

CBio Limited

ABN 76 094 730 417

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010

contents

company & market information	2
chairman's address	5
ceo review	7
corporate governance statement	10
directors' report	14
statement of comprehensive income	26
statement of financial position	27
statement of changes in equity	28
statement of cash flows	29
notes to the financial statements	30
directors' declaration	65
auditor's independence declaration	66
independent audit report	67
shareholder information	69
corporate directory	74

company & market information

XTOLL®- A POTENTIAL BREAKTHROUGH IN THE TREATMENT OF AUTOIMMUNE DISEASES.

CBio has developed a biologically active, modified variant of the naturally occurring protein, chaperonin 10, which is commercially known as XToll®. Phase I and early Phase II clinical trials have been completed in rheumatoid arthritis (RA), psoriasis and multiple sclerosis, with a good safety profile demonstrated in all trials, and no pattern of serious adverse events linked to treatment.

CBio is currently undertaking a 150-patient, phase IIa clinical trial in RA aimed to demonstrate the safety and efficacy of XToll® as a treatment for rheumatoid arthritis.

RHEUMATOID ARTHRITIS – AN AUTOIMMUNE DISEASE

Rheumatoid Arthritis (RA) is a chronic autoimmune disease, characterised by inflammation of the lining of the joints. It can lead to long-term joint damage, chronic pain, loss of function and disability. The effects of RA are systemic, which means it can affect other organs in the body, and cardiovascular dysfunction in addition to RA is common.¹

RA has a worldwide distribution with a prevalence of 1 to 2%² - which currently equates to approximately 100 million people.³ Prevalence increases with age, approaching 5% in women over age 55.⁴ RA is two to three times more common in women than in men and generally occurs between the ages of 40 and 60, but can also affect young children and older adults.

Currently, there is no cure.⁵

XTOLL® – TARGETED TO ADDRESS THE NEEDS OF RA PATIENTS

Chaperonin 10 is a naturally occurring protein present in all cells. XToll® is a variant of human chaperonin 10 that has been optimised for commercial development. XToll® appears to work in a way which distinguishes it from current registered therapies for the treatment of RA.

Chaperonin 10 is thought to function as a natural regulator of the innate immune system: - it is released locally by activated or damaged cells in response to 'danger' signals, and down-regulates inflammatory immune responses. In disease states, levels of chaperonin 10 may not be high enough to control inflammation; however, administration of pharmacological levels of chaperonin 10 (provided as XToll®) may overcome ongoing inflammatory signals and result in therapeutic benefit.

Unlike the current registered anti-inflammatory drugs which 'block' immune responses, and can increase the risk of infection and the development of cancers, XToll® appears to dampen excessive inflammatory responses and thereby works to restore a balanced immune system capable of surveillance for infections, viruses and cancer. It is this ability of XToll® to work with the body's immune system, rather than against it, that offers the potential for real therapeutic benefit with a strong safety profile.

¹ Arthritis Foundation arthritis.org

² The John Hopkins Arthritis Centre hopkins-arthritis.org

³ In July 2008, The CIA World Factbook estimates the world population at 6,706,993,152 cia.gov/library/publications/the-world-factbook/print/xx.html

⁴ The John Hopkins Arthritis Centre hopkins-arthritis.org

⁵ Mayo Clinic mayoclinic.com

company & market information

GLOBAL MARKET AND COMPETITOR INFORMATION

Global sales for biological therapies for RA were US\$8.6 billion in 2005⁶, and forecast to reach over US\$18.5 billion by 2013.⁷

This RA market is currently dominated by three drugs; anti-TNF therapies Remicade, Enbrel and Humira. Whilst the primary market for these drugs is in the treatment of RA, they are used as therapies for other autoimmune diseases including Crohn's disease, ulcerative colitis, psoriatic arthritis and ankylosing spondylitis. It is estimated that one-quarter of Remicade revenues come from indications other than RA; roughly one-sixth of Enbrel revenues come from indications other than RA; and one-eighth of Humira revenues come from indications other than RA.⁸

In 2008, sales from RA in these top 3 drugs were US\$10.9 billion.⁹ However, the total global sales of these 3 drugs in all disease states were in excess of US\$17 billion.¹⁰

Biological disease-modifying anti-rheumatic drugs (DMARDs) have essentially revolutionised the treatment of RA throughout the world, although they are also the most expensive of all available RA treatments. Between 2009 and 2013, the value of the biologic market for the treatment of RA is estimated to grow by a compound annual growth rate of around 11%.¹¹ Fuelling growth in this market will be a general increase in the uptake of biologics for the treatment of RA as they gain greater acceptance from physicians, the higher levels of patient disease education, and the ageing American and European populations. Apart from patent expirations facing current DMARD leaders (two leading RA therapies have patent expiry dates in the coming seven years: Enbrel - 2012; Humira – 2016¹²) and new product launches, it is expected that few other factors will slow down the growth in this market for the foreseeable future.¹³

Up to 30-40% of patients with established RA do not respond clinically to current leading biological therapies¹⁴.

In June 2008, the US Food & Drug Administration communicated that there are safety concerns with anti-TNF therapies, and that it was investigating the possible association between the use of TNF-blockers and the development of lymphoma and other cancers in children and young adults.¹⁵ The FDA review is complete and three global leading therapies for the treatment of RA are now required to carry "Black Box" warnings, following reports of severe side effects.¹⁶

⁶ Arrowhead Publishers Rheumatoid Arthritis Therapeutics: Market Trends and R&D Insights 2006, p51

⁷ Arrowhead Publishers, 2009. The Rheumatoid Arthritis Market Competitive Landscape and Clinical Stage Analysis. p124

⁸ Arrowhead Publishers, 2009. The Rheumatoid Arthritis Market Competitive Landscape and Clinical Stage Analysis. p66

⁹ Mehta Partners Morning Meeting, 24 April 2009. p4

¹⁰ Arrowhead Publishers, 2009. The Rheumatoid Arthritis Market Competitive Landscape and Clinical Stage Analysis. p67

¹¹ Arrowhead Publishers, 2009. The Rheumatoid Arthritis Market Competitive Landscape and Clinical Stage Analysis. p15

¹² United States Patent & Trademark Office uspto.gov/web/offices/pac/dapp/opla/term/156.html

¹³ Arrowhead Publishers, 2009. The Rheumatoid Arthritis Market Competitive Landscape and Clinical Stage Analysis. p82-84

¹⁴ Voll, RE and Kalden, JR. Autoimmune Diseases and Treatment: Organ-Specific and Systemic Disorders, Annals of New York Academy of Sciences. 1051:799–810, 2006, p800

¹⁵ US Food & Drug Administration, last updated 28 May 2009
fda.gov/Drugs/DrugSafety/PostmarketDrugSafetyInformationforPatientsandProviders/DrugSafetyInformationforHealthcareProfessionals/UCM070725

¹⁶ Arrowhead Publishers, 2009. The Rheumatoid Arthritis Market Competitive Landscape and Clinical Stage Analysis. PP 109-114

company & market information

Yet there remains a significant unmet need for new, clinically efficacious therapies for RA.¹⁷ The pipeline for rheumatoid arthritis therapies therefore remains strong.

The majority of existing biological disease modifying treatments for RA act as 'blocking agents' to specific targets in the inflammatory pathway, a mechanism of action that has serious implications for a patient's susceptibility to opportunistic infection and certain cancers. In addition, while other modulators of the immune system are in development, a significant proportion of products in the global R&D pipeline continue to focus on antibody-mediated blockade of known pathways.¹⁸

However, in terms of mechanism of action, and as a potential endogenous regulator of the innate immune system, CBio's XToll[®] remains novel, unique – and scientifically without known global pipeline competition.

¹⁷ Selective Costimulation Modulators: Addressing Unmet Needs in Rheumatoid Arthritis Management. Emery et al, Medscape General Medicine 2005; 6(4 Suppl):1

¹⁸ Arrowhead Publishers, 2009. The Rheumatoid Arthritis Market Competitive Landscape and Clinical Stage Analysis. p122

chairman's address

Dear Shareholder,

It gives me great pleasure to present to you our 2010 Annual Report, our first as a listed company.

The past year has been a challenging one for your Company, highlighted by the raising of \$22.3 million in what have been very trying financial times, and of course our listing on the ASX.

The Company has achieved all milestones set out in the Prospectus which announced our IPO. Significantly we have completed recruitment into the 150 patient rheumatoid arthritis (RA) clinical trial one month ahead of schedule. We have also obtained notification of the grant of our cornerstone patent by the European Patent Office so that now the company's IP protection is robust in the largest markets for drugs in the world, specifically the USA and Europe as well as in smaller jurisdictions.

As important, CBio is on the brink of establishing scaled up production for XToll® in Australia which will enable the smooth transition from the current RA Phase II study to latter-stage registration studies and preceding long term toxicology studies. This achievement is significant to pharmas interested in commercialising XToll®.

To demonstrate XToll®'s potential as a broad range anti-inflammatory drug and in the treatment of autoimmune diseases, preclinical studies have indicated very promising results which indicate that XToll® may treat Lupus. These results will be presented at the American College of Rheumatology Conference in November 2010.

Thus, XToll® has now shown signals in treating Psoriasis, RA and perhaps Lupus and shown signs albeit very early in multiple sclerosis (MS).

Our IPO Prospectus contemplated a number of activities in addition to the current RA trial through into 2011. Those additional activities however were placed on hold and resources directed primarily to the current RA clinical trial after the close of the IPO offer due to the Company raising only \$7 million of the \$13 million contemplated.

With recruitment now finalised into the RA trial, the company has retained the services of Baker Young Stockbrokers to act as corporate advisor for a Rights Issue set to raise \$9.3 million from Shareholders. By the time this report reaches you, you will have received an Information Booklet which offers the Rights Issue.

The cash raised under the Rights Issue will enable us to complete the current phase IIa RA clinical trial, make preparations for the important pre-IND meeting with the FDA, pursue a scaled-up drug manufacturing program and the continue the work around strengthening our patent position. All of which will add significantly to the Company's attractiveness to pharma companies.

Our CEO Jason Yeates will address all these points in greater detail in the CEO's review which follows my letter to you.

It is impossible to adequately describe the difficulties faced in running a biotech/ drug developer like CBio. The time travelling and absence from home and family are huge. The personal risks apprehended by management in running a company where continued solvency is solely dependent upon debt and equity. The risks posed to management by this style of operation extend to the risk of loss of reputation and family assets if there is a slip up, are ever present. The Regulator is ever vigilant.

Jason Yeates our CEO, James Greig our CFO and Ben Graham our Company Secretary have made these sacrifices in a good hearted dark humour. I have the privilege of being their Executive Chairman and I take this opportunity to both raise your awareness of their sacrifices and to personally thank them for the privilege of leading them.

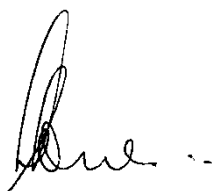
chairman's address

Our Board by and large have been very supportive but I must single out my colleague and friend Dr Göran Ando for his wise counsel, ever availability no matter where he may be in the world and his support of management at all levels in the Company depending on need. Göran is only a phone call away for any one of the Company's staff.

Finally, our scientific and technical staff have been praised not only by the quality of their work that has positioned CBio where it is as a drug developer but peer accolades from interactions with big Pharmas.

I would close by thanking Drs Peter Nash and Stephen Hall for their conduct of wonderful sites in the RA study but also great help to Jason and I in the planning of our enterprise.

Next year we will have completed our 150 patient study in RA and all will be known. Exciting times indeed.

A handwritten signature in black ink, appearing to read 'Stephen Jones', with a small dash at the end.

Stephen Jones
Executive Chairman

ceo review

The year under review has been one of the most challenging and critically important years since CBio's incorporation in 2000.

The Company's decision to list on the Australian Securities Exchange (ASX) came after nine years as an unlisted public company. Although CBio has enjoyed strong support from its shareholder base in that time, it had become increasingly difficult for the Company to raise the capital needed and in the timeframes required to continue its drug development program. Without liquidity in the CBio stock, the ability of the Company to target large and institutional investors was limited. A tightening in capital markets courtesy of the global financial crisis exacerbated the position CBio faced, which ultimately led the Board to embark on an IPO and eventual ASX listing earlier this year.

Listing the Company was by no means a risk-free proposition. While it offered liquidity for the Company's shareholders, it also meant that the company was at the mercy of the market in terms of share price fluctuations. Importantly however, listing the company has given the Board access to capital which was previously unavailable to it as an unlisted entity.

The IPO itself was clearly not as successful as the Company had hoped. The IPO prospectus sought a minimum subscription of \$13 million, which would have met all costs associated with the current rheumatoid arthritis (RA) clinical trial, as well as provision for further development activities into 2011. The IPO offer was planned to be the final capital raising prior to licensing negotiations with big pharma in 2011, assuming a successful clinical trial result.

We successfully closed the IPO offer with a reduced minimum subscription amount of \$7 million, with the Company subsequently admitted to the Official List of the ASX in early February. Trading of 'CBZ' shares commenced on February 15.

Since listing I am pleased to report that the Company has continued to make rapid progress of its scientific and development activities and has met all planned milestones.

The key priority for the Company during the year has been the progression of the 150-patient phase IIa clinical trial in RA. The initiation of numerous clinical trial sites in Europe saw recruitment in the trial increase from 72 patients on 1 July up to 114 patients at 30 June. The recruitment of the 75th patient into the trial triggered a milestone payment of US\$1 million under the Option the Company granted to Novo Nordisk A/S. Under this agreement, Novo Nordisk has an exclusive option to negotiate an exclusive license to CBio's intellectual property for a defined period of time after receipt of the final study report in 2011.

In early September we announced that all patients had now been recruited into the trial, a significant achievement and one that came four weeks ahead of schedule. While these European sites helped recruitment into the trial immensely, it is important to note that we have received the continued support of our Australian and New Zealand-based sites, headed by our Principal Investigator Dr Peter Nash.

The trial is a double-blinded, placebo controlled trial with two active arms of drug supplied at different concentrations. The aim of the current trial is to demonstrate the safety and efficacy of XToll[®], administered subcutaneously, in the treatment of RA. Previous trials have been successful, showing that XToll[®] is a drug that is well tolerated by the body with no pattern of treatment-related adverse events reported. XToll[®] was also shown to be effective for many patients in the treatment of their disease. These trials however were much smaller and lacked a placebo control. If we can demonstrate that XToll[®] is effective and safe in the current trial then we have an asset that not only is potentially extremely valuable, but we have developed a therapy that can improve the quality of life of millions of RA sufferers throughout the world.

We are expecting all patients to have completed dosing in the trial by March next year, with the results available to CBio in Q2 2011. To preserve the integrity of the trial, and indeed the potential value of the XToll[®] asset, we are unable to offer any comment on the success or otherwise of the trial to this point.

ceo review

Going hand-in-hand with our clinical trial program has been the continued strengthening of our intellectual property portfolio. Considerable work has been undertaken by our small but dedicated team of scientists to ensure our patent applications can be supported by robust scientific data. This work is also critical in adding value to XToll® and is certainly something that is a big consideration for big pharma when they are examining licensing opportunities.

During the year CBio was granted a core patent by the United States patent office which secured exclusive rights for the use of XToll® in the USA. CBio has recently received notice from the European Patent Office of its intention to grant this core patent over XToll® which now secures exclusive rights in Europe.

These are important patents that provide exclusive rights to XToll® in the two largest global pharmaceutical markets, exclusive rights which are critical to the commercialisation process. At the time of writing this report this protection extended to 2023 in Europe and 2026 in the United States.

This patent, which has already been issued in Australia, New Zealand, Singapore, India and China, securing these markets as well, illustrates both the novelty of XToll® and its monopoly value to potential partners in these markets.

