



CBio Limited

ACN 76 094 730 417

Appendix 4E Preliminary Final Report 30 June 2011

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

Reporting Period

Report for the financial year end:	30 June 2011
Previous corresponding reporting period :	30 June 2010

Summary of Financial Information

The loss after tax of the Company for the year ended 30 June 2011 was \$13,679,994 (2010: \$16,787,189 loss).

Total revenue during the year decreased to \$209,125 (2010: \$225,521), primarily due to reduced interest receipts.

CBio Limited incurred total expenses of \$13,668,307 during the year ended 30 June 2011 (2010: \$17,606,959).

Research and development activities, including the phase IIa clinical trial in Rheumatoid Arthritis (RA), accounted for the bulk of the expenses incurred during the year. Expenses of \$5,144,075 were incurred on research and development during the year (2010: \$5,429,117). Borrowing costs (\$1,665,638), capital raising costs (\$260,990), share-based payments expenses (\$16,396) and business development costs (\$399,706) were all significantly lower than those incurred in the prior year.

The net deficiency in assets of the Company was reduced during the year by \$2,634,477 to \$2,142,416 (2010: Net deficiency \$4,776,893). Total assets have increased to \$4,729,684, of which \$3,909,426 is cash (2010: \$3,433,448). The Company's Issued Capital has increased from \$68,291,037 to \$84,302,952 during the year, with new capital raised from a variety of sources, including a Rights Issue, share placement, the exercise of share options and the conversion of Convertible Notes.

The Company has not gained or lost control of any entity during the reporting period. There were no associated or joint venture entities during the reporting period.

Results	\$	Percentage increase/(decrease) over previous corresponding period
Revenue from ordinary activities	209,125	(7.3%)
Profit/(loss) from ordinary activities after tax attributable to members	(13,679,994)	(18.5%)
Net profit/(loss) for the period attributable to members	(13,679,994)	(18.5%)
Net Tangible Asset Backing	2011	2010
Net tangible asset backing per ordinary security	(0.01)	(0.06)

Dividends	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil

The Company is not yet profitable and therefore there can be no assurance that CBio will become profitable or will pay dividends in the near future. Should any dividends be paid in the future, no assurances can be given as to the level of franking credits attaching to such dividends.

Statement of accumulated losses	2011	2010
Balance at the beginning of the year	(92,167,828)	(75,380,639)
Net loss attributable to members of the parent entity	(13,679,994)	(16,787,189)
Balance at end of the year	(105,847,822)	(92,167,828)

Audit Report

The financial report is in the process of being audited. There are no likely disputes or qualifications to the accounts. The auditor has however indicated the audit report for 30 June 2011 will contain an emphasis of matter titled "Material Uncertainty Regarding Continuation as a Going Concern" consistent with prior periods.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010/1

	Note	2011 \$	2010 \$
Continuing Operations			
Interest received		66,173	85,261
Rental revenue		142,952	140,260
Total revenue		<u>209,125</u>	<u>225,521</u>
Fair value movement of derivatives		(564,049)	569,583
Unrealised / realised foreign exchange gain		341,044	-
Other income		2,203	24,666
Capital raising costs	2a	(260,990)	(1,764,430)
Borrowing costs expense	2b	(1,665,638)	(3,173,145)
Administration & corporate expenses		(1,794,792)	(1,766,199)
Depreciation & amortisation	2c	(144,420)	(232,689)
Staff costs	2d	(3,092,805)	(3,293,734)
Rent & occupancy expense		(605,945)	(572,653)
Share based payment expense		(16,396)	(373,655)
Research and development costs	2e	(5,144,075)	(5,429,117)
Patent costs		(543,550)	(293,920)
Business development		(399,706)	(707,417)
Loss before income tax from continuing operations		<u>(13,679,994)</u>	<u>(16,787,189)</u>
Income tax expense	3	-	-
Loss from continuing operations after income tax		<u>(13,679,994)</u>	<u>(16,787,189)</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>(13,679,994)</u>	<u>(16,787,189)</u>
(Loss)/gain per share (cents per share)			
Basic/Diluted – Continuing operations	14	(11.32)	(24.90)

The Statement of Comprehensive Income is to be read in conjunction with the notes to the Appendix 4E.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	2011 \$	2010 \$
Current assets			
Cash and cash equivalents	15a	3,909,426	3,433,448
Trade and other receivables	4a	28,030	55,807
Other current assets	5	340,598	271,403
Total current assets		4,278,054	3,760,658
Non-Current Assets			
Property, plant and equipment	6	132,556	232,856
Trade and other receivables	4b	150,000	155,967
Intangible assets	7	-	-
Other non-current assets	5	169,074	338,148
Total Non-Current Assets		451,630	726,971
Total Assets		4,729,684	4,487,629
Current Liabilities			
Trade and other payables	8	1,369,158	2,195,305
Financial liabilities	9	2,326,681	3,616,921
Short-term provisions	10a	219,369	158,851
Unearned income	11	2,805,736	3,182,848
Total current liabilities		6,720,944	9,153,925
Non-Current Liabilities			
Long-term provisions	10b	151,156	110,597
Total Non-Current Liabilities		151,156	110,597
Total Liabilities		6,872,100	9,264,522
Net Deficiency		(2,142,416)	(4,776,893)
Equity			
Issued Capital	12	84,302,952	68,291,037
Reserves	13	19,402,454	19,099,898
Accumulated Losses		(105,847,822)	(92,167,828)
Total Deficiency in Equity		(2,142,416)	(4,776,893)

