

27 September 2010

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

Dear Sir,

CBIO ANNOUNCES NON-RENOUNCEABLE RIGHTS ISSUE

BRISBANE, 27 September 2010: Australian drug development company CBio Limited (ASX:**CBZ**) today announced it is conducting a non-renounceable rights issue to raise up to \$9.3 million which, if fully subscribed, will provide all funding required to meet the costs associated with the completion of phase II development activities currently in progress.

The company is conducting a 150 patient phase IIa clinical trial in rheumatoid arthritis (RA) using its lead product XToll® - a potential new-generation drug therapy which may provide safer and more effective treatment of autoimmune diseases and is targeting a US\$17 billion RA market.

The company, which listed on ASX in February this year, achieved the revised minimum subscription amount in accordance with its Supplementary Prospectus to the IPO. At that time the company advised that further capital raising would be required in order to complete the clinical trial and associated development activities. This rights issue is anticipated to address the remaining funding needs for the company to complete these activities.

Executive Chairman Mr Stephen Jones reflecting on the attainment of milestones set out at the company's IPO said:

"Given our continued progress and significant milestone achievements this year, we believe this is the right time to invite our shareholders to participate in this offer that will provide the funding contemplated but not achieved at IPO, that will allow for the completion of the clinical trial activities as described in the IPO Prospectus".

Full recruitment into the trial was announced earlier this month and was achieved one month ahead of schedule. Dosing of patients is due to be completed by March 2011 and after collection and analysis of data the final clinical trial report is due to be received by the Company by June 2011.

Mr Jones said that the offer provided investors an ideal opportunity to maintain or expand their share holding in CBio at an attractive price.

"The offer price has been determined having regard to the market price for the company's securities and represents a 24% discount to the last traded price on 22 September," Mr Jones said.

The Company has appointed Baker Young Stockbrokers Limited (BYS) as corporate advisor to the offer. To the extent that a shortfall exists at the close of the offer BYS has been engaged to assist in placing those shares.

"I am pleased to advise that as at today firm commitments amounting to \$8.4 million have been received, and I wish to acknowledge Baker Young, Empire Funds Management and PT Equities as principal committees to any shortfall" Mr Jones said.

"The Directors continue to be confident in XToll®'s medicinal and commercial potential," he said.

Offer details

Shareholders are being offered five (5) new ordinary shares in CBio for every seven (7) existing shares held at an issue price of \$0.16 per share. The Offer is only open to eligible shareholders resident in Australia and New Zealand. The record date to participate in the offer is 6 October 2010.

Use of proceeds

The purpose of the Offer is to raise funds primarily for:

- Completion of the phase IIa rheumatoid arthritis clinical trial, including receipt of final study report;
- Preparation for pre-IND application with the Food and Drug Administration (FDA) in the US;
- Drug manufacturing;
- Further strengthening of the Company's intellectual property portfolio; and
- Further progress commercialisation discussions with pharmaceutical companies.

Important dates (subject to change in accordance with the Information Booklet)

Event	Date
Issue of Information Booklet	27 September 2010
Ex-date for entitlement to New Shares	29 September 2010
Record Date to determine entitlement to New Shares	6 October 2010
Information Booklet, Entitlement and Acceptance Forms despatched	12 October 2010
Closing date for acceptance and payment of Issue Price	27 October 2010
Allotment date on or before	4 November 2010
Date by which Shortfall New Shares may be placed	25 January 2011

For and on behalf of the Board



BEN GRAHAM
Company Secretary

For further information:

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About CBio

CBio (www.cbio.com.au) 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 Baker Young

Baker Young (www.bakeryoung.com.au) is an independently owned, full service private client Stockbroking business based in Adelaide. The business was co-founded by its Joint Managing Directors and Master Stockbrokers Alan Young and David Baker.