CBio has a geographically diverse patent portfolio of 46 patents issued in five distinct but connected families of IP, and a further 81 patents across another seven families are still pending in all the major international markets.

These IP developments place your company in a very strong position as the company has the opportunity to offer a potential partner the protection of all the IP developed by CBio in all of the major world markets.

Whilst much emphasis has been placed on IP development surrounding XToll®, the Company has also progressed its internal R & D program around variations to XToll®, which may form the basis for next-generation drugs.

There is a focus, both at the Board level and amongst the Companies scientific staff, on the future of CBio beyond the completion of the current RA trial. We believe we have a truly unique product and one that is not just limited to the treatment of RA. We have previously flagged XToll® may have an application in the treatment of Lupus, a painful condition for which there is currently no known cure. We are also looking at other possible disease states which may present an opportunity for XToll®. The coming year will see a continued effort in this area.

In addition to the IPO, which raised \$7.1 million, the Company has continued to pursue other sources of new funds during the year. Prior to listing \$5.2 million was raised through the issue of convertible notes, while a further \$7.6 million was secured through an underwritten Information Memorandum. Fundraising has continued subsequent to our ASX listing with a Share Purchase Plan securing a further \$400k during the year. The Company also secured access to a \$12.45 million convertible loan facility with a New York-based institutional investor to be drawn down monthly over a three year period.

The Company's funding needs through to the completion of the RA clinical trial will be addressed with a fully subscribed Rights Issue announced to the market on 27 September. The Rights Issue is seeking to raise up to \$9.3 million via a 5:7 non-renounceable offer. Baker Young stockbrokers have been appointed as corporate advisors to the offer and at the time the offer was announced had received firm commitments for \$8.4 million in shortfall subscriptions.

The Rights Issue, should it be fully subscribed, will provide the funding required finalising the RA clinical trial as well as meeting other costs including ongoing drug production costs, further strengthening of the company's intellectual property position and costs associated in preparation for a pre-IND meeting with the Food & Drug Administration (FDA) in the United States.

ceo review

The planned pre-IND (investigational new drug) meeting with the FDA is another critical step in the commercialisation of XToll®. The outcome of this meeting will have a significant impact on the design of the next clinical trial and will provide a clearer indication of the FDA's regulatory requirements which must be met prior to commencing registration studies in the United States. The engagement with the FDA is important not only for CBio, but will be of critical importance to any future big pharma partner.

The Company is also pursuing the scaled-up production of XToll® in Australia to ensure sufficient quantities of drug will be available for future trials and long-term toxicology studies. Whilst it is not the intention for CBio itself to be responsible for the funding and management of these future trials, the preliminary work being undertaken now will both add value to any potential licensing transaction and reduce the time-to-market for the licensee of XToll®.

Should the current clinical trial prove XToll® to be an effective and safe treatment for patients enrolled in the trial it is CBio's strategy to out-license XToll® and related IP or enter a collaboration with a partner which will provide significant incremental value to your shareholding and security for CBio.

CBio has an exciting year ahead. I believe we will be in a very strong position to achieve our commercialisation business strategy and in the process significantly increase shareholder value.

I would like to thank all of the CBio team for their dedication and hard work. The milestones achieved this year by your company is testament to their efforts.

I would also like to thank you for your continued support of CBio.

Jason Yeates
Managing Director &
Chief Executive Officer

corporate governance statement

CBio Limited is committed to protecting and enhancing shareholder value and adopting best practice governance policies and procedures. At a minimum CBio will ensure that all regulatory requirements are met and ethical standards are maintained. CBio Limited adheres to recommendations of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition)(Principles) as revised in August 2007. Any deviations by the Company from these Recommendations are outlined below.

The Directors are responsible for the corporate governance practices of the Company. This statement sets out the main corporate governance practices of the Company that the Directors, management and employees are required to follow.

Role of the Board

The Board of Directors is ultimately responsible for the success of the Company through setting its strategic goals, establishing resources and overseeing its management processes. Its aim is to create and deliver shareholder value by maximising the performance of the business.

The primary roles of the Board include:

- (a) chart strategy and set financial targets for the Company;
- (b) monitor the implementation and execution of strategy;
- (c) monitor performance against financial targets;
- (d) appoint and oversee the performance of executive management; and
- (e) generally take and fulfil an effective leadership role in relation to the Company.

Power and authority in certain areas is specifically reserved to the Board – consistent with its function as outlined above. These areas include:

- (a) composition of the Board itself including appointment and removal of Directors;
- (b) oversight of the Company including its control and accountability systems;
- (c) appointing and removing the CEO;
- (d) reviewing and overseeing systems of risk management and internal compliance and control, codes conduct, and legal and regulatory compliance;
- (e) monitoring senior management's performance and implementation of strategy;
- (f) approving and monitoring financial and other reporting;
- (g) overall corporate governance of CBio including the strategic direction, establishing goals for management and monitoring the achievement of these goals; and
- (h) oversight of the Audit & Risk Management Committee.

Responsibility for the operational conduct of the Company's business has been delegated to the Chief Executive Officer who reports to the Board.

Composition of the Board

The CBio Board has eight Directors, comprising three executive Directors (including the Chairman) and five non-executive Directors. Subsequent to the balance date, Dr Dennis Feeney resigned his executive position with the Company effective from 30 September 2010. Dr Feeney will remain on the Board as a non-executive Director after that date. Details of each Directors skills and experience are set out in the Director's Report.

Directors (except for the Chief Executive Officer) are subject to re-election by rotation at annual general meetings as stipulated by the Corporations Act 2001 and the Company's constitution. There are no maximum terms for Non-Executive Director appointments. Newly elected Directors must seek re-election at the first general meeting of shareholders following their appointment.

corporate governance statement

The Board assesses Director Independence on an annual basis, or as it feels necessary, depending on disclosure made by individual Directors.

The Board considers Dr Peter Corr and Professor John Funder to be independent Directors.

Due to the early stage of development of CBio, the Company does not believe it appropriate to maintain a structure where there is a majority of independent Directors. The Company's Directors include some of the founders of the Company and significant shareholders. As the Company grows and the valuation of the Company's intellectual property increases, the structure of the Board will change and greater levels of independence will be achieved.

The Chairman runs the Board in such a manner as to facilitate the effective contribution of all Directors and promote constructive and respectful relations among Board members and between Board and management. To ensure that the principles inherent in good Board practice are adhered to, the Chairman implements the following:

- (a) Proper meeting procedure ensuring that all members of the Board are given a proper opportunity to put forward views and discuss in a constructive and robust environment. This ensures that effective communication and contribution can be achieved.
- (b) The requirement that detailed Board papers be prepared and distributed, ensuring that Board members are fully informed on relevant issues in a timely manner.
- (c) If a potential conflict of interest arises, the Director concerned does not receive the relevant Board papers and leaves the Board meeting while the matter is being considered. Directors must advise the Board immediately of any interests that could potentially conflict with those of CBio.

The roles of the Chairman and Chief Executive Officer are exercised by different individuals, providing for clear division of responsibility at the head of the Company. Their roles and responsibilities, and the division of responsibilities between them, are clearly understood and there is regular communications between them.

The Board does not undertake a structured process to review its performance as a whole or that of individual Directors. The performance of individual Directors is monitored on an informal basis by the Board as a whole and is facilitated by robust and open communications between all Directors.

Non-executive Directors are permitted to participate in the share option plans of the Company. The provision of equity awards is a means by which the Company is able to attract and retain suitably qualified non-executive Directors, and given the size and stage of development of the Company, the Board considers this to be appropriate. Where required, any equity awards issued to non-executive Directors are approved by shareholders.

Ethical and responsible decision making

The Board and management ensure that the business processes of CBio are conducted according to sound ethical principles. The Board has established a formal code of conduct in this regard for Directors, management and staff.

The objective of this code is to give Directors, management and staff directions to follow when performing their duties, to enable them to achieve the highest possible standards in meeting their obligations.

The Board has established a share trading policy which applies to all Directors, management and staff. The policy permits trading in company securities within the parameters allowed by the relevant laws and regulations, including the Corporations Act 2001 and ASX Listing Rules.

The Company Secretary reports monthly to the Board on share trades conducted by Directors, management and staff to ensure that the Board is fully aware of any such trading and that it is conducted in a manner in which the Board believes is appropriate and inline with good governance practices.

corporate governance statement

Risk management

The Board, together with the Audit & Risk Management Committee, is responsible for satisfying itself that the Company's risk management systems are effective, and for ensuring that:

- (a) The principal strategic, operational and financial risks are identified;
- (b) Effective systems are in place to monitor and manage risks; and
- (c) Reporting systems, internal controls and arrangements for monitoring compliance with laws and regulations are adequate.

In addition to maintaining appropriate insurance and other risk management measures, the Board has taken the following steps to identify risks:

- (a) Established a management-based Occupational Health & Safety committee to monitor and act on health & safety matters;
- (b) Implemented policies in relation to the protection of the company's intellectual property; and
- (c) Implemented procedures requiring significant capital and revenue expenditure is approved at an appropriate level of management or by the Board.

The identified risks are monitored by regular reports to the Board and, where appropriate, by management presentations to the Board and to the Audit & Risk Management committee during the year. The Board determines the Company's risk profile and is ultimately responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

The tasks of undertaking and assessing risk management and internal control effectiveness are delegated by the Board to management through the CEO, including responsibility for the day to day design and implementation of the Company's risk management and internal control system. Management then reports to the Board on the Company's key risks and the extent to which it believes these risks are being managed and adequate systems are in place.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include:

- (a) Board approval of a strategic business plan, designed to meet stakeholder needs and manage business risk; and
- (b) Implementation of Board approved budgets and operating plans and Board monitoring of progress against these budgets.

The key operational risks faced by CBio Limited include (but are not limited to):

- (a) Scientific or clinical trial failure;
- (b) Changes in technology which make CBio's technology redundant or uncommercial;
- (c) Increasing costs of operation;
- (d) Changes to market or regulatory environments; and
- (e) Timely availability of new capital.

The Company's policy on the hedging of risk associated with equity awards is disclosed on page 24 of the Directors' Report.

corporate governance statement

Board Committees

1. Audit and Risk Management Committee

The Audit and Risk Management Committee operates to an approved Charter, which governs responsibilities of the Committee and provides a forum for the effective communication between the Board and the external auditors. The Audit and Risk Management Committee reviews the annual and half-yearly financial statements prior to their approval by the Board and release to the ASX, the effectiveness of management information systems and systems of internal control, and the efficiency and effectiveness of the external audit functions.

Membership of the committee currently comprises:

- (a) Stephen Jones (Executive Chairman); and
- (b) Dr. Michael Monsour (Non-Executive Director).

The Audit & Risk Management Committee generally invites the Chief Executive Officer, the Chief Financial Officer and External Auditor to attend meetings. The Chief Executive Officer and Chief Financial Officer sign a statement to the half yearly and yearly accounts to the effect that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and operational results, and are in accordance with the relevant accounting standards.

2. Nomination & Remuneration Committees

Due to the Board size and structure, the Company has not established a Nomination or a Remuneration committee. All matters relating to the nomination of new Directors and remuneration of Directors and management are dealt with by the Board as a whole.

Particulars concerning Directors and Executives remuneration are set out in the Directors Report.

Reporting to stakeholders

The Board is committed to keeping shareholders and other legitimate stakeholders informed in a timely manner of material developments that affect the Company.

All Company announcements are posted on the Company's website after release to ASX. The Company Secretary is responsible for communications with the ASX.

The Company website is regularly updated with current information in relation to the activities of the Company and CBio encourages stakeholders to receive regular electronic communications.

While the Board does not have a formal disclosure policy, the ASX continuous disclosure obligations are known and understood by the Board and continuous disclosure requirements are discussed at each Board meeting. Regular communications between the Company Secretary, management and the Chairman ensure continuous disclosure obligations are met.

The Company holds general meetings at an appropriate time and place in order to facilitate attendance by as many shareholders as possible. The Company encourages all shareholders to participate in such meetings.

directors' report

Your Directors present their report for the financial year ended 30 June 2010.

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr Stephen Jones, Executive Chairman
(Appointed 11 October 2000)

Stephen Jones is a founding Director of CBio and was appointed its chairman in 2000. Mr Jones has extensive hands-on management experience in corporate recovery and reconstruction – including for International Card Systems Australia Limited (a credit card provider); Greyhound Pioneer Australia Limited (transport and tourism); and Bresagen Limited (biotechnology). He has been involved with several public capital raisings totalling in excess of \$100 million.

Mr Jones is a non-executive Director of Injet Digital Aerosols Ltd and Australia Biofund Investment Limited (Hong Kong); and is chairman of Australian Technology Innovation Fund Limited.

Previously, Mr Jones was a Director of the listed companies Greyhound Pioneer Australia Limited, Analytica Limited, Psiron Limited and Bresagen Limited, and of Fortune Advanced Technologies Pty Ltd, Retirewise Capital Australia Ltd, Ingot Capital Management Pty Ltd, and other funds management and venture capital companies. Mr Jones is a member of the Audit & Risk Management Committee.

During the past three years, Mr Jones has not served as a Director of another listed company.

Mr Jason Yeates, Managing Director and Chief Executive Officer
(Appointed 5 October 2007)

Jason Yeates has direct responsibility for the continued transition of CBio from a medical research company to a listed early-stage drug development company. In particular, Jason oversees the strategic planning involved in the commercial and clinical development of CBio's key product XToll® and its targeted use as a treatment for chronic autoimmune diseases such as rheumatoid arthritis. Jason joined CBio in 2004 and soon after was named Chief Operating Officer before being appointed CEO in 2006. A year later he was named Managing Director. Jason has held senior financial and commercial positions in Australia, Europe, and Asia with significant experience gained in mergers and acquisitions, fundraising, commercialisation, sales & marketing and business management. Before joining CBio, he was Asia-Pacific Finance Director with MCI Limited during the company's successful expansion into Asia and held the same position at Asia Global Crossing Limited. Earlier commercial management and accounting expertise was gained in the United Kingdom in roles at Harrods, Paramount/Universal and Rutland Trust. Jason holds a Bachelor of Business from Queensland University of Technology. Mr Yeates was a member of the Audit & Risk Management Committee until November 2009.

During the past three years, Mr Yeates has not served as a Director of another listed company.

Dr Göran Ando, Non-Executive Director
(Appointed 5 October 2007)

Dr Göran Ando qualified as a medical doctor and a specialist in general medicine from Linköping Medical University in Sweden. He is a founding fellow of the American College of Rheumatology in the United States. From 1989 until 1995, Dr Ando was medical Director and later R&D Director of Glaxo Group in the United Kingdom. From 1995 until 2003 he was executive vice-president and then president of R&D with Pharmacia (Pfizer) and from 2003 until 2004, CEO of Celltech Group plc in the United Kingdom. Dr Ando also previously served as Chairman of the Board of Novoxel S.A. He is Vice-Chairman of the Boards of Novo Nordisk A/S and S*Bio Pty; and is a member of the Boards of Novo A/S and NicOx S.A. Dr Ando also serves as a senior advisor to

directors' report

Essex Woodlands Health Ventures UK Ltd and is a board member of Molecular Partners (Zurich Switzerland since 2010), EUSA Pharma Ltd (UK) (appointed 2008) and Archimedes Pharma (UK) (appointed 2010).

During the past three years, Dr Ando has served as a Director of the following listed companies:

Novo Nordisk A/S (Denmark)- appointed a Director and subsequently Vice Chairman.

NicOx S.A. (France)- appointed a Director.

