product launch plus tiered double-digit royalties was disclosed. (Source: Eli Lilly)

In November 2009, Bristol Myers Squibb and Alder Pharmaceuticals announced a collaboration for the development of Alder's IL-6 inhibitor drug which has completed phase II development for RA. ALD518 is a humanized, monoclonal antibody, designed to block a proinflammatory molecule IL-6, which plays a role in the inflammatory cascade leading to the inflammation, swelling, pain, and destruction of large and small joints associated with RA. An upfront payment of US\$85 million plus up to US\$764M in development milestones and up to US\$200M in sales based milestones was disclosed. (Source: Bristol Myers Squibb)

CBio Limited, 22 April 2010

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ABOUT CBIO

CBio is an Australian ASX listed company established in 2000. CBio's lead product XToll is a potential new-generation drug therapy which could provide safer and more effective treatment of autoimmune diseases such as rheumatoid arthritis. It is currently being trialled in phase II clinical trials in patients with rheumatoid arthritis (RA).

Global sales of RA therapies exceeded US\$17 billion in 2008. Novo Nordisk A/S, a top 20 global pharmaceutical company and world-leader in diabetes care, has an exclusive option to enter into a licence agreement for the intellectual property rights relating to XToll.

CBio's Board includes internationally experienced drug developers including Dr Goran Ando, Vice-Chairman Novo Nordisk A/S (formerly president of R&D at Pharmacia/Pfizer and R&D director of Glaxo Group, UK); Dr Peter Corr, Founder and co-General Partner of Celtic Therapeutics (formerly Senior Vice-President for Science and Technology at Pfizer and

Chairman of the Board of Governors, New York Academy of Sciences); and Professor John Funder, AO, Professor of Medicine at Monash University, Senior Fellow at Prince Henry's Institute of Medical Research (formerly Director of the Baker Institute, 1990-2001).

While CBio will initially target XToll as a potential RA therapy, the Company believes it may be used to treat a number of other diseases. Global sales for biological therapies for RA were US\$8.6 billion in 2005, rising to an estimated US\$12 billion-plus in 2009 and are forecast to reach over US\$18.5 billion by 2013.

“There is a global search underway by major pharma companies for new RA therapies that are proven to be safer and more effective than therapies now available. We believe XToll has the potential to be a part of this demand pipeline and, most importantly, improve the lives of RA sufferers.” Jason Yeates, Managing Director and CEO, CBio Limited.