

17 May 2010

Dear Shareholder,

SHARE PURCHASE PLAN

On behalf of the Board of CBio Limited, I am pleased to offer you the opportunity to participate in the Share Purchase Plan (SPP) to increase your investment in CBio Limited.

Subject to the SPP Rules, Eligible Shareholders can buy up to \$15,000 worth of new CBio ordinary shares without paying any brokerage costs.

CBio has achieved a number of important milestones so far in the 2010 calendar year, including:

- **\$7.1 million raised in IPO & ASX Listing in February**
- **\$12.45 million, 3-year funding facility secured through New York-based investment fund SpringTree Global Investors LLC**
- **Recruitment of 75th patient into clinical trial and receipt of US\$1million milestone payment from Novo Nordisk**
- **Commencement of recruitment in new Central European clinical trial sites**
- **Commencement of ARC Linkage Grant projects to potentially identify new indicators for the therapeutics use of CBio's lead drug candidate XToll**

The global market for biological Rheumatoid Arthritis (RA) treatments is substantial. In 2009, it was estimated that US\$12 billion was spent on biological RA therapies, a figure expected to rise to US\$18.5 billion by 2013. CBio, through its XToll® technology, expects to be an active participant in this sizable and growing international market.

This SPP is part of the Company's fundraising strategy, and will supplement other funding sources available to CBio, including the \$12.45 million Convertible Loan facility announced today. Through the recent IPO, the Company raised \$7.1 million, which is expected to be sufficient funding to enable the recruitment of the remaining patients required in the current phase IIa clinical trial being conducted in Rheumatoid Arthritis (RA).

Funds raised under the SPP will primarily be applied to meeting the remaining costs associated with completing the clinical trial, including the compilation of final study reports. The 150-patient trial is currently underway in Australia, New Zealand and Europe, with the final study reports expected to be delivered by mid 2011.

Participation in the SPP is optional and is open to eligible holders of ordinary shares in CBio at 7:00pm (AEST) Friday 21 May 2010 and whose registered address is in Australia or New Zealand. The SPP will open on 27 May 2010 and is expected to close at 5:00pm (AEST) 16 June 2010.

To participate in the SPP please apply for shares using the SPP Application Form enclosed or by making a BPAY payment using the personalised reference number shown on your Application Form.

Full details of the SPP are set out in the attached SPP Terms and Conditions and it is important to ensure that you read the SPP Terms and Conditions and SPP Application Form carefully.

Should you require further assistance, please contact the Shareholder Information Line on 1300 880 732 or (02) 8280 7496.

Yours sincerely,

STEPHEN JONES
Executive Chairman
CBio Limited

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).