Dr Peter B. Corr, Non-Executive Director
(Appointed 30 October 2007)

Dr Peter B. Corr is Co-Founder and Managing General Partner, Celtic Therapeutics, a private equity firm focused on the development of innovative therapeutics. Prior to that appointment Dr Corr served as Senior Vice-President for Science and Technology at Pfizer Inc from 2002 to 2007. Before assuming that role, Dr Corr served as Executive Vice-President, Pfizer Global Research & Development; and President, Worldwide Development. Prior to joining Pfizer in 2000, he was President of Pharmaceutical Research and Development at Warner Lambert/Parke Davis until the merger with Pfizer. Earlier, he served as Senior Vice-President, Discovery Research, at Monsanto/Searle.

Dr Corr, who received his doctorate from Georgetown University School of Medicine, spent 18 years as a researcher in molecular biology and pharmacology at Washington University in St Louis. When he left the university, Dr Corr was Professor, Department of Medicine (Cardiology) and Professor, Department of Pharmacology and Molecular Biology. His research has been published in more than 160 scientific manuscripts. Dr Corr is the recipient of numerous awards, including membership in the Alpha Omega Alpha National Medical Honorary Society, an Established Investigator Award from the American Heart Association and a Research Career Development Award from the National Institutes of Health. He received the Washington University School of Medicine Teacher of the Year Award and, in 1990, the Washington University Distinguished Faculty Award. In 2004, Dr Corr was named a William Pitt Fellow at Pembroke College, Cambridge University.

Dr Corr served on the Board of Regents of Georgetown University, and was Chairman of the Board of Trustees of the New York Academy of Sciences and is currently on the Boards of Furiex Pharmaceuticals, the Critical Path Institute (C-Path) and the International Partnership for Microbicides (incoming Chairman).

In the past three years, Dr Corr has served as a director of the following listed companies:

Furiex Pharmaceuticals (USA)- appointed a Director.

Professor John Funder, AO, Non-Executive Director
(Appointed 5 October 2007)

Professor John Funder, AO, is currently Professor of Medicine at Monash University, Senior Fellow at Prince Henry's Institute of Medical Research, a Professorial Associate at the Centre for Neuroscience at the University of Melbourne and an Honorary Professor at the Institute for Molecular Biosciences at the University of Queensland. He holds an Honorary Appointment at the Institute for Molecular Biosciences, University of Queensland. Professor Funder has worked for over 40 years in endocrinology with particular interests in steroid hormones and receptors, and hormonal mechanisms in hypertension and heart failure. He has been a member of advisory panels, including PIIP and P3 for the Commonwealth Government, and has had a number of roles in Victoria, including chairing the Victorian Health Promotion Foundation and the Hospitals Admission Risk Program (HARP).

He has published over 500 scientific papers, maintains an active research program with collaborations in Melbourne, Sydney, San Francisco, St. Louis and Toronto, and acts as a consultant for a number of international pharmaceutical firms in Australia, Europe, Japan and the United States.

During the past three years, Professor Funder has not served as a Director of another listed company.

directors' report

Dr Michael Monsour, Non-Executive Director
(Appointed 31 January 2007)

Dr Michael Monsour is a medical practitioner with business interests in Queensland-based medical centres. He operates a medical management company that provides management support to medical practitioners, and is also one of Australia's leading providers of software systems for occupational health and safety and medical accounting.

Dr Monsour is the chairman of the unlisted entity InJet Digital Aerosols Limited and is also a Director of Australian Technology Innovation Fund Limited and the Australia Biofund Investment Limited (Hong Kong). Dr Monsour was appointed to the Audit & Risk Management Committee in November 2009.

During the past three years Dr Monsour has also served as a Director of the following listed company:

Analytica Limited- appointed as a Director (2004) and subsequently as Chairman (2006).

Dr Dennis Feeney, Executive Director and President Global Development and Licensing
(Appointed 5 October 2007)

Dr Dennis Feeney joined CBio as Chief Scientific Officer in 2003, was appointed President of Global Development and Licensing in 2006, and was appointed a member of the Board in 2007. Dr Feeney has worked for over 15 years in the senior management roles of international pharmaceutical industry companies including Sandoz, Marion Merrell Dow and Pharmacia. During this period, Dr Feeney held key corporate functional responsibilities for all Phases of clinical research (Phase I to Phase IV), regulatory affairs, health economics and medical services at domestic, regional and international levels. He has served as a member of the Executive Board of Management and corporate officer at Pharmacia. Dr Feeney has held responsibilities for strategic marketing and sales; human resource management; financial planning and accountability; and legal and corporate affairs. Previously, Dr Feeney served on the Board of Psiron Limited (now Viralytics).

Dr Feeney resigned from his executive position with the Company effective from 30 September 2010. He will remain on the Board as a non-executive Director.

During the past three years Dr Feeney has not served as a Director of another listed company.

Mr Stephen Streeter, Non-Executive Director
(Appointed 25 November 2005)

Stephen Streeter is an institutional stockbroker with 22 years experience. He has been Director and Head of Sales for a number of broking firms including James Capel Australia, E L & C Baillieu, CIBC World Markets and ABN Amro Australia. Mr Streeter holds the position of Executive Director Equities, Novus Capital Limited, and is non-executive Director of Australia Biofund Investment Limited (Hong Kong) and Australian Technology Innovation Fund Limited.

During the past three years Mr Streeter has not served as a Director of another listed company.

directors' report

DIRECTORS RELEVANT INTERESTS IN CBIO SECURITIES

In accordance with s300(11) of the Corporations Act 2001, the relevant interests of the Directors in the shares and options of CBio Limited, as at the date of this report were:

	Number of Ordinary Shares	Options
S Jones (i)	1,614,559	300,000
P Corr	-	1,000,000
G Ando	-	1,000,000
J Funder	100,000	1,000,000
M Monsour (i)	5,741,100	3,104,000
S Streeter (i)	256,589	1,550,000
J Yeates	-	2,000,000
D Feeney	-	1,800,000

(i) In addition to the holdings listed above, Mr Jones, Dr Monsour & Mr Streeter have relevant interests in the CBio Limited shareholders Australian Technology Innovation Fund limited and Australian Biofunds Investments Limited. These entities held 368,755 and 234,280 shares respectively at the date of this report..

COMPANY SECRETARY

Mr. Ben Graham (appointed 8 August 2007)

Ben Graham commenced with CBio in 2005 and was appointed Company Secretary in 2007. He is a qualified Accountant with nine years experience in senior financial positions in the bio-pharmaceutical and medical device industries. Ben is experienced in the administration of both listed and non-listed public companies.

PRINCIPAL ACTIVITIES

The principal activities during the year of the company were research, product development and clinical trials of the therapeutic drug XToll® and development of variants to the Company's Cpn10 technology.

OPERATING RESULTS AND DIVIDENDS

The loss after tax of the company for the year ended 30 June 2010 was \$16,787,189 (2009:\$ 12,747,758 (loss)). A significant proportion of the loss was non cash in nature and comprised the expensing of options and non-cash interest expense. No dividend was proposed or paid.

REVIEW OF OPERATIONS

A review of the operations of CBio during the year ended 30 June 2010 is set out in the CEO review.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

All significant changes in the state of affairs of the Company that occurred during the financial year are discussed in the CEO Review.

directors' report

DIRECTORS' MEETINGS

Board meetings are generally scheduled six times per year, while comprehensive Board Papers are circulated to Directors each month. During the year, the Board held 5 meetings. The Audit & Risk Management Committee met once.

The attendances of Directors at meetings of the Board and its Audit & Risk Management Committee were:

	Board of Directors		Audit & Risk management Committee	
	Held	Attended	Held	Attended
S Jones	5	5	1	1
P Corr	5	4	-	-
G Ando	5	5	-	-
J Funder	5	5	-	-
M Monsour	5	4	-	-
J Yeates	5	5	1	1
D Feeney	5	5	-	-
S Streeter	5	4	-	-

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The following convertible note, share and option issues were made subsequent to the balance date pursuant to the funding agreement with SpringTree Special Opportunities Fund, LP:

- 1) 15 July- issued 637,213 shares and 127,443 options as repayment of \$150,000 convertible note issued in June 2010. Note conversion price was \$0.2354 per share. The options have an exercise price of \$0.306 and an expiry date of 15 July 2015.
- 2) 20 July- issued \$150,000 convertible note maturing 16 August 2010
- 3) 16 August 2010- issued of 833,333 shares and 166,667 options as repayment of the note issued on 20 July 2010. Note conversion price was \$0.18 per share. The share options were issued with an exercise price of \$0.234 and an expiry date of 16 August 2015.
- 4) 19 August 2010- issued \$150,000 convertible note maturing 16 September 2010. This note was repaid in cash on 15 September 2010.
- 5) 17 September 2010- issued \$150,000 convertible note maturing 16 October 2010.

In July the Company issued 28,670 shares to a financial advisor in lieu of the payment of commission on the \$150,000 Convertible Note converted to equity by SpringTree Special Opportunities Fund LP on 15 July.

On 3 September the Company announced completion of recruitment into the 150 patient into the phase IIa RA clinical trial.

On 15 September the Company announced the intention of Dr Dennis Feeney to resign as an executive of the Company effective from 30 September 2010. Dr Feeney will remain on the Board as a non-executive Director.

On 27 September the Company announced the provision of a \$300,000 loan facility to the Company by entities associated with Dr Monsour. No funds had been drawn under this facility as at the date of signing this report.

On 27 September the Company issued a Rights Issue Information Booklet to raise up to \$9.3 million. The offer will close on 27 October 2010.

directors' report

FUTURE DEVELOPMENTS

The likely developments in the operations of the Company and the expected results from those operations in future financial years are as follows:

- (a) completion of a 150-patient Phase IIa clinical trial in Rheumatoid Arthritis;
- (b) further research into the understanding of the mode of action of Cpn10;
- (c) further activities supporting and strengthening CBio's IP position; and
- (d) further commercialisation and licensing discussions and capital raising initiatives.

SHARE OPTIONS

Unissued Shares

As at the date of this report there were 33,027,107 unissued ordinary shares under options (32,732,997 at the balance date). Refer to Note 20 for further details of the options outstanding. These options relate to the employee, Director and other persons options scheme, as well as options issued pursuant to a Convertible Loan Agreement.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate.

At balance date there were also a further 5,125,000 potential options which may be issued on conversion of convertible notes to equity.

Additional shares and options may be issued under the SpringTree facility as disclosed in Note 12 (i). The facility is a \$12.45 million AUD facility. Given the formula required to determine shares and options to be issued relies on future share prices, estimates of issuable shares and options cannot be made and will depend on future use of the facility.

Post 30 June 2010 the continued issuance and conversion of convertible notes increased the number of options issued by 294,110.

Shares Issued as a Result of the Exercise of Options

During the financial year, there were no share options exercised by any party.

ENVIRONMENTAL ISSUES

The Company's operations are not subject to significant environmental regulation under the law of the Commonwealth or State.

CORPORATE STRUCTURE

CBio Limited is an entity incorporated and domiciled in Australia. CBio is listed on the Australian Securities Exchange. CBio's ASX code is CBZ.

The Company had 25 full-time equivalent employees as at 30 June 2010 (2009: 29).

directors' report

REMUNERATION REPORT (AUDITED)

This remuneration report summarises the remuneration arrangements applicable to key management personnel of the Company in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The information provided in this report has been audited as required by section 308(C) of the Corporations Act 2001.

Key Management Personnel

For the purposes of this report, key management personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, and include:

- (a) All executive and non-executive Directors of CBio Limited; and
- (b) Those executives who have the authority and responsibility for planning, directing and controlling the activities of the Company.

The Company has determined that the only non-Director executive who meets the criteria for a KMP is the Chief Financial Officer, Mr. James Greig.

Details of the KMP of the Company are set out below.

Mr. S Jones	Executive Chairman,
Mr. J Yeates	Managing Director and CEO,
Dr. G Ando	Non-executive Director,
Dr. P Corr	Non-executive Director,
Prof. J Funder	Non-executive Director,
Dr. M Monsour	Non-executive Director,
Dr. D Feeney	Executive Director,
Mr. S Streeter	Non-executive Director; and
Mr. J Greig	Chief Financial Officer.

In accordance with the requirements of the Corporations Act 2001, remuneration details for the Company Secretary, Mr. Ben Graham, are also included in the Remuneration Report, as a group executive of the Company.

Board Remuneration Responsibilities

The Board has various responsibilities in relation to the Company's human resource and remuneration framework. Owing to its size and stage of development, the Board has not established a formal Remuneration Committee. Instead, the Board as a whole is responsible for all matters relating to remunerations which would otherwise be attended to by a remuneration committee.

The Board is responsible for reviewing and approving policy recommendations from the CEO in relation to employee remuneration. Such policy should aim to set remuneration which:

- (a) Is competitive, equitable and designed to attract and retain high quality employees;
- (b) Motivates executives to pursue the long-term growth of the Company; and
- (c) Establishes a clear relationship between executive's performance and their remuneration.

directors' report

Director Remuneration

The Company sets Director remuneration levels in accordance with its Constitution. Any increases to this sum in the future are subject to shareholder approval at a general meeting.

Subject to the aggregate remuneration cap, Director fees are set at levels which:

- (a) Enable the Company to attract and retain suitably qualified Directors with appropriate experience and expertise; and
- (b) Have regard to Director's Board responsibilities and their individual roles on Board committees.

In addition to the payment of Director fees, the Company's constitution provides that the Board may approve additional amount of remuneration to individual Directors for extra services rendered from time to time. It also provides that Directors can be reimbursed for reasonable expenses incurred by them in the course of discharging their duties.

Due to the current nature of the Company's operations, it is not appropriate that Director fees be linked to the Company's financial performance.

Executive Remuneration

In order to attract and retain high calibre employees, the Company aims to provide each individual executive with a market competitive remuneration package that is commensurate with their position and responsibilities and which is geared towards aligning their interests with those of shareholders. As such, executive remuneration packages include a fixed element and at-risk elements in the form of long-term equity based incentives. The Company may make discretionary payments to key management personnel and other staff, although it does not have a formal policy on the payment of discretionary amounts.

Fixed Remuneration

An executive's fixed remuneration comprises cash salary as well as benefits the executive has elected to receive in lieu of salary including of any associated costs such as fringe benefits tax and mandatory superannuation.

Long Term Incentives

Long-term incentives are reserved for key management personnel (and employees) who have performed to a required performance level and who are regarded as being of strategic and/or operational importance to the Company. The issue of long-term incentives increases the market competitiveness of remuneration packages and facilitates the attraction and retention of high calibre executives and employees.

The Company currently offers long-term incentives in the form of share options, under an Employee Share Option Plan (ESOP). Details of share options issued during the year are set out in Note 20 of the Financial Report.

Employment Contracts- Non Executive Directors.

Non-executive Directors are subject to ordinary election and rotation requirements as stipulated in the ASX Listing Rules and the Company's constitution. Accordingly, there are no specific employment contracts with non-executive Directors.

Employment Contracts- Key Management Personnel

All executive key management personnel are employed under individual service contracts. Each contract outlines key terms of employment, including the executives fixed remuneration. It is the Company's general practice that

directors' report

employment contracts do not have a fixed term. No benefits are payable on termination other than accrued statutory entitlements.

Key management personnel may terminate their contract with the Company following the provision of the required notice period stipulated in their employment contract. Notice periods vary depending on the period of service and the level of seniority of the executive. An executives employment may also be terminated by the Company without notice and without payment in lieu for serious misconduct and breach of contract.

Remuneration received by key management personnel is not linked to the performance of the Company.

However, to align Directors and executives interests with shareholder interests, Directors and executives are encouraged to hold shares in the company and are able to participate in the Company's share option plans.