The Statement of Financial Position is to be read in conjunction with the notes to the Appendix 4E.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010¹

	Note	2011 \$	2010 \$
ISSUED CAPITAL			
Balance at 1 July		68,291,037	47,947,588
Gross issue of share capital		17,657,658	22,308,111
Cost of capital raising		(1,645,743)	(1,964,662)
Balance at 30 June	12	<u>84,302,952</u>	<u>68,291,037</u>
ACCUMULATED LOSSES			
Balance at 1 July		(92,167,828)	(75,380,639)
Loss for the year		(13,679,994)	(16,787,189)
Other comprehensive income		-	-
Total comprehensive income for the year		<u>(13,679,994)</u>	<u>(16,787,189)</u>
Balance at 30 June		<u>(105,847,822)</u>	<u>(92,167,828)</u>
RESERVES			
Balance at 1 July		19,099,898	16,628,240
Net convertible note issuance/conversion to equity		286,160	2,098,003
Equity-based compensation		16,396	373,655
Balance at 30 June	13	<u>19,402,454</u>	<u>19,099,898</u>

The Statement of Changes in Equity is to be read in conjunction with the notes to the Appendix 4E.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2010

	Notes	2011 \$	2010 \$
Cash flows from/(used in) operating activities			
Payments to suppliers and employees		(13,203,838)	(16,375,922)
Cash received in the course of operations		340,964	1,549,259
Interest received		66,173	85,261
Interest paid		(659,410)	(460,633)
Net cash used in operating activities	15b	(13,456,111)	(15,202,035)
Cash flows from/(used in) investing activities			
Purchase of Plant and equipment		(44,120)	(10,719)
Net cash (used in)/provided by investing activities		(44,120)	(10,719)
Cash flows from/(used in) financing activities			
Proceeds from issue of shares		14,611,362	15,066,717
Proceeds from issue of convertible notes		1,650,000	5,550,000
Repayment of convertible notes		(1,475,000)	-
Repayment of borrowings		(300,000)	(146,000)
Share issue costs		(1,130,884)	(2,240,965)
Proceeds from borrowings		300,000	376,115
Net cash provided by financing activities		13,655,478	18,605,867
Net increase/(decrease) in cash held		155,247	3,393,113
Net foreign exchange differences		320,731	-
Cash at beginning of the financial period		3,433,448	40,335
Cash at the end of the financial period	15a	3,909,426	3,433,448

The Statement of Cash Flows is to be read in conjunction with the notes to the Appendix 4E.

NOTES TO FINANCIAL INFORMATION

For the year ended 30 June 2011

1. BASIS OF PERPARATION

This preliminary financial report has been prepared in accordance with ASX Listing Rule 4.3A and has been derived from the unaudited financial report. The financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The preliminary financial report does not include all notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010, the half-year report for the period ended 31 December 2010 and any public announcements made by the Company during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. These policies have been consistently applied to all the years presented except as noted below.

This report is based on the Financial Report which is in the process of being audited.

The current reporting period in the preliminary financial report is the year ended 30 June 2011 while the previous corresponding period is the year ended 30 June 2010.

2. EXPENSES

(a) Capital Raising Costs

	2011 \$	2010 \$
Advisor fees	260,990	-
Initial public offer costs	-	1,303,422
Commission expense	-	461,008
	260,990	1,764,430

(b) Borrowing Costs

Interest expense on Convertible notes:

- Related entities	-	24,717
- External	659,452	476,897
Non cash interest on convertible notes	794,828	2,391,429
Other borrowing costs	211,358	280,102
	1,665,638	3,173,145

(c) Depreciation and amortisation

Depreciation of non-current assets:

- Leasehold improvements	22,636	22,436
- Plant and equipment	121,784	210,253
	144,420	232,689

