

10 May 2011

Stephanie So
Adviser, Listings (Sydney)
ASX Limited
20 Bridge St
SYDNEY NSW 2000

Dear Stephanie,

Appendix 4C Query

I refer to your letter of 4 May 2011 in regards to CBio Limited's Appendix 4C for the period ending 31 March 2011 and respond to your questions as follows:

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Company may only have sufficient cash to fund its activities for less than 2 quarters. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?

The Company does not believe that the operating cash flows for the March quarter are indicative of the expected levels of operating cash flows for the June or subsequent quarters. The Company has recently completed dosing in a 155-patient, phase IIa clinical trial in Rheumatoid Arthritis at sites throughout Australia, New Zealand and Central & Eastern Europe. The Company incurred significant costs in connection with this trial throughout both the December and March quarters, with only minimal costs still to be incurred. Research and Development accounts for the main operating cash flows of the Company. Operating cash flows are expected to decrease as the remaining costs are met in relation to the phase IIa clinical trial. It should be noted that the operating cash flows for the March quarter were \$1.347 million lower than those in the December quarter.

2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?

No, the Company expects future negative operating cash flows to be lower than that reported for the March 2011 quarter. The Company has identified at Question 1 (above) that reduced clinical trial costs are the primary driver of this expected reduction in cash outflows.

In late 2010, the Company completed a Rights Issue which raised \$9.3 million, with these funds to substantially meet the remaining costs associated with the phase IIa clinical trial. Following the completion of patient dosing in the March quarter, only minimal clinical trial costs are yet to be met. The Company reported a cash balance of \$1.669 million at 31 March.

The Company has today requested a trading halt pending an announcement to the market in relation to capital raising. It is expected this announcement will be made prior to the market opening on Thursday 12 May and will address the funding requirements of the Company over the coming months.

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3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives Company?

The Company has today requested a trading halt pending the release of an announcement in relation to capital raising.

The Company is confident of raising the funding required to continue to meet its business objectives.

4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

The Company can confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1.

5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

CBio is in compliance with ASX Listing Rule 12.2 having regard to the composition of its balance sheet, relative size of liabilities and access to funds.

In forming this view, the Company recognises it requires to raise additional equity capital (as outlined in the response to Question 2) and is confident of its ability to achieve this as and when required to enable it to continue to meet its business objectives.

For and on behalf of the Board of CBio Limited



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Company Secretary

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About CBio

CBio is an Australian ASX listed company established in 2000. CBio's lead product XToll® is a potential new-generation drug therapy which could provide safer and more effective treatment of autoimmune diseases such as rheumatoid arthritis. It is currently being trialled in phase II clinical trials in patients with rheumatoid arthritis (RA). Global sales of RA therapies exceeded US\$17 billion in 2008.

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Novo Nordisk A/S (Copenhagen: NOVO-B.CO; NYSE: NVO), a top 20 global pharmaceutical company and world-leader in diabetes care, has an exclusive option to enter into negotiations for a licence agreement for the intellectual property rights relating to XToll®.

CBio's Board includes internationally experienced drug developers including Dr Göran Ando, Vice-Chairman Novo Nordisk A/S (formerly president of R&D at Pharmacia/Pfizer and R&D director of Glaxo Group, UK); Dr Thomas Lönngrén (former Executive Director of the European Medicines Agency), Dr Terje Kalland (retired Vice President Biopharmaceuticals Research Unit- Novo Nordisk), Dr Peter Corr, Founder and co-General Partner of Celtic Therapeutics (formerly Senior Vice-President for Science and Technology at Pfizer and Chairman of the Board of Governors, New York Academy of Sciences); and Professor John Funder, AO, Professor of Medicine at Monash University, Senior Fellow at Prince Henry's Institute of Medical Research (formerly Director of the Baker Institute, 1990-2001).

About Rheumatoid Arthritis

Rheumatoid Arthritis is a chronic autoimmune disease, mainly characterised by inflammation of the lining of the joints. It can lead to long-term joint damage, resulting in 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. RA symptoms can make even the simplest activities – such as opening a jar or taking a walk – difficult to manage. RA has a worldwide distribution with a prevalence of 1 to 2% – which currently equates to approximately 100 million people. Prevalence increases with age, approaching 5% in women over age 55. RA is two to three times more common in women than in men and generally occurs between the ages of 40 and 60, but it can also affect young children and older adults. Currently, there is no cure.



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4 May 2011

Mr Ben Graham
Company Secretary
CBio Limited
Brisbane Technology Park
85 Brandl Street
Eight Mile Plains QLD 4113

By Email

Dear Ben

CBio Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 31 March 2011, released to ASX Limited ("ASX") on 29 April 2011 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from customers of \$42,000;
2. Negative net operating cash flows for the quarter of \$3,023,000; and
3. Cash at end of quarter of \$1,669,000.

In light of the information contained in the Appendix 4C, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Company may only have sufficient cash to fund its activities for less than 2 quarters. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives Company?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

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Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Under listing rule 18.7A, a copy of this query and your response may be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me by email at stephanie.so@asx.com.au or on facsimile number (02) 9241 7620. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than half an hour before the start of trading (i.e. before 9.30 a.m. A.E.S.T.) on Tuesday, 10 May 2011.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

Yours sincerely

(Sent electronically without signature)

Stephanie So
Adviser, Listings (Sydney)