Directors Remuneration

	Short-Term		Post Emplo- yment Superann- uation	Termi- nation Benefit	Share- Based Payment Value of Options	Total
	Salary & Fees	Other				
2010	\$	\$	\$	\$	\$	\$
S Jones (i)	75,000	-	1,260	-	-	76,260
P Corr (ii)	100,000	-	-	-	-	100,000
G Ando	50,000	-	-	-	-	50,000
J Funder	50,000	-	-	-	-	50,000
M Monsour	50,000	-	4,500	-	-	54,500
S Streeter	50,000	-	-	-	-	50,000
J Yeates	300,000	75,000(iv)	27,000	-	67,094 (iii)	469,094
D Feeney	280,000	-	-	-	67,094 (iii)	347,094
	955,000	75,000	32,760	-	134,188	1,196,948
2009						
S Jones (i)	75,000	-	1,260	-	-	76,260
P Corr	50,000	-	-	-	-	50,000
G Ando	50,000	-	-	-	-	50,000
J Funder	50,000	-	-	-	-	50,000
M Monsour	59,000	-	4,500	-	-	63,500
S Streeter	56,318	-	-	-	-	56,318
J Yeates	300,000	-	27,000	-	300,884	627,884
D Feeney	280,000	-	-	-	231,884	511,884
	920,318	-	32,760	-	532,768	1,485,846

(i) Details of consulting fees paid to entities associated with Mr Jones are disclosed in Note 22.

(i) Dr Corr received Director Fees of \$50,000 during the year in relation to a prior period.

(iii) Accounting expense relating to share options issued in prior periods.

(iv) Discretionary payment

directors' report

Executive Remuneration

	Short-Term		Post Employ- ment	Termi- nation enefit	Share Based Payment	Total
	Salary & Fees	Other	Superannu- ation		Value of Options	
2010	\$	\$	\$	\$	\$	\$
J Greig	220,000	50,000(ii)	19,800	-	13,319 (i)	303,119
B Graham	119,154	-	10,717	-	-	129,871
	339,154	50,000	30,517	-	13,319	432,990
2009						
J Greig	220,132	-	19,800	-	277,643	517,575

(i) Accounting expense relating to share options issued in prior periods.

(ii) Discretionary payment

No percentage of Director or executive remuneration was at risk.

Remuneration and CBio Limited Performance

No remuneration in 2010 or 2009 was related to the financial performance of CBio Limited. Remuneration is not linked to financial performance as CBio is in research and development. Relative movements in Basic EPS, Net tangible assets per share and Dividend per share for the last four years presents as follows:

	2006	2007	2008	2009	2010
Earnings/(Loss) Per Share (cents per share)	(51.93)	(61.74)	(73.44)	(32.06)	(24.90)
Net tangible assets per share (cents per share)	19.28	2.70	(8.52)	(28.23)	(0.06)
Dividend per share (cents per share)	-	-	-	-	-

The closing share price for the Company on 30 June 2010 was \$0.265.

Options issued as part of remuneration for the year ended 30 June 2010

Options are issued to Directors and executives as remuneration. Options are not issued based on performance criteria, but are issued to increase goal congruence between executives, Directors and shareholders.

There were no options granted to key management personnel as remuneration in the year ended 30 June 2010.

directors' report

Options granted to key management personnel as remuneration in the year ending 30 June 2009 are shown in the table below.

2009	No. Vested During Year	No. Granted During Year	Grant Dates	Value per Option at Grant Date	Terms & Conditions for Each Grant		
					Exercise Price	First Exercise Date	Expiry Date
S Jones	-	-	-	-	-	-	-
P Corr	-	-	-	-	-	-	-
G Ando	-	-	-	-	-	-	-
J Funder	-	-	-	-	-	-	-
M Monsour	-	-	-	-	-	-	-
S Streeter	-	-	-	-	-	-	-
J Yeates	500,000	500,000	11/07/08	\$0.345	\$1.00	11/07/08	31/12/12
D Feeney	300,000	300,000	11/07/08	\$0.345	\$1.00	11/07/08	31/12/12
J Greig	464,800	464,800	11/07/08	\$0.345	\$1.00	11/07/08	31/12/12
	<u>1,264,800</u>	<u>1,264,800</u>					

Details of shares and options held by Key Management Personnel can be found in Note 19.

Hedging of equity awards

The Company may, from time to time, issue equity awards to Directors, executives and employees as part of their remuneration. These equity awards include the issue of share options. While the Board does not currently prohibit executives, Directors and employees from entering into arrangements to protect the value of unvested share options, any such arrangements are expected to be undertaken within the bounds of the Company's Share Trading Policy, satisfy regulatory requirements and operate in the spirit of good governance and accepted industry practice.

INDEMNITY

In accordance with the constitution of CBio Limited:

Every Director, Secretary, Manager, Accountant, Trustee or other person employed in the business of the Company shall be indemnified by the company against, and it shall be the duty of the Directors out of the funds of the company to pay, all costs, losses and expenses for which any such Director, Secretary, Manager, Accountant, Trustee or other person as aforesaid may become liable by reason of any contract entered into or act or deed done by him as such Director, Secretary, Manager, Accountant, Trustee or servant in any way in the proper discharge of his duties, unless such costs, losses and expenses shall be caused or contributed to by his own negligence, default, breach of duty or breach of trust. CBio Limited has appropriate Directors and officers insurance. A premium was paid in the period, however details of this premium are confidential.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

directors' report

NON-AUDIT SERVICES

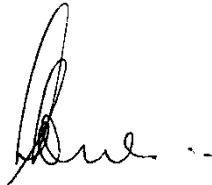
During the year, the Company's auditors have performed a number of non-audit services. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The details of the services provided and their costs are as follows:-

- IPO related services	96,063
- other services	23,500
	<hr/>
	119,563
	<hr/>

AUDITOR'S INDEPENDENCE DECLARATION

A statement of independence has been provided by our auditors, Ernst & Young, and is included in the attached financial report.

Signed in accordance with a resolution of Directors



Mr Stephen Jones
Executive Chairman

Date: 30 September 2010

statement of comprehensive income

for the year ended 30 June 2010

	Note	2010 \$	2009 \$
Continuing Operations			
Interest received		85,261	20,712
Rental Revenue		140,260	143,501
Total revenue		225,521	164,213
Fair value movement of derivative		569,583	144,331
Government grants		-	1,142,108
Other income		24,666	35,061
Capital raising costs	5a	(1,764,430)	(180,038)
Borrowing costs expense	5b	(3,173,145)	(395,467)
Administration & corporate expenses		(1,766,199)	(1,311,062)
Depreciation & amortisation	5c	(232,689)	(268,342)
Staff costs	5d	(3,293,734)	(3,379,734)
Rent & occupancy expense		(572,653)	(593,891)
Share based payment expense		(373,655)	(1,455,551)
Research and development costs	5e	(5,429,117)	(5,544,365)
Patent costs		(293,920)	(554,714)
Business development		(707,417)	(550,307)
Loss before income tax from continuing operations		(16,787,189)	(12,747,758)
Income tax expense	6	-	-
Loss from continuing operations after income tax		(16,787,189)	(12,747,758)
Other comprehensive income		-	-
Total comprehensive income for the year		(16,787,189)	(12,747,758)
(Loss)/gain per share (cents per share)			
Basic/Diluted – Continuing operations	17	(24.90)	(32.06)

The Statement of Comprehensive Income is to be read in conjunction with the notes to the Financial Statements.

statement of financial position

as at 30 June 2010

	Notes	2010 \$	2009 \$
Current assets			
Cash and cash equivalents	18a	3,433,448	40,335
Trade and other receivables	7a	55,807	14,765
Other current assets	8	271,403	51,024
Total current assets		3,760,658	106,124
Non-Current Assets			
Property, plant and equipment	9	232,856	454,826
Trade and other receivables	7b	155,967	150,000
Intangible assets	10	-	-
Other non-current assets	8	338,148	-
Total Non-Current Assets		726,971	604,826
Total Assets		4,487,629	710,950
Current Liabilities			
Trade and other payables	11	2,195,305	5,977,398
Financial liabilities	12a	3,616,921	820,441
Short-term provisions	13a	158,851	151,982
Unearned income	14	3,182,848	2,086,158
Total current liabilities		9,153,925	9,035,979
Non-Current Liabilities			
Long-term provisions	13b	110,597	74,646
Financial liabilities	12b	-	2,405,136
Total Non-Current Liabilities		110,597	2,479,782
Total Liabilities		9,264,522	11,515,761
Net Deficiency		(4,776,893)	(10,804,811)
Equity			
Issued Capital	15	68,291,037	47,947,588
Reserves	16	19,099,898	16,628,240
Accumulated Losses		(92,167,828)	(75,380,639)
Total Deficiency in Equity		(4,776,893)	(10,804,811)

The Statement of Financial Position is to be read in conjunction with the notes to the Financial Statements.

statement of changes in equity

for the year ended 30 June 2010

	Note	2010 \$	2009 \$
ISSUED CAPITAL			
Balance at 1 July		47,947,588	45,306,148
Gross issue of share capital		22,308,111	2,884,300
Cost of capital raising		(1,964,662)	(242,860)
Balance at 30 June	15	<u>68,291,037</u>	<u>47,947,588</u>
ACCUMULATED LOSSES			
Balance at 1 July		(75,380,639)	(62,632,881)
Loss for the year		(16,787,189)	(12,747,758)
Other comprehensive income		-	-
Total comprehensive income for the year		<u>(16,787,189)</u>	<u>(12,747,758)</u>
Balance at 30 June		<u>(92,167,828)</u>	<u>(75,380,639)</u>
RESERVES			
Balance at 1 July		16,628,240	14,101,394
Net convertible note issuance/conversion to equity		2,098,003	1,072,295
Equity-based compensation		373,655	1,454,551
Balance at 30 June	16	<u>19,099,898</u>	<u>16,628,240</u>

The Statement of Changes in Equity is to be read in conjunction with the notes to the Financial Statements.

statement of cash flows

for the year ended 30 June 2010

	Notes	2010 \$	2009 \$
Cash flows from/(used in) operating activities			
Payments to suppliers and employees		(16,375,922)	(9,809,722)
Grant income received		-	1,245,880
Cash received in the course of operations		1,549,259	2,160,688
Interest received		85,261	20,712
Interest paid		(460,633)	(124,836)
Net cash used in operating activities	18b	(15,202,035)	(6,507,278)
Cash flows from/(used in) investing activities			
Bank guarantee deposit		-	31,597
Purchase of Plant and equipment		(10,719)	(60,476)
Net cash (used in)/provided by investing activities		(10,719)	(28,879)
Cash flows from/(used in) financing activities			
Proceeds from issue of shares		15,066,717	2,693,735
Proceeds from issue of convertible notes		5,550,000	3,210,000
Repayment of borrowings		(146,000)	(24,000)
Share issue costs		(2,240,965)	(141,610)
Proceeds from borrowings		376,115	802,000
Net cash provided by financing activities		18,605,867	6,540,125
Net increase/(decrease) in cash held		3,393,113	3,968
Cash at beginning of the financial period		40,335	36,367
Cash at the end of the financial period	18a	3,433,448	40,335

The Statement of Cash Flows is to be read in conjunction with the notes to the Financial Statement

notes to the financial statements

for the year ended 30 June 2010

1. CORPORATE INFORMATION

The financial report of CBio Limited for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on 30 September 2010.

CBio Limited is a company limited by shares incorporated in Australia whose shares have been publicly traded on the Australian Securities Exchange (ASX) since its listing on 15 February 2010.

The nature of the operations and principal activities of the Company are described in the Directors' report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) General

Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards as issued by the Australian Accounting Standards Board.

As at 30 June 2010 there were no Australian Equivalents to International Accounting Standards or applicable pronouncements issued and not yet effective that are expected to have a material impact on the financial results or position of the Company.

b) Basis of Accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value.

New accounting standards and interpretations, including those issued but not yet effective, are detailed in Note 26. The effect of adopting new standards and interpretations are also disclosed at Note 26.

c) Going Concern

The report has been prepared on a going concern basis. The Company incurred an operating loss after income tax of \$16,787,189 (2009: \$12,747,758) for the year ended 30 June 2010. At 30 June 2010 the Company has net current liabilities of \$5,393,267 (2009: \$8,929,855) and an excess of liabilities over total assets of \$4,776,893 (2009: \$10,804,811). These conditions give rise to significant uncertainty as to whether the Company will be able to continue as a going concern and be able to pay its debts as and when they fall due.

The Directors believe that the going concern basis is appropriate due to a strong history of capital raising, current capital raising initiatives underway and the positive clinical results to date. The success of future capital raisings for CBio Limited will depend on the Company achieving positive results in the future clinical trials.

The Company listed on the Australian Securities Exchange in February 2010. This listing provides CBio with access to capital in a more timely manner from a wider pool of potential retail and institutional investors.

notes to the financial statements

for the year ended 30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

CBio's ongoing research & development program will require additional funding to be raised over the next 12 months. The Directors have already commenced raising these funds and subsequent to the balance date issued a Rights Issue Information Booklet to raise up to \$9.3m. Further, the Company has access to a \$12.45 million funding facility through to May 2013. The Company received \$350,000 via this facility during the year, with a potential \$11.9 million available over the remainder of the facility term as at 30 June 2010. The Company has received a further \$450k under this facility subsequent to the balance date, and as at the date of signing this report a further \$10.85 million is available over the remaining facility term.

Additionally, CBio has an agreement with Novo Nordisk A/S in connection with its Cpn10 asset. USD\$1 million was received by the company in relation to this agreement during the year upon the achievement of a milestone in relation to the current RA clinical trial.

Should CBio not receive future funds, it may not be able to continue as a going concern and pay its debts as and when they fall due. Accordingly, the Company may be required to realise assets and extinguish liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report. This report does not include any adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should CBio not be able to continue as a going concern.

d) Property, Plant and Equipment

Plant and equipment is stated at cost less depreciation and impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

	2010	2009
Buildings	4%	4%
Plant and equipment	10%-50%	10%-50%
Computer equipment	20%-50%	20%-50%
Furniture and fittings	10%-20%	10%-20%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

Any gains or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amounts of the item) is included in the statement of comprehensive income in the period the item is derecognised.

notes to the financial statements

for the year ended 30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

e) Acquisition of Assets

All assets acquired including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market prices at the date of acquisition are used as fair value, except where the notional price at which they could be placed in the market is a better indication of fair value.

f) Recoverable Amount of Assets

At each balance date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

g) Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred. Terms of receivables are between 30 and 45 days.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

h) Intangible Assets

Intellectual Property

Amounts incurred in acquiring and extending patents are expensed as incurred, except to the extent that such costs are expected beyond any reasonable doubt to be recoverable.

i) Research and Development Expenditure

Amounts incurred on research and development activities are expensed as incurred, except to the extent that such development costs are expected beyond any reasonable doubt to be recoverable.

notes to the financial statements

for the year ended 30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j) Income Taxes

Deferred income tax liabilities are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary
- differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward or unused tax assets and unused tax losses can be utilised:

- Except where the deferred income tax asset relating to the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax asset and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

k) Other Taxes

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense as applicable; or
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

notes to the financial statements

for the year ended 30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

l) Cash and Cash Equivalents

Cash on hand and in banks and short term deposits are stated at its fair value.

For the purpose of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts. Bank overdrafts are carried at the principal amount. Interest is charged as an expense on an accrual basis.

m) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised:

- Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.
- Fee income derived from research & development contracts is recognised when specific milestones are achieved and the company becomes entitled to the income under the terms of the relevant contract.
- Contract research income is recognised as and when the relevant research expenditure is incurred. When the consolidated entity received income in advance of incurring the relevant expenditure, it is treated as deferred income as the consolidated entity does not control the income until the relevant expenditure has been incurred.
- License fees are recognised evenly over the life of the license.

Should the Company earn any income which is dependant on the satisfaction of certain contractual conditions, then such income will be treated as unearned income and be recorded as a liability until any conditions are met, at which time the income will be recognised.

o) Foreign Currency

The functional and presentation currency of CBio is Australian Dollars.

