

27 September 2010

Dear Shareholder,

### 5:7 NON RENOUNCEABLE RIGHTS ISSUE OFFER

I am pleased to advise you that on 27 September 2010, CBio Limited (ASX: **CBZ**) lodged a Rights Issue Cleansing Notice and accompanying Information Booklet with the ASX for a 5:7 non-renounceable rights issue of ordinary shares in CBio. This issue will raise approximately \$9.3 million (**Offer**).

Baker Young Stockbroking has been appointed as Managers of the Offer.

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 Rights Issue Cleansing Notice and accompanying Information Booklet will be despatched to shareholders on 12 October 2010. Copies of the Rights Issue Cleansing Notice and Information Booklet (Offer Documents) are available for review on ASX's website, [www.asx.com.au](http://www.asx.com.au), as well as on the CBio website, [www.cbio.com.au](http://www.cbio.com.au).

These Offer Documents are important and will require your immediate attention.

### 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

### **Non-renounceable pro rata issue**

The new shares issued under the Prospectus will rank equally with the ordinary shares currently on issue.

Eligible shareholders may take up their entitlement in full or in part. Your entitlement will be determined as at 7pm on 6 October 2010, being the Record Date. Applications can be made only in accordance with the personalised Entitlement and Acceptance Form which shareholders will receive with the Offer Documents.

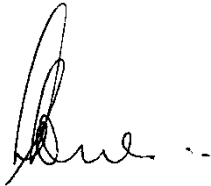
Fractional entitlements of shares are rounded up to the nearest whole number of shares. Your entitlement will be shown on the personalised Entitlement and Acceptance Form accompanying the Offer Documents. The rights issue is non-renounceable. Rights may not be traded.

### **Overseas holders**

The offer of shares under the Offer Documents is limited to eligible shareholders with registered addresses in Australia and New Zealand. With the exception of New Zealand shareholder, overseas shareholders will not be offered new shares.

Your Board commends this offer of new shares for your consideration.

Yours sincerely



**STEPHEN JONES**  
Executive Chairman