

17 May 2010

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

Dear Sir,

CBIO SECURES A\$12.45 MILLION FUNDING FACILITY

- **Funds available over three years**
- **Minimum A\$1.8 million available per year**

CBio Limited (ASX:CBZ) is pleased to announce that it has secured up to A\$12.45 million in funding with the New York-based institutional investor SpringTree Special Opportunities Fund, LP (SpringTree). CBio has entered into a Convertible Loan Agreement with SpringTree which provides funding to the Company over a three-year period.

The minimum funding available under the facility is A\$5.45 million, with the first tranche of A\$200,000 available to CBio within the coming days. The remaining funds can be drawn down each month in tranches of between A\$150,000 and A\$350,000, subject to the requisite shareholder approvals.

The loans under the facility will be repaid through the issue of shares and options according to a formula contained within the Convertible Loan Agreement.

CBio Managing Director Jason Yeates said the SpringTree funding facility is a significant aspect of the Company's business plan into 2011 and beyond.

"This funding provides a level of financial stability for the Company for the next three years. It provides working capital needed to complete the current Phase II clinical trial as well as funding resources needed to explore a number of development activities planned for 2011," said Mr Yeates.

"The Agreement also offers flexibility in that it can be cancelled should it not suit our circumstances in the future and allows the Board to now fully focus its energies on the strategic direction of the Company over what will be a critical next 12 months," he said.

CBio is currently completing a 150-patient, phase IIa trial in Rheumatoid Arthritis at sites throughout Australia, New Zealand and Central and Eastern Europe. The Company expects results from the trial to be available in mid-2011.

SpringTree is a New York-based investment fund that makes debt and equity investments in small and mid-cap public companies around the world.

Eugene Tablis, a Managing Director of SpringTree Global Investors, LLC (SpringTree’s general partner (manager)) said the CBio opportunity is a great fit for the Fund. “While this is our first rheumatology therapeutics investment, this is our fourth Australian biotechnology investment and we have been very impressed with the quality of the Australian science that is often under-discovered by the global markets, as well as the quality of CBio’s management.”

A summary of the material terms of the agreement are as follows:

Available Commitment	Up to A\$12.45 million, with a minimum available commitment of A\$5.45 million (subject to the requisite Company shareholder approvals and on-going compliance with the terms of the agreement)
Interest	Nil
Advances	SpringTree will advance tranches in the Tranche Amount of A\$150,000 each month during the Term of the Agreement. A Tranche Amount may be increased by SpringTree to up to A\$250,000, and to A\$350,000, by mutual consent.
Repayment	<p>The Company must repay the Tranche Amount 28 calendar days after the drawing of that Tranche Amount.</p> <p>Tranche Amounts will be repaid by the issue of shares at the Conversion Price equal to the lesser of:</p> <ol style="list-style-type: none"> 1) 140% of the average of the daily VWAP per share for the 20 trading days immediately prior to the Execution Date of the Agreement; and 2) 90% of a daily VWAP per share during a specified period prior to the repayment. <p>The Company will issue to SpringTree 1,900,000 options to purchase its shares at an exercise price of A\$0.517 each. The facility attracts a fee satisfied by way of issue of 1,200,000 shares.</p> <p>The Company will issue options in the number equal to 20% of the Tranche Repayment Shares issued on each Repayment Date (Tranche Options). The Tranche Options have an exercise price of 130% of the Conversion Price applicable to the repayment.</p>
Security	The Facility is secured by 800,000 ordinary shares in the Company.
Takeover Restriction	The Company will not issue any shares or options in repayment of a Tranche Amount if such an issue would allow SpringTree to hold 20% or greater of the issued capital of the Company.
Quotation	The Company will apply for quotation of the ordinary shares issued upon repayment of each Tranche Amount. Share Options issued will not be quoted.

For and on behalf of the Board

BEN GRAHAM

Company Secretary

For further information:

Ian Pemberton
P&L Corporate Communications
T: +61 2 9231 5411
M: +61 402 256 576
ian.pemberton@plcorporate.com.au

Ben Graham
Company Secretary
CBio Limited
T: +61 7 3841 4844
ben.graham@cbio.com.au

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).

About SpringTree Global Investors, LLC

SpringTree Global Investors, LLC (springtreegi.com) is a New York-based institutional investor that makes debt and equity investments in public companies around the world with a focus on small-cap and mid-cap companies requiring US\$5-US\$150 million in debt and/or equity. It invests across a broad range of industries and a wide range of geographies and economic environments.