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rate of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies, and cash held in foreign currencies, are brought to account in the statement of financial performance as exchange gains or losses, in the financial year in which the exchange rates change.

notes to the financial statements

for the year ended 30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

p) Trade and Other Payables

Liabilities for trade creditors and other amounts are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

q) Issued Capital

Ordinary share capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

r) Leased Assets

Leases under which the consolidated entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Payments made under operating leases are expensed on a straight line basis over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

s) Superannuation

Contributions are made to approved employee superannuation funds at the rate of 9% of employees' gross salaries as directed by the Superannuation Guarantee Legislation.

Contributions are recognised as an expense against income as they are made.

t) Employee Benefits

Provisions are recognised when CBio has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When CBio expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

notes to the financial statements

for the year ended 30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Wages, Salaries and Annual Leave

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to balance date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at balance date, including related on-costs, such as workers compensation insurance and payroll tax.

Long Service Leave

The amount provided for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made in connection with employees' services provided up to balance date. The provision is calculated using expected wage and salary rates, including related on-costs and expected settlement dates are based on turnover history and is discounted using the rates attaching to national government bonds at balance date which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

u) Government Grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

v) Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are de-recognised and as well as through the amortisation process.

Convertible Notes

The component of the convertible note that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On issuance of the convertible notes, the fair value of the embedded derivative and convertible note is determined and the residual (being the conversion option) is recorded as a separate component of equity. The net balance of the convertible note is recorded as an interest bearing liability. The liability is increased over the term of the liability using the effective interest rate implicit in the note. Any increase recorded is recognised as interest expense.

notes to the financial statements

for the year ended 30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Certain convertible notes contain a feature which allows options over ordinary shares to be issued. This option feature is recorded as an embedded derivative liability on issuance of the convertible note at the fair value of the embedded derivative. At each balance date while the convertible note is outstanding the embedded derivative liability is re-measured to fair value through the profit and loss.

w) Use and Revision of Accounting Estimates

The preparation of the financial report requires the making of estimations and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

x) Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement for borrowings, finance charges in respect of finance leases and foreign exchange differences.

Interest payments in respect of financial instruments classified as liabilities are included in borrowing costs.

Ancillary costs incurred in connection with the arrangement of borrowings are netted against the relevant borrowings and amortised over their life.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which necessarily take a substantial period of time to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for acquisition, construction or production of a qualifying asset, the capitalised amount of the borrowing costs include costs incurred in relation to that borrowing net of any interest earned on those borrowings.

Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

y) Earnings Per Share

Basic earnings per share (EPS) is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company outstanding during the year.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares outstanding during the year.

notes to the financial statements

for the year ended 30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

As the Company and consolidated entity incurred a loss for the current and previous year, potential ordinary shares, being options to acquire ordinary shares, are considered non-dilutive and therefore not included in the diluted earnings per share calculation.

z) Share-Based Payment Transactions

The Company provides benefits to employees (including Directors) of the Company and to selected contractors in the form of share based payment transactions, whereby participants render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently four plans in place to provide these benefits, a Director Share Option Plan, Executive Share Option Plan, Employee Share Option Plan and an Other Share Option Plan. The costs of the equity settled transactions with participants are measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black Scholes option-pricing model.

In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of CBio Limited ('market conditions').

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Company will ultimately vest. This opinion is based on the best available information at balance date.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest.

Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

aa) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

notes to the financial statements

for the year ended 30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined with using a black scholes 39standard model, with the assumptions detailed in Note 20(c). The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Convertible Notes

The fair value of the embedded derivative and the convertible notes is determined using a black scholes 39standard model. The accounting estimates and assumptions relating to these components would have an impact on the carrying amounts of liabilities within the next annual reporting period, expenses and equity.

A proxy of other listed companies is used to determine the volatility assumption used in valuation models for share-based payments, other equity instruments and embedded derivatives.

3. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans and convertible notes. The main purpose of financial instruments is to raise finance for company operations.

a) Risk exposures and responses

The Company manages its exposure to key financial risk, including interest rate risk and currency risk in accordance with the Company's financial risk management policy. The objective of the policy is to ensure that financial risks faced by the company are known and can be managed appropriately.

Primary responsibility for identification and control of financial risks rests with the Board as a whole.

b) Interest Rate Risk

The Company's exposure to market interest rates relates primarily to its cash holdings and the convertible notes on issue.

The Company regularly monitors its exposure to interest rate risk to ensure that such exposure is within an acceptable range given prevailing market conditions at the time.

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results which could result from a change in these risks.

notes to the financial statements

for the year ended 30 June 2010

3. FINANCIAL RISK MANAGEMENT (cont'd)

As at 30 June 2010, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows. The table below shows the impact on cash to exposure to variable interest rates:

	2010	2009
Change in profit/(loss) and equity	\$	\$
Increase in interest rate by 2%	(56,074)	(14,170)
Decrease in interest rate by 2%	56,074	14,170

c) Foreign Currency Risk

The major foreign currency exposures are in US dollars and Pound Sterling (GBP). This is as a result of cash funds held and both receivable and payable contracts entered into in these currencies. The company maintains foreign currency bank accounts denominated in both US dollars and GBP in order to minimize foreign currency risk exposure. The company had a deficit of foreign currency receivables over payables of \$734,826 at 30 June 2010 (2009: \$1,637,247 deficit).

Cash held in USD and GBP are the only assets exposed to foreign currency risk at the balance date. Trade creditors are the only liability exposed to foreign currency risk at the balance date.

As at 30 June 2010, the effect on profit and equity as a result of changes in the value of the Australian Dollar to the US Dollar and GBP, with all other variables remaining constant, would be as follows:

	2010	2009
Change in profit/(loss) and equity	\$	\$
Improvement in AUD by 15%	347,033	(245,587)
Decline in AUD by 15%	(276,770)	245,587

d) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to standardised financial assets, is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to and forming part of the financial report. The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments.

e) Liquidity Risk

Liquidity risk arises from the financial liabilities of the Company and the Company's subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due.

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources will be available as and when required as well as ensuring capital raising initiatives are conducted in a timely manner as required.

notes to the financial statements

for the year ended 30 June 2010

3. FINANCIAL RISK MANAGEMENT (cont'd)

f) Equity Risk

Equity risk arises as a result of the \$12.45 million Convertible Loan Agreement entered into by the Company during the year. Under the Agreement, convertible notes issued by the Company may be converted into shares and options by the Noteholder. The number of shares and options issued is determined by the prevailing share price at the conversion date. Should the share price decline over time, a greater number of shares and options may be issued as repayment of the note liability.

The company is able to minimise its exposure to equity risk by enacting certain terms under the Agreement, which allow the Company to repay the note in cash if certain conditions are satisfied.

The Agreement also has termination provisions, which the Company may enact should it form the view that the Company is exposed to an unacceptable level of equity risk.

g) Net Fair Values

The financial liabilities of the Company at the balance date are classified as Level 2 financial instruments. Their fair value is estimated using inputs other than quoted prices in active markets that are observable for the liability, either directly (as prices) or indirectly (derived from prices)

The net fair values of financial assets approximate their carrying value. No financial assets and financial liabilities are readily traded on standardised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial report.

Financial Instrument Composition & Maturity Analysis at present value

2010	1-6 months \$	6-12 months \$	1-5 years \$	>5 years \$	Total \$
Financial Assets					
Cash	3,433,448	-	-	-	3,433,448
Receivables/ other assets	55,807	-	155,967	-	211,774
Total Financial Assets	3,489,255	-	155,967	-	3,645,222
Financial Liabilities					
Trade and other payables	2,195,305	-	-	-	2,195,305
Convertible note (i)	431,250	2,300,000	2,200,000	-	4,931,250
Unearned income (ii)	-	3,182,848	-	-	3,182,848
Total Financial Liabilities	2,626,555	5,482,848	2,200,000	-	10,309,403

notes to the financial statements

for the year ended 30 June 2010

3. FINANCIAL RISK MANAGEMENT (cont'd)

2009	1-6 months \$	6-12 months \$	1-5 years \$	>5 years \$	Total \$
Financial Assets					
Cash	40,335	-	-	-	40,335
Receivables/other assets	189,789	-	150,000	-	339,789
Total Financial Assets	230,124	-	150,000	-	380,124
Financial Liabilities					
Trade and other payables	5,946,398	-	-	-	5,946,398
Convertible note (i)	-	710,000	1,746,714	-	2,456,714
Loan	26,000	-	-	-	26,000
Unearned income (ii)	-	-	2,086,158	-	2,086,158
Total Financial Liabilities	5,972,398	710,000	3,832,872	-	10,515,270

(i) Fair Value

The Company uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1- the fair value is calculated using quoted prices in active markets.
- Level 2- the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3- the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The Convertible notes issued by the Company are deemed to be a Level 2 financial instrument. The Company uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use other observable and unobservable market inputs.

- (ii) Provided the terms of the Option Agreement with Novo Nordisk A/S are satisfied this unearned income is expected to be released into revenue during this period. Refer to Note 24 for further details.

4. SEGMENT REPORTING

The Company operates as a research and development company in the pharmaceutical industry. The activities of the Company take place primarily in Australia.

	2010 \$	2009 \$
5. EXPENSES		
<i>(a) Capital Raising Costs</i>		
Initial public offer costs	1,303,422	-
Commission expense	461,008	180,038
	1,764,430	180,038

notes to the financial statements

for the year ended 30 June 2010

	2010 \$	2009 \$
5. EXPENSES (cont'd)		
<i>(b) Borrowing Costs</i>		
Interest expense on Convertible notes:		
- Related entities	24,717	25,754
- External	476,897	58,687
Non cash interest on convertible notes	2,391,429	-
Other borrowing costs	280,102	311,026
	3,173,145	395,467
<i>(c) Depreciation and amortisation</i>		
Depreciation of non-current assets:		
- Leasehold improvements	22,436	22,436
- Plant and equipment	210,253	245,906
	232,689	268,342
<i>(d) Staff Costs</i>		
Salaries, wages & fees	2,835,839	2,859,990
Superannuation	223,627	237,959
Payroll tax	165,638	162,262
Employee entitlements	42,821	68,339
Other staff costs	25,809	51,184
	3,293,734	3,379,734
<i>(e) Research and development</i>		
Clinical trial costs	2,949,545	3,007,566
Drug production and supply	2,156,379	1,838,789
Other research and development costs	323,193	698,010
	5,429,117	5,544,365
6. INCOME TAX		
(a) Statement of comprehensive income		
<i>Current income tax</i>		
Current income tax benefit	5,080,313	3,861,643
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(787,614)	(208,872)
Deferred tax assets (not recognised)/recognised	(4,292,699)	(3,652,771)
Income tax expense reported on the statement of comprehensive	-	-

notes to the financial statements

for the year ended 30 June 2010

6. INCOME TAX	2010	2009
	\$	\$
(b) A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the company's applicable income tax rate is as follows:		
Accounting Profit (Loss) before income tax	(16,787,189)	(12,747,758)
At the Company's statutory income tax rate of 30%:	(5,036,156)	(3,824,327)
Additional deductions – Research and Development	(786,838)	(473,681)
Non tax deductible items	913,556	436,365
Non-assessable items	(170,875)	-
Movement in temporary differences not recorded	787,614	208,872
Tax assets not recognised	4,292,699	3,652,771
Income tax expense	-	-
Tax assets (At 30%)		
Domestic tax losses	24,162,028	20,135,291
Temporary differences – including balances in equity	3,179,899	2,175,397
Total unrecorded tax assets	27,341,927	22,310,688

At 30 June 2010 the Company has significant estimated, unconfirmed and un-recouped losses as disclosed above. No future income tax benefit for the tax losses incurred by the company has been recognised as an asset. Because of the complexity of the Company's changing shareholder base and operations, combined with income tax legislation, the amount of the Company's available tax losses as at 30 June 2010 which are available for carry forward use can not be determined with a sufficient degree of probability. Management will undertake a detailed review of the ability to carry forward and use these losses on a needs basis. As a result of this the losses disclosed as available below may not be available in full.

(c) Temporary differences		
Capital raising costs	548,815	131,891
Patent costs	852,798	766,691
Research licence	450,000	495,000
Unearned income	954,854	625,847
Provisions and accruals	373,432	155,968
	3,179,899	2,175,397

The losses disclosed as at 30 June 2010 will only be obtained in future periods if:
 Future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;
 The conditions for deductibility imposed by tax legislation continue to be complied with; and
 No changes in tax legislation adversely affect the Company in realising the benefit.

notes to the financial statements

for the year ended 30 June 2010

	2010 \$	2009 \$
7. TRADE & OTHER RECEIVABLES		
<i>(a) Current</i>		
Trade debtors	55,807	14,765
Terms and conditions		
All receivables are non-interest bearing and are usually settled on terms of between 30 and 45 days. Credit risk is assessed as low on all receivables as CBio only deals with recognised credit worthy third parties. Credit risk assessments on an individual transaction basis are made by management.		
<i>(b) Non-current</i>		
Bank Guarantee Deposit (i)	155,967	150,000
(i) Guarantee deposit lodged with the Company's bank as support for the building lease of the facility at Eight Mile Plains which was tenanted by the company in April 2005.		
8. OTHER CURRENT ASSETS		
Current – Prepayments	271,403	51,024
Non current – Prepayments	338,148	-
	609,551	51,024
9. PROPERTY, PLANT & EQUIPMENT		
Total property, plant & equipment		
- At Cost	1,828,337	1,817,618
- Accumulated Depreciation	(1,595,481)	(1,362,792)
Total written down value	232,856	454,826
Leasehold Improvements		
At cost	147,201	147,201
Provision for depreciation	(103,262)	(80,826)
	43,939	66,375
Movement in carrying value		
Carrying value at the beginning of the year	66,375	88,811
- Additions	-	-
- Depreciation	(22,436)	(22,436)
Carrying value at the end of the year	43,939	66,375

notes to the financial statements

for the year ended 30 June 2010

	2010 \$	2009 \$
9. PROPERTY, PLANT & EQUIPMENT (cont'd)		
Plant & Equipment		
At cost	1,681,136	1,670,417
Provision for depreciation	(1,492,219)	(1,281,966)
	<u>188,917</u>	<u>388,451</u>
Movement in carrying value		
Carrying value at the beginning of the year	388,451	573,880
- Additions	10,719	60,477
- Depreciation	(210,253)	(245,906)
Carrying value at the end of the year	<u>188,917</u>	<u>388,451</u>
10. INTANGIBLE ASSETS		
Intellectual property	4,125,000	4,125,000
Provision for recoverability (i)	(4,125,000)	(4,125,000)
	<u>-</u>	<u>-</u>

(i) The Directors have provided against the notional book value of the intellectual property purchased given the risks and uncertainties associated with the continued research and development and ultimate commercialisation of this asset.

11. TRADE & OTHER PAYABLES

Trade payables	1,123,605	4,557,348
Accrued expenses	996,735	921,676
Director and Director related payables (i)	74,965	498,124
Shares to be allotted	-	250
	<u>2,195,305</u>	<u>5,977,398</u>

(i) The Director and Director related payables relates to fees and expense reimbursements payable at 30 June 2010.

Terms and conditions of Payables

Trade creditors are non-interest bearing and are normally settled on 30-day terms. Director and Director related entity payables are non-interest bearing and are payable for services provided in the ordinary course of operations. Details of payments made to Directors are set out in Note 19 Key Management Personnel.

notes to the financial statements

for the year ended 30 June 2010

	2010 \$	2009 \$
12. FINANCIAL LIABILITIES		
<i>(a) Current</i>		
Convertible notes (i)	3,227,740	710,000
Embedded derivative in convertible notes (i)	338,838	-
Interest payable on Convertible Notes	50,343	84,441
Loan liabilities:- Related entity	-	26,000
	3,616,921	820,441
<i>(b) Non Current</i>		
Convertible notes (i)	-	1,746,714
Embedded derivative in convertible note (i)	-	658,422
	-	2,405,136

(i) SpringTree Notes

During the year the Company issued 2 Convertible Notes (SpringTree Notes) under a Convertible Loan Agreement dated 17 May 2010, raising a total of \$350,000. These notes have face values of \$150,000 and \$200,000 and are non-interest bearing. The notes are repayable on the following terms:

- On maturity, the Note shall convert into new Ordinary Shares of the Company determined by dividing the Principal Amount to be converted by the lesser of:
 - 140% of the average of the daily VWAPs per Share for the twenty (20) consecutive Trading Days immediately prior to 16 May 2010; and
 - 90% of the lowest daily VWAP per Share during the twenty (20) Trading Days immediately prior to the Repayment Date of that Repayment, (the Conversion Price)

Under certain conditions, the Note is also repayable in cash. The penalty for repaying the note in cash is equal to 5% of the Note face value.

On each repayment date, the Company shall grant the Investor, Options in the number equal to 20% of the number of the new Ordinary Shares issued or issuable on that repayment date, exercisable at a price equal to 130% of the Conversion Price applicable to the repayment.

During the year, one SpringTree Note was converted to equity, with one SpringTree Note with a face value of \$150,000 remaining outstanding at the balance date. The facility has mandatory monthly draw down amounts of \$150,000 to be converted/repaid in one month. A liability of \$250,000 has been recorded to represent the fair value of this obligation.

notes to the financial statements

for the year ended 30 June 2010

12. FINANCIAL LIABILITIES (cont'd)

Other Notes

During the year, the Company issued 19 Convertible Notes ("Other Notes") under a Convertible Note Deed dated 30 August 2007 raising a total of \$5,200,000. The notes have varying face values and interest of between 10% and 20% per annum is payable monthly. In addition, notes may be converted to shares and options in CBio Limited in accordance with the terms of each note.

Notes have a life of no greater than six months unless extended for a further period if agreed by CBio and the Note holder. 13 of the Notes issued during the period, with a face value of \$975,000 were converted to equity during the year. One note, with a face value of \$250,000 was partially (60%) converted to equity during the year with the balance of \$100,000 repaid to the note holder. 5 Other Notes, with a combined face value of \$4,125,000, remain outstanding at the balance date.

(c) Key convertible note terms

Face Value \$	Conversion Rate \$	Shares issued if converted	Options issued if converted	Option exercise price \$	Note expiry
125,000 (i)	0.50	250,000	125,000	1.00	31/12/10
2,000,000 (i)	0.50	4,000,000	2,500,000	1.00	30/06/11
2,000,000 (i)	0.286	7,000,000	2,500,000	1.00	31/12/11
150,000	(ii)	(ii)	(ii)	(ii)	15/07/10
4,275,000	-	11,250,000	5,125,000	-	-

(ii) All convertible notes have been treated as current liabilities as at 30 June 2010 as the Company does not have an unconditional right to defer conversion of the notes to equity prior to their expiry date.

(iii) Refer Note 12(b)(i) for further details.

(d) Financial Liability reconciliation

	Convertible Note	Embedded Derivative	Interest Accrual
Opening balance at 1 July 2008	100,000	-	-
Conversion of convertible notes	(100,000)	-	-
Issue of convertible notes	2,456,714	658,422	-
Interest charge on convertible notes	-	-	84,441
Closing Balance at 30 June 2009	2,456,714	658,422	84,441
Opening balance at 1 July 2009	2,456,714	658,422	84,441
Issue of convertible notes	3,556,128	698,842	-
Interest accretion	2,459,008	-	-
Conversion of convertible notes	(3,700,300)	(863,020)	(198,790)
Repayment of convertible notes	(91,394)	(13,084)	-
Fair value of options	-	(213,512)	-
Adjustment to convertible notes on modification of note terms	(1,452,416)	(178,810)	-
Termination fee	-	250,000	-
Interest charge on convertible notes	-	-	615,633
Interest paid on convertible notes	-	-	(450,941)
	3,227,740	338,838	50,343

notes to the financial statements

for the year ended 30 June 2010

	2010 \$	2009 \$
13. PROVISIONS		
(a) Short-term employment provisions (i)	158,851	151,982
(b) Long-term employment provisions (ii)	110,597	74,646
	269,448	226,628
Movement in carrying value		
At 1 July	226,627	158,288
Accrued in the period	247,945	149,663
Used in the period	(205,124)	(81,324)
At 30 June	269,448	226,627

(i) Short Term Provisions represent the estimated costs in respect of current employment benefits payable to Company employees. The provision for current employment benefits includes accrued annual leave and related on-costs payable on the accrued entitlements. It is expected these costs will be settled by 30 June 2011.

(ii) Long Term Provisions represent the estimated costs in respect of non-current employment benefits payable to Company employees. The provision for non-current employment benefits includes accrued long-service leave and related on-costs payable on the accrued entitlements. Due to the nature of the provision, the company is unable to determine a date by which these costs will be settled, however no costs are expected to be settled prior to 30 June 2011.

14. UNEARNED INCOME

Unearned income (i)	3,182,848	2,086,158
---------------------	-----------	-----------

(i) Unearned income represents the fees received from Novo Nordisk A/S in relation to the agreement with CBio in 2007. The amount will not be recorded as income until the terms contained in the agreement are satisfied.

	2010 Number	2010 \$	2009 Number	2009 \$
15. ISSUED CAPITAL				
Ordinary shares fully paid	80,104,905	68,291,037	41,258,424	47,947,588

notes to the financial statements

for the year ended 30 June 2010

15. ISSUED CAPITAL (cont'd)	2010 Number	2010 \$	2009 Number	2009 \$
Movements in shares on issue				
As at 1 July	41,258,424	47,947,588	38,256,269	45,306,148
Information memorandum (i)	15,126,000	7,563,000	950,000	950,000
IPO (ii)	7,101,717	7,101,717	-	-
SpringTree convertible loan agreement (iii)	2,777,778	686,000	-	-
Share Purchase Plan (iv)	1,148,566	401,998	-	-
Consideration for provision of services (v)	900,000	400,000	-	-
Consideration for payment of capital raising costs (vi)	700,250	535,125	101,250	101,250
Repayment of loan (vii)	520,590	260,295	-	-
Consideration for accrued interest on convertible notes (viii)	397,578	198,789	107,170	89,315
Conversion of convertible notes (ix)	10,174,002	5,161,187	-	-
Share purchase agreement	-	-	350,000	250,000
Rights issue	-	-	1,493,735	1,493,735
Transaction costs	-	(1,964,662)	-	(242,860)
As at 30 June	80,104,905	68,291,037	41,258,424	47,947,588

- (i) 15,126,000 shares at \$0.50 per share were issued as part of an Information Memorandum.
- (ii) 7,101,717 shares were issued at \$1 per share as part of an Initial Public Offering.
- (iii) 2,777,778 shares were issued at prices of between \$0.27 and \$0.31 pursuant to a Convertible Loan Agreement with SpringTree Special Opportunities Fund LP.
- (iv) 1,148,566 shares were issued at \$0.35 per share as part of a Share Purchase Plan.
- (v) 900,000 shares were issued in lieu of the payment of \$400,000 in services provided to the Company during the year.
- (vi) 700,250 shares were issued in lieu of the payment of \$535,125 in commission earned on capital raisings conducted during the year.
- (vii) 520,590 shares were issued as repayment of a \$260,295 loan (including accumulated interest).
- (viii) 397,578 shares were issued in lieu of paying \$198,789 in interest accrued in relation to Convertible Notes converted to equity during the year.
- (ix) 10,174,002 shares were issued upon conversion of convertible notes with a combined face value of \$5,187,000.

Terms and conditions of ordinary shares

Ordinary shares have the right to receive dividends as declared, and in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets.

notes to the financial statements

for the year ended 30 June 2010

15. ISSUED CAPITAL (cont'd)

Capital Management

The Board controls the capital of the company in order to ensure that it can fund its operations and continue as a going concern. The company's debt and capital includes ordinary share capital and convertible notes and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

The Board effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues.

There have been no changes in the strategy adopted by the Board to control the capital of the company since the prior year. The gearing ratios for the year ended 30 June 2010 and 30 June 2009 are as follows:

	2010 \$	2009 \$
Total borrowings (at face value)	4,275,000	4,222,441
Trade and other payables	2,195,305	5,977,398
Less cash and cash equivalents	(3,433,448)	(40,335)
Net debt	3,036,857	10,159,504
Total equity (including liabilities at face value)	(5,485,315)	(11,646,675)
Total net debt plus equity	(2,448,458)	(1,487,171)
Gearing ratio	(124%)	(683%)

16. RESERVES

Equity reserve

Balance at 1 July	16,628,240	14,101,394
Convertible note issue	1,221,419	1,072,295
Repayment of convertible notes	(21,690)	-
Share option expense	846,758	1,454,551
Adjustment to convertible notes on modification	425,171	-
Balance at 30 June	19,099,898	16,628,240

Nature and purpose of equity reserve

The equity reserve records items:

- (i) Recognised as an expense with respect to share-based consideration.
- (ii) The equity component of convertible notes

notes to the financial statements

for the year ended 30 June 2010

	2010 \$	2009 \$
17. EARNINGS PER SHARE		
Basic/Diluted (loss) per share (cents per share) – continuing operations	(24.90)	(32.06)
Basic/Diluted (loss)/earnings per share (cents per share) – attributable to the members of the company	(24.90)	(32.06)
Income and share data used in the calculation of basic & diluted earnings per share:		
Loss from continuing operations after income tax expense	(16,787,189)	(12,747,758)
Loss attributable to members of the parent entity	(16,787,189)	(12,747,758)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic & diluted EPS	67,425,696	39,762,642
Effect of dilutive securities:		
- Share options	-	-
-Convertible Notes	-	-
Adjusted weighted average number of ordinary shares outstanding during the year used in calculation of basic & diluted EPS (i)	67,425,696	39,762,642

(i) As at the balance date, there were 32,732,997 share options on issue, 11,250,000 potential shares and 5,125,000 potential options which may be issued upon conversion of outstanding Convertible Notes, giving a total potential shares which may be issued of 49,107,997. These potential ordinary shares have not been taken into account when calculating the diluted loss per share due to their anti-dilutive nature.

(ii) In addition to amounts disclosed in note (i) additional shares and options may be issued under the SpringTree facility as disclosed in Note 12(a). The facility is a \$12.45 million AUD facility. Given the formula required to determine shares and options to be issued relies on future share prices, estimates of issuable shares and options cannot be made and will depend on future use of the facility. 800,000 shares have been issued as security for this facility. These shares will be cancelled on the completion of the facility.

18. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash at bank	3,433,448	40,335
--------------	------------------	--------

notes to the financial statements

for the year ended 30 June 2010

	2010 \$	2009 \$
18. CASH AND CASH EQUIVALENTS (cont'd)		
<i>(b) Reconciliation of net cash flows from operating activities to operating loss after income tax</i>		
Operating loss after taxation	(16,787,189)	(12,747,758)
Non cash items		
Interest	2,391,429	219,762
Termination fee	250,000	-
Depreciation	232,698	268,342
Equity based compensation	373,655	1,454,551
Capital raising costs	535,125	-
Foreign exchange gain	68,543	75,384
Change in assets and liabilities		
(Increase)/decrease in receivables and prepayments	(376,037)	2,178,339
Increase/(decrease) in payables	(3,781,843)	1,975,763
Increase/(decrease) in provisions	42,820	68,339
Increase/(decrease) in unearned income	1,096,690	-
Net cash flows used in operating activities	(15,202,035)	(6,507,278)

19. KEY MANAGEMENT PERSONNEL

(a) Compensation for key management personnel

Short-term employee benefits	1,419,154	1,140,450
Post-employment benefits	63,277	52,560
Termination benefits	-	-
Share based payments	147,507	810,411
	1,629,938	2,003,421

(b) Shareholdings of key management personnel

2010	Balance 1 July	Options Exercised	Acquired/ (Disposed)	Balance 30 June
S Jones (i)	1,190,033	-	424,526	1,614,559
P Corr	-	-	-	-
G Ando	-	-	-	-
J Funder	-	-	100,000	100,000
M Monsour (i)	2,417,022	-	3,664,680	6,081,702
S Streeter (i)	18,182	-	238,407	256,589
J Yeates	-	-	-	-
D Feeney	-	-	-	-
J Greig	-	-	25,714	25,714
B Graham	-	-	18,181	18,181
	3,625,237	-	4,471,508	8,096,745

notes to the financial statements

for the year ended 30 June 2010

19. KEY MANAGEMENT PERSONNEL (cont'd)

2009	Balance 1 July	Options Exercised	Acquired/ (Disposed)	Balance 30 June
S Jones (i)	1,190,033	-	-	1,190,033
P Corr	-	-	-	-
G Ando	-	-	-	-
J Funder	-	-	-	-
M Monsour (i)	2,306,334	-	110,688	2,417,022
S Streeter (i)	-	-	18,182	18,182
J Yeates	-	-	-	-
D Feeney	-	-	-	-
J Greig	-	-	-	-
	3,496,367	-	128,870	3,625,237

(i) Mr Jones, Dr Monsour & Mr Streeter have relevant interests in the CBio Limited shareholders Australian Technology Innovation Fund limited and Australian Biofunds Investments Limited. These entities held 368,755 and 234,280 shares respectively at the 2010 balance date.

(c) Option holdings of key management personnel

	Balance 1 July	Remuneration Options Granted	Acquired/ (Disposed)	Balance 30 June	Total Vested 30 June	Total Exercisable 30 June	Total Unexercisable 30 June
2010							
S Jones	300,000	-	-	300,000	300,000	300,000	-
P Corr	1,000,000	-	-	1,000,000	1,000,000	1,000,000	-
G Ando	1,000,000	-	-	1,000,000	1,000,000	1,000,000	-
J Funder	1,000,000	-	-	1,000,000	1,000,000	1,000,000	-
M Monsour	1,500,000	-	1,604,000	3,104,000	1,500,000	1,500,000	-
S Streeter	1,300,000	-	250,000	1,550,000	1,550,000	1,550,000	-
J Yeates	2,000,000	-	-	2,000,000	1,500,000	1,500,000	500,000
D Feeney	1,800,000	-	-	1,800,000	1,300,000	1,300,000	500,000
J Greig	1,000,000	-	-	1,000,000	800,000	800,000	200,000
B Graham	78,350	-	-	78,350	78,350	78,350	-
	10,978,350	-	250,000	12,832,350	10,025,350	10,025,350	1,200,000
2009							
S Jones	300,000	-	-	300,000	300,000	300,000	-
P Corr	1,000,000	-	-	1,000,000	1,000,000	1,000,000	-
G Ando	1,000,000	-	-	1,000,000	1,000,000	1,000,000	-
J Funder	1,000,000	-	-	1,000,000	1,000,000	1,000,000	-
M Monsour	1,500,000	-	-	1,500,000	1,500,000	1,500,000	-
S Streeter	1,300,000	-	-	1,300,000	1,300,000	1,300,000	-
J Yeates	1,500,000	500,000	-	2,000,000	1,500,000	1,500,000	500,000
D Feeney	1,500,000	300,000	-	1,800,000	1,300,000	1,300,000	500,000
J Greig	535,200	464,800	-	1,000,000	800,000	800,000	200,000
	9,635,200	1,264,800	-	10,900,000	9,700,000	9,700,000	1,200,000

The disclosure of shares and options held by Key Management Personnel (KMP) are determined in accordance with the requirements of AASB 124, which requires that KMP holdings also include the holdings of 'close family members'. Disclosure of 'close family member' holdings is not required by the Corporations Act 2001 and therefore the figures shown at Note 19 (above) may differ from those holdings reported in the Directors' Report.

notes to the financial statements

for the year ended 30 June 2010

	2010 \$	2009 \$
20. SHARE-BASED PAYMENTS		
<i>(a) Recognised share-based payment expense</i>		
Expenses arising from equity-settled share-based payment transactions	373,655	1,454,551
Expenses arising from cash-settled share-based payment transactions	-	-
	373,655	1,454,551

(b) Types of share-based payment plans

Director Share Option Plan

9,900,000 share options have been granted to Directors as remuneration to accept ordinary shares at an exercise price of \$1. All options have an expiry date of 31 December 2012. Director options are not quoted on the Australian Securities Exchange but are held in escrow until 15 February 2012, after which time they will be quoted. Those options not exercised within the prescribed period will lapse. Options have no voting or dividend rights. There are no cash settlement alternatives.

The Director share options outstanding at 30 June 2010 had a weighted average exercise price of \$1.00 and a weighted average contractual life of 2.5 years.

Executive Share Option Plan

1,000,000 share options have been granted to executives as remuneration to accept ordinary shares at an exercise price of \$1. All options have an expiry date of 31 December 2012. Executive options are quoted on the Australian Securities Exchange. Those options not exercised within the prescribed period will lapse. Options have no voting or dividend rights. There are no cash settlement alternatives.

The Executive share options outstanding at 30 June 2010 had a weighted average exercise price of \$1.00 and a weighted average contractual life of 2.5 years.

Employee share option plan

1,483,697 share options have been granted to employees as remuneration to accept ordinary shares at an exercise price of \$1. All options have an expiry date of 31 December 2012. Employee options are quoted on the Australian Securities Exchange and those options not exercised within the prescribed period will lapse. Options have no voting or dividend rights. There are no cash settlement alternatives.

The Employee share options outstanding at 30 June 2010 had a weighted average exercise price of \$1.00 and a weighted average contractual life of 2.5 years. Options issued during the period had a fair value of \$0.23.

Other Option Plan

20,349,300 share options have been granted to persons who are not Directors, executives or employees of the company to accept ordinary shares at an exercise price of between \$0.35 and \$3. Other options have various expiry dates of no later than 15 June 2015. 16,736,152 Other options are quoted on the Australian Securities Exchange. 3,363,148 Other options are unquoted. Those options not exercised within the prescribed period will lapse. Options have no voting or dividend rights. There are no cash settlement alternatives.

The Other share options outstanding at 30 June 2010 had a weighted average exercise price of \$1.05 and an average remaining contractual life of 2.6 years.

notes to the financial statements

for the year ended 30 June 2010

20. SHARE-BASED PAYMENTS (cont'd)

(c) Summary of options granted

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, other share options issued during the year:

	Number	WAEP	Number	WAEP
	2010	2010	2009	2009
Outstanding at the beginning of the year	15,578,697	\$1.12	13,662,257	\$1.14
Issued during the year	17,154,300	\$0.78	1,939,800	\$1.00
Lapsed during year	-	-	(23,360)	\$1.00
Outstanding at the end of the year	32,732,997	\$0.57	15,578,697	\$1.12

The following inputs were applied to the option pricing model:

Weighted average exercise price	\$0.94
Weighted average life of the option	1.61 years
Underlying share price	\$0.29-\$1.00
Expected share price volatility	50%
Risk free interest rate	3.21%

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

The weighted average fair value of options granted during the year was \$0.08

As at 30 June 2010 there were a total of 32,732,997 (2009: 15,578,697) unissued ordinary shares for which options were outstanding. At 30 June 2010 there were 30,188,197 exercisable options at an average of \$1.05.

21. COMMITMENTS

As at the balance date, the Company had unfinalised contracts involving clinical studies and the production and supply of Cpn10 for use in research and development and clinical studies. The estimated remaining contracted costs to finalise these contracts amount to approximately \$4.15 million. It is expected that these contracts will be finalised by 30 June 2011.

In 2005, the Company entered into a long-term property lease for purpose built facilities which will expire in March 2012. Current lease payments are approximately \$538,000 per annum. A portion of these facilities has been sub-leased until March 2012 at current lease payments of approximately \$140,000 per annum. The net cash flows in 2011 are expected to be \$398,000 and \$298,000 between 30 June 2011 and 31 March 2012, with associated overheads.

On 30 March 2001, the company entered into a Royalty Agreement with CSL Limited (CSL). This agreement was entered into contemporaneously with the Deed of Assignment, an agreement which assigned CSL's rights to its Research Agreement with Uniquist Pty Ltd to CSL for payment of \$125,000. The Royalty Agreements stipulates that CBio is to pay royalties to CSL after commercialisation of products developed under the Research Agreement.

notes to the financial statements

for the year ended 30 June 2010

22. RELATED PARTY TRANSACTIONS

During the year, fees totalling \$4,979 (2009: \$5,850) were paid or payable to S & M Streeter Investments Pty Ltd for raising \$165,967 (2009: \$195,000) in new equity and Convertible Notes for the company. S & M Streeter Investments Pty Ltd is a company associated with Mr Stephen Streeter. The balance outstanding at the balance date in relation to these fees was \$nil (2009 \$5,850).

Novus Capital Limited, a company associated with Mr Stephen Streeter, acted as Sponsoring Broker to the IPO and underwriter to an Information Memorandum issued during the year. 700,000 ordinary shares and 2,000,000 options were issuable to Novus Capital Limited, and fees totalling \$1,617,023 (inclusive of GST) were paid to Novus Capital Limited in connection with these capital raising activities. Novus Capital instructed CBio to issue 250,000 of the 2,000,000 options issuable to Novus Capital Limited, and 87,500 of the 700,000 ordinary shares issuable to Novus Capital Limited to S & M Streeter Investments Pty Ltd, a company associated with Mr Stephen Streeter. The options have an exercise price of \$1 per option and an expiry date of 31 December 2012.

The Company received loan funds of \$276,115 from MPAMM Pty Ltd, a company associated with Dr Michael Monsour, during the year. The loans were unsecured, interest bearing and repayable on demand. \$20,000 of this loan was repaid in cash during the year. The balance of \$260,295 (including interest of \$4,180) was settled through the issue of 520,590 shares at \$0.50 each. The balance outstanding at the balance date in relation to these loans is \$nil.

MPAMM Pty Ltd and MP Monsour Medical Practice Pty Ltd, companies associated with Dr Michael Monsour, acquired Convertible Notes totalling \$932,000 in prior periods. These notes, and accrued interest of \$82,670, was converted into 1,946,670 shares and 1,604,000 options during the year. Options have an exercise price of \$1 and an expiry date of 31 December 2012.

During the year, CBio repaid \$26,000 in loan funds to Australian Technology Innovation Limited, a company associated with Mr Stephen Jones, Mr Stephen Streeter and Dr Michael Monsour. The loan was non-interest bearing and repayable on demand. The balance outstanding at the balance date is \$nil.

During the year, Mr Stephen Jones made a loan of \$100,000 available to the company. The loan was unsecured, interest bearing and repayable on demand. The loan and accrued interest & bank fees of \$1,035 was repaid in full during the year.

Entities associated with Mr Stephen Jones were paid consulting fees during the year totalling \$399,600 (2009: \$324,000) in connection with the provision of services by Mr Jones to the Company. Mr Jones also received Directors fees which are disclosed in the Directors' Report.

All related party transactions were conducted under commercial terms and conditions.

23. SUBSEQUENT EVENTS

The following convertible note, share and option issues were made subsequent to the balance date pursuant to the funding agreement with SpringTree Special Opportunities Fund, LP:

- 1) 15 July- issued 637,213 shares and 127,443 options as repayment of \$150,000 convertible note issued in June 2010. Note conversion price was \$0.2354 per share. The options have an exercise price of \$0.306 and an expiry date of 15 July 2015.
- 2) 20 July- issued \$150,000 convertible note maturing 16 August 2010
- 3) 16 August 2010- issued of 833,333 shares and 166,667 options as repayment of the note issued on 20 July 2010. Note conversion price was \$0.18 per share. The share options were issued with an exercise price of \$0.234 and an expiry date of 16 August 2015.
- 4) 19 August 2010- issued \$150,000 convertible note maturing 16 September 2010. This note was repaid in cash on 15 September 2010.
- 5) 17 September 2010- issued \$150,000 convertible note maturing 16 October 2010.

notes to the financial statements

for the year ended 30 June 2010

23. SUBSEQUENT EVENTS (cont'd)

In July the Company issued 28,670 shares to a financial advisor in lieu of the payment of commission on the \$150,000 Convertible Note converted to equity by SpringTree Special Opportunities Fund LP on 15 July.

On 3 September the Company announced completion of recruitment into the 150 patient into the phase IIa RA clinical trial.

On 15 September the Company announced the intention of Dr Dennis Feeney to resign as an executive of the Company effective from 30 September 2010. Dr Feeney will remain on the Board as a non-executive Director.

On 27 September the Company announced the provision of a \$300,000 loan facility to the Company by entities associated with Dr Monsour. No funds had been drawn under this facility as at the date of signing this report.

On 27 September the Company issued a Rights Issue Information Booklet to raise up to \$9.3 million. The offer will close on 27 October 2010.

24. SOLD OPTION TRANSACTION

In May 2008, CBio concluded a commercial agreement with Novo Nordisk A/S relating to the future development of its Cpn10 intellectual property. This strategic relationship provides a development pathway for all Cpn10 drug variants, and is commercial validation of CBio's research and development. The agreement provides Novo Nordisk an exclusive option to enter into a license agreement, should both parties agree the terms, for the intellectual property rights relating to CBio's XToll® (Cpn10) technology. Under the terms of the option agreement Novo Nordisk must pay CBio an Option Fee of US\$3 million under two payments: an upfront payment of US\$2 million, plus a further US\$1 million on recruitment of the 75th patient into the current trial. Both payments have been received by CBio and are recorded as unearned income.

Some of the financial terms relating to a potential license have been pre-agreed including an upfront payment, milestones payments and royalties. The milestone payments pre-agreed for up to four clinical indications total US\$111 million plus royalties on commercial sales of the therapeutic.

25. AUDITORS REMUNERATION

Amounts received or due and receivable by the auditors of the company for:

	2010 \$	2009 \$
- an audit of the financial report	61,395	76,223
- IPO related services	96,063	-
- other services	23,500	11,363
	180,958	87,586

notes to the financial statements

for the year ended 30 June 2010

26. CHANGES IN ACCOUNTING POLICY

The Company has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as at 1 July 2009.

Reference	Title	Application date of standard*	Application date for Company
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	1 January 2009	1 July 2009
AASB 1039 (revised)	Concise Reporting	1 January 2009	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	1 January 2009	1 July 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	1 January 2009	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	1 January 2009	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	1 July 2009	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	1 July 2009	1 July 2009
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2009	1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2009	1 July 2009
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	1 July 2009
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	1 July 2009	1 July 2009
AASB 2009-7	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	1 July 2009	1 July 2009

notes to the financial statements

for the year ended 30 June 2010

26. CHANGES IN ACCOUNTING POLICY (cont'd)

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Company, its impact is described below:

AASB 101 Presentation of Financial Statements

The revised Standard separated owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present one statement.

Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the reporting period ending 30 June 2010. The Company has not yet assessed the financial impact to either the statement of comprehensive income or the statement of financial position once these accounting standards are adopted. These are outlined in the table below.

Reference	Title	Summary	Application date of standard*	Application date for Company*
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	<p>The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following:</p> <p>The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined.</p> <p>The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.</p> <p>The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.</p> <p>The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity:</p> <ul style="list-style-type: none"> ▶ has primary responsibility for providing the goods or service; ▶ has inventory risk; ▶ has discretion in establishing prices; ▶ bears the credit risk. <p>The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes.</p> <p>The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.</p> <p>The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.</p>	1 January 2010	1 July 2010

notes to the financial statements

for the year ended 30 June 2010

26. CHANGES IN ACCOUNTING POLICY (cont'd)

Reference	Title	Summary	Application date of standard*	Application date for Company*
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	<p>This Standard makes amendments to Australian Accounting Standard AASB 2 <i>Share-based Payment</i> and supersedes Interpretation 8 <i>Scope of AASB 2</i> and Interpretation 11 <i>AASB 2 – Group and Treasury Share Transactions</i>.</p> <p>The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction.</p> <p>The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.</p>	1 January 2010	1 July 2010
AASB 2009-9	Amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> .	<p>The amendments address the retrospective application of IFRSs to particular situations and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process.</p> <p>Specifically, the amendments:</p> <ul style="list-style-type: none"> ▶ exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets ▶ exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4 <i>Determining whether an Arrangement contains a Lease</i> when the application of their national accounting requirements produced the same result. 	1 January 2010	1 July 2010
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	<p>The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met.</p>	1 February 2010	1 July 2010
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i>).</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.</p> <p>(a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.</p> <p>(b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p>	1 January 2013	1 July 2013

notes to the financial statements

for the year ended 30 June 2010

26. CHANGES IN ACCOUNTING POLICY (cont'd)

Reference	Title	Summary	Application date of standard*	Application date for Company*
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	<p>The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes:</p> <ul style="list-style-type: none"> ▶ two categories for financial assets being amortised cost or fair value ▶ removal of the requirement to separate embedded derivatives in financial assets ▶ strict requirements to determine which financial assets can be classified as amortised cost or fair value. Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows ▶ an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition ▶ reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes <p>changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income</p>	1 January 2013	1 July 2013
AASB 124 (Revised)	Related Party Disclosures (December 2009)	<p>The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <p>(a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other;</p> <p>(b) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and</p> <p>(c) the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.</p> <p>A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.</p>	1 January 2011	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	<p>This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.</p> <p>In particular, it amends AASB 8 <i>Operating Segments</i> to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB.</p>	1 January 2011	1 July 2011

notes to the financial statements

for the year ended 30 June 2010

26. CHANGES IN ACCOUNTING POLICY (cont'd)

Reference	Title	Summary	Application date of standard*	Application date for Company*
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	This amendment to AASB 1 allows a first-time adopter may apply the transitional provisions in Interpretation 19 as identified in AASB 1048.	1 July 2010	1 July 2010
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit. The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.	1 January 2011	1 July 2011
AASB 2010-1	Amendments to Australian Accounting Standards - Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters	First-time adopters of Australian Accounting Standards are permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with Australian Accounting Standards that are included in AASB 2009-2.	1 July 2010	1 July 2010
AASB 1053	Application of Tiers of Australian Accounting Standards	<p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <p>(a) Tier 1: Australian Accounting Standards; and</p> <p>(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.</p> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) for-profit entities in the private sector that have public accountability (as defined in this Standard); and</p> <p>(b) the Australian Government and State, Territory and Local Governments.</p> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) for-profit private sector entities that do not have public accountability;</p> <p>(b) all not-for-profit private sector entities; and</p> <p>(c) public sector entities other than the Australian Government and State, Territory and Local Governments.</p>	1 July 2013	1 July 2013

notes to the financial statements

for the year ended 30 June 2010

26. CHANGES IN ACCOUNTING POLICY (cont'd)

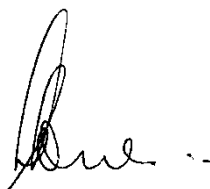
Reference	Title	Summary	Application date of standard*	Application date for Company*
AASB 2010-2	Amendments to Australian Accounting Standards arising from reduced disclosure requirements	This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements. AASB 1053 provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	1 July 2013
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]	Limits the scope of the measurement choices of non-controlling interest at proportionate share of net assets in the event of liquidation. Other components of NCI are measured at fair value. Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses. Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated. Eliminates the requirement to restate financial statements for a reporting period when significant influence or joint control is lost and the reporting entity accounts for the remaining investment under AASB 139. This includes the effect on accumulated foreign exchange differences on such investments.	1 July 2010	1 July 2010
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	1 July 2011
Interpretation 19	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.	1 July 2010	1 July 2010

Directors' declaration

In the opinion of the directors:

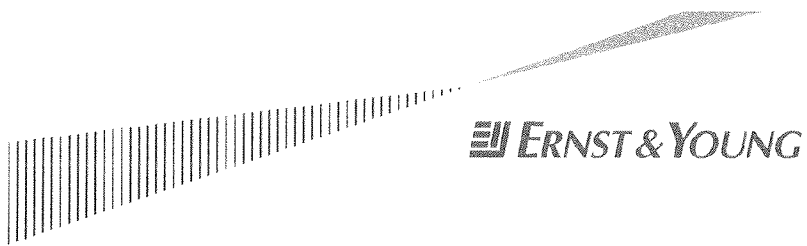
- (a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- (b) the financial statements and notes also comply with international Financial Reporting Standards as disclosed in Note 2(a); and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (d) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2010.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Stephen Jones', with a horizontal line extending to the right.

Stephen Jones
Executive Chairman

Brisbane, 30 September 2010



1 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001
Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
www.ey.com/au

Auditor's Independence Declaration to the Directors of CBio Limited

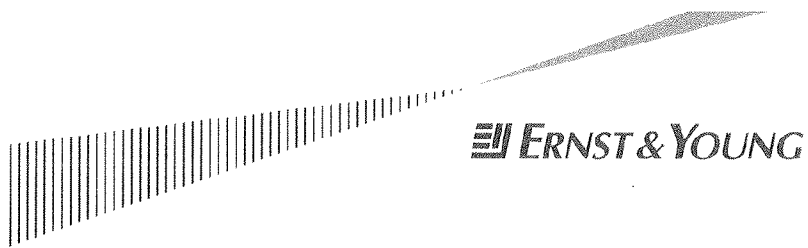
In relation to our audit of the financial report of CBio Limited for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

A handwritten signature in black ink, appearing to read 'Brad Tozer', written over a large, stylized checkmark.

Brad Tozer
Partner
30 September 2010



1 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001
Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
www.ey.com/au

Independent auditor's report to the members of CBio Limited

Report on the Financial Report

We have audited the accompanying financial report of CBio Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Cbio Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of CBio Limited at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Material Uncertainty Regarding Continuation as a Going Concern

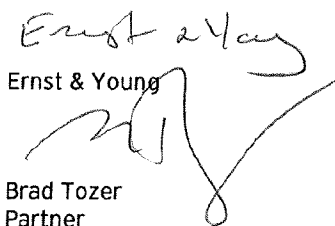
Without qualifying our opinion, we draw attention to Note 2(c) in the financial report which indicates that the company incurred a net loss of \$16,787,189 (2009: \$12,747,758) during the year ended 30 June 2010 and, as of that date, the company's current liabilities exceeded its current assets by \$5,393,267 (2009: \$8,929,855). As described in Note 2(c) "Going Concern", the company will require additional working capital from capital raisings or funding arrangements to continue its operations and pay its debts as and when due. As a result of these matters there is significant uncertainty whether the company will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 24 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of CBio Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.


Ernst & Young

Brad Tozer
Partner
Brisbane
30 September 2010

shareholder information

CBio Limited ACN 094 730 417

Registered Office

85 Brandl St
Eight Mile Plains, QLD, 4113

Postal Address

PO Box 8104
Sunnybank, QLD, 4109
Tel: (07) 3841 4844
Fax: (07) 3841 8189
www.cbio.com.au

Annual General Meeting

CBio Limited's Annual General Meeting will be held at 11am on Friday 19 November 2010 at:
BTP Technology & Conference Centre
1 Clunies Ross Court
Brisbane Technology Park
Eight Mile Plains, QLD, 4113

Share Registry

Shareholder information in relation to shareholding or share transfer can be obtained by contacting the Company's share registry:

Link Market Services, Locked Bag A14,
Sydney South, NSW, 1235
Tel: (02) 8280 7454
Fax: (02) 9287 0303
Email: registrars@linkmarketservices.com.au
www.linkmarketservices.com.au

For all correspondence to the share registry, please provide your Security-holder Reference Number (SRN) or Holder Identification Number (HIN).

Change of address

Changes to your address can be updated online at www.linkmarketservices.com.au or by obtaining a Change of Address Form from the Company's share registry. CHESS sponsored investors must change their address details via their broker.

Annual report mailing list

All shareholders are entitled to receive the Annual Report. In addition, shareholders may nominate not to receive an annual report by advising the share registry in writing, by fax, or by email, quoting their SRN/HIN.

Securities exchange listing.

CBio's shares are listed on the Australian Securities Exchange and trade under the ASX code CBZ. The securities of the Company are traded on the ASX under CHESS (Clearing House Electronic Sub-register System)

ASX Shareholder Disclosures

The following additional information is required by the Australian Securities Exchange in respect of listed public companies. The information is current as at 28 September 2010.

Distribution of equity securities

	Ordinary shares		Convertible Notes	
	Number of holders	Number of ordinary shares	Number of holders	Number of convertible notes
1 - 1,000	218	99,362	4	6
1,001 - 5,000	491	1,561,144	-	-
5,001 – 10,000	297	2,363,700	-	-
10,001 – 100,000	630	21,952,522	-	-
100,001 and over	114	55,627,393	-	-
	1,750	81,604,121	4	6

shareholder information

Distribution of equity securities (cont'd)

Share options:

	Option class							
	1	1	2	2	3	3	4	4
	Number of holders	Number of Share options	Number of holders	Number of Share options	Number of holders	Number of Share options	Number of holders	Number of Share options
1 - 1,000	2	2,000	-	-	-	-	-	-
1,001 - 5,000	8	25,000	-	-	-	-	-	-
5,001 – 10,000	11	105,500	1	10,000	-	-	-	-
10,001 – 100,000	57	2,481,657	-	-	-	-	-	-
100,001 and over	34	26,760,692	1	700,000	2	600,000	1	1,900,000
	112	29,374,849	2	710,000	2	600,000	1	1,900,000

	Option Class					
	5	5	6	6	7	7
	Number of holders	Number of Share options	Number of holders	Number of Share options	Number of holders	Number of Share options
1 - 1,000	-	-	-	-	-	-
1,001 - 5,000	-	-	-	-	-	-
5,001 – 10,000	-	-	-	-	-	-
10,001 – 100,000	-	-	-	-	-	-
100,001 and over	1	148,148	1	127,443	1	166,667
	1	148,148	1	127,443	1	166,667

Option classes:

- Options with an exercise price of \$1 and expiring 31 December 2012.
- Options with an exercise price of \$2 and expiring 31 December 2012.
- Options with an exercise price of \$3 and expiring 31 December 2012.
- Options with an exercise price of \$0.517 and expiring 16 May 2015.
- Options with an exercise price of \$0.351 and expiring 15 June 2015.
- Options with an exercise price of \$0.306 and expiring 15 July 2015.
- Options with an exercise price of \$0.234 and expiring 16 August 2015.

The number of shareholders holding less than a marketable parcel of shares is 459 and they hold 555,076 shares.

Voting rights

Shareholders in CBio Limited have a right to attend and vote at general meetings. At a general meeting, individual shareholder may vote in person or by proxy. All quoted and unquoted share options, and convertible notes, have no voting rights.

shareholder information

Substantial shareholders

Substantial holders in the Company are set out below:

Name	Shares		Options	
	Number	Percentage	Number	Percentage
Dr Michael Monsour (i)	6,344,135	7.77	3,104,000	9.40
Himstedt & Co Pty Ltd	4,994,775	6.12	300,000	0.91

(i) Includes shares held by other entities in which Dr Monsour holds a relevant interest.

Share buy-back

There is no current or planned buy-back of the Company's shares.

Statement in accordance with ASX Listing Rule 4.10.19

The Company confirms that it has used the cash and assets in a form readily convertible to cash at the time of admission in a way consistent with its business objectives.

Twenty largest shareholders- Ordinary shares ¹

Name	A/C Designation	Total Shares	Percentage
HIMSTEDT & CO PTY LTD	THE HIMSTEDT FAMILY	4,994,775	6.12%
MPAMM PTY LTD		3,834,074	4.70%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		2,073,450	2.54%
BLECTOR PTY LTD	DAVIES FAMILY NO. 2	2,000,000	2.45%
YELLOWROCK PTY LTD	GLR SUPERANNUATION	1,480,000	1.81%
UNIQUEST PTY LTD		1,437,517	1.76%
MR GRAEME EDMUND MOIR		1,434,000	1.76%
HAWKINS & BIRTHWRIGHT LTD		1,277,233	1.57%
HALLE MORTON	<MORTON RETIREMENT FUND A/C>	1,190,000	1.46%
STEPHEN GEORGE BURCH JONES & NADINE JONES	<S & N SUPER FUND A/C>	1,190,000	1.46%
ROBERT DUNCAN MCLEOD & DEBORAH LEIGH MCLEOD	TAKKZO	1,163,397	1.43%
BIOTECH DESIGNS PTY LTD	<GOODALL FAMILY A/C>	1,160,000	1.42%
MP MONSOUR MEDICAL PRACTICE PTY LTD	<MP MONSOUR MEDICL PRA SF A/C>	1,050,208	1.29%
ANALYTICAL LIMITED		1,044,712	1.28%
BLB HOLDINGS PTY LTD		1,000,000	1.23%
RON MEDICH PROPERTIES PTY LTD	RON MEDICH SUPER FUND	1,000,000	1.23%
RON MEDICH PROPERTIES PTY LTD	CAPTAIN COOK	1,000,000	1.23%
CAVANAGH SUPERANNUATION PTY LTD	ALICE CAVANAGH SUPERANNUATION FUND>	880,000	1.08%
KERRY MORAN		719,940	0.88%
WHITE TURTLE PTY LTD		700,000	0.86%
		30,629,306	37.53%

Twenty largest shareholders- Quoted share options ¹

Name	A/C Designation	Total Options	Percentage
PT EQUITIES PTY LTD		5,050,000	17.19%
DENNIS J FEENEY & AH FEENEY	<FEENEY FAMILY A/C>	1,800,000	6.13%
MPAMM PTY LTD		1,614,000	5.49%
MR JASON RICHARD YEATES		1,500,000	5.11%
NOVUS CAPITAL LIMITED		1,500,000	5.11%
MP MONSOUR MEDICAL PRACTICE PTY LTD	<MP MONSOUR MEDICL PRA SF A/C>	1,490,000	5.07%
S & M STREETER INVESTMENTS CO PTY LTD		1,300,000	4.43%
DR JOHN FUNDER & MS VALERIE FUNDER	VAL DIAMOND SUPER FUND	1,000,000	3.40%
ROBERT DUNCAN MCLEOD & DEBORAH LEIGH MCLEOD	TAKKZO	1,000,000	3.40%
ANALYTICAL LIMITED		1,000,000	3.40%
GORAN ANDO		1,000,000	3.40%
JAMES GREIG		1,000,000	3.40%
INOVB LLC		1,000,000	3.40%
ALAN GRAHAME BAKER & JULIE ANN BAKER	BAKER SUPER FUND	837,844	2.85%
RETIREWELL COMMERCIAL SERVICES PTY LTD	GILLETT SUPER FUND	730,650	2.49%
WOLFGANG HELMUT HANISCH		500,000	1.70%
STEPHEN FRANCIS GOODALL		500,000	1.70%
JASON YEATES		500,000	1.70%
DR BARBARA JANE JOHNSON		350,000	1.19%
RICHARD P WILLIS		300,000	1.02%
		23,972,494	81.61%

1- Includes restricted and un-restricted securities

shareholder information

Restricted Securities

Details of the securities subject to voluntary escrow are as follows:

Class of security	Number of securities subject to voluntary escrow	Date escrow period ends
Ordinary shares	390,000	30 September 2010
Ordinary shares	650,000	9 October 2010
Ordinary shares	125,000	12 October 2010
Ordinary shares	2,850,921	13 October 2010
Ordinary shares	2,015,000	16 October 2010
Ordinary shares	680,000	23 October 2010
Ordinary shares	324,414	30 October 2010
Ordinary shares	50,000	2 November 2010
Ordinary shares	3,346,918	6 November 2010
Ordinary shares	880,000	9 November 2010
Ordinary shares	3,359,744	15 February 2012
Share options	650,000	9 October 2010
Share options	125,000	12 October 2010
Share options	4,005,460	9 November 2010
Share options	15,087,494	15 February 2010

Unquoted securities

The number of unquoted equity securities on issue and the number of holders of those securities is as follows:

Class of unquoted equity security	Number of unquoted equity securities on issue	Number of holders
Ordinary shares	14,671,997	268
Share options exercisable at \$1.00 each on or before 31 December 2010	19,867,954	61
Share options exercisable at \$2.00 each on or before 31 December 2012	710,000	2
Share options exercisable at \$3.00 each on or before 31 December 2012	600,000	2
Share options exercisable at \$0.517 each on or before 16 May 2015	1,900,000	1
Share options exercisable at \$0.351 each on or before 15 June 2015	148,148	1
Share options exercisable at \$0.306 each on or before 15 July 2015	127,443	1
Share options exercisable at \$0.234 each on or before 16 August 2015	166,667	1
Convertible Note with a face value of \$150,000 expiring 15 October 2010.	1	1
Convertible Note with a face value of \$125,000 expiring 31 December 2010.	1	1
Convertible Notes with a face value of \$1,000,000 each expiring 30 June 2011	2	1
Convertible Notes with a face value of \$1,000,000 each expiring 31 December 2011	2	1

shareholder information

The following shareholders hold greater than 20% or more of the following unquoted equity securities (by class) of the Company:

Class of unquoted equity security	Holders with >20% of the equities securities in each class	Number of equity securities held
Share options exercisable at \$2.00 each on or before 31 December 2012	DFCT Pty Ltd	700,000
Share options exercisable at \$3.00 each on or before 31 December 2012	IJONG Pty Ltd	300,000
Share options exercisable at \$3.00 each on or before 31 December 2012	Stephen Francis Goodall	300,000
Share options exercisable at \$0.517 each on or before 16 May 2015	SpringTree Special Opportunities Fund, LP	1,900,000
Share options exercisable at \$0.351 each on or before 15 June 2015	SpringTree Special Opportunities Fund, LP	148,148
Share options exercisable at \$0.306 each on or before 15 July 2015	SpringTree Special Opportunities Fund, LP	127,443
Share options exercisable at \$0.234 each on or before 16 August 2015	SpringTree Special Opportunities Fund, LP	166,667
Convertible Note with a face value of \$150,000 expiring 15 October 2010.	SpringTree Special Opportunities Fund, LP	1
Convertible Note with a face value of \$125,000 expiring 31 December 2010.	Jarpat Pty Ltd	1
Convertible Notes with a face value of \$1,000,000 each expiring 30 June 2011	Exelmont Pty Ltd	2
Convertible Notes with a face value of \$1,000,000 each expiring 31 December 2011	BLB Nominees Pty Ltd	2

corporate directory

Directors

Mr. Stephen Jones (Executive Chairman)
Mr. Jason Yeates (Managing Director & CEO)
Dr. Peter Corr
Dr. Göran Ando
Prof. John Funder, AO
Dr. Michael Monsour
Dr. Dennis Feeney
Mr. Stephen Streeter

Company Secretary

Mr. Ben Graham

Registered Office

85 Brandl St
Eight Mile Plains QLD 4113
Australia
Tel: (07) 3841 4844
Fax: (07) 3841 8189
contact@cbio.com.au
www.cbio.com.au

Auditors

Ernst & Young
Brisbane
Australia

Securities Exchange Listing

Australian Securities Exchange
ASX Code: CBZ

Share Register

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia
Tel: (02) 8280 7454
Fax: (02) 9287 0303
www.linkmarketservices.com.au