NOTES TO FINANCIAL INFORMATION

For the year ended 30 June 2011

	2011 \$	2010 \$
2. EXPENSES (cont'd)		
<i>(d) Staff Costs</i>		
Salaries, wages & fees	2,557,030	2,835,839
Superannuation	224,686	223,627
Payroll tax	149,427	165,638
Employee entitlements	101,076	42,821
Other staff costs	60,586	25,809
	3,092,805	3,293,734
<i>(e) Research and development</i>		
Clinical trial costs	3,107,971	2,949,545
Drug production and supply	1,580,497	2,156,379
Other research and development costs	455,607	323,193
	5,144,075	5,429,117
3. INCOME TAX		
(a) Statement of comprehensive income		
<i>Current income tax</i>		
Current income tax benefit	4,488,243	5,080,313
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(146,191)	(787,614)
Deferred tax assets (not recognised)/recognised	(4,342,052)	(4,292,699)
Income tax expense reported on the statement of comprehensive	-	-
(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	(13,679,994)	(16,787,189)
At the Company's statutory income tax rate of 30%:	(4,103,998)	(5,036,156)
Additional deductions – Research and Development	(549,353)	(786,838)
Non tax deductible items	457,490	913,556
Non-assessable items	-	(170,875)
Movement in temporary differences not recorded	(146,191)	787,614
Tax assets not recognised	4,342,052	4,292,699
Income tax expense	-	-

NOTES TO FINANCIAL INFORMATION

For the year ended 30 June 2011

	2011 \$	2010 \$
3. INCOME TAX (cont'd)		
Tax assets (At 30%)		
Domestic tax losses	28,504,079	24,162,028
Temporary differences – including balances in equity	3,333,290	3,179,899
Total unrecorded tax assets	31,837,369	27,341,927

At 30 June 2011 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 2011 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	793,712	548,815
Patent costs	1,015,863	852,798
Research licence	405,000	450,000
Unearned income	838,067	954,854
Provisions and accruals	280,648	373,432
	3,333,290	3,179,899

The losses disclosed as at 30 June 2011 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.

4. TRADE & OTHER RECEIVABLES

(a) Current

Trade debtors	28,030	55,807
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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. At 30 June 2011, \$2,997 of trade debtors are past due but not impaired (2010: \$8,780).

(b) Non-current

Bank Guarantee Deposit (i)	150,000	155,967
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(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.

NOTES TO FINANCIAL INFORMATION

For the year ended 30 June 2011

	2011	2010
	\$	\$
5. OTHER ASSETS		
Current – Prepayments	340,598	271,403
Non current – Prepayments	169,074	338,148
	509,672	609,551
6. PROPERTY, PLANT & EQUIPMENT		
Total property, plant & equipment		
- At Cost	1,872,457	1,828,337
- Accumulated Depreciation	(1,739,901)	(1,595,481)
Total written down value	132,556	232,856
Leasehold Improvements		
At cost	152,056	147,201
Provision for depreciation	(125,898)	(103,262)
	26,158	43,939
Movement in carrying value		
Carrying value at the beginning of the year	43,939	66,375
- Additions	4,855	-
- Depreciation	(22,636)	(22,436)
Carrying value at the end of the year	26,158	43,939
Plant & Equipment		
At cost	1,720,401	1,681,136
Provision for depreciation	(1,614,003)	(1,492,219)
	106,398	188,917
Movement in carrying value		
Carrying value at the beginning of the year	188,917	388,451
- Additions	39,265	10,719
- Depreciation	(121,784)	(210,253)
Carrying value at the end of the year	106,398	188,917

NOTES TO FINANCIAL INFORMATION

For the year ended 30 June 2011

	2011 \$	2010 \$
7. INTANGIBLE ASSETS		
Intellectual property	4,125,000	4,125,000
Provision for recoverability (i)	(4,125,000)	(4,125,000)
	-	-

(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.

8. TRADE & OTHER PAYABLES

Trade payables	793,968	1,123,605
Accrued expenses	564,890	996,735
Director and Director related payables (i)	10,300	74,965
	1,369,158	2,195,305

(i) The Director and Director related payables relates to fees and expense reimbursements payable at 30 June 2011.

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.

9. FINANCIAL LIABILITIES

Convertible notes (i)	1,780,006	3,227,740
Embedded derivative in convertible notes (i)	497,360	338,838
Interest payable on Convertible Notes	49,315	50,343
	2,326,681	3,616,921

(i) *SpringTree Notes*

During the year the Company issued 11 Convertible Notes (SpringTree Notes) under a Convertible Loan Agreement dated 17 May 2010, raising a total of \$1,650,000. These notes have a face value of \$150,000 each 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)

NOTES TO FINANCIAL INFORMATION

For the year ended 30 June 2011

9. FINANCIAL LIABILITIES (cont'd)

Under certain conditions, the Note is also repayable in cash. The penalty for repaying the note in cash is equal to 5% (Jul-Feb) and 2.5% (Mar-Jun) 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, 3 SpringTree Notes were converted to equity (one of which was outstanding at 30 June 2010) and 9 SpringTree Notes were repaid in cash. There were no Notes 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 was recorded in the prior year to represent the fair value of this obligation.

Other Notes

During prior years, the Company issued a number of Convertible Notes ("Other Notes") under a Convertible Note Deed dated 30 August 2007. The notes had 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. During the year, one Note, with a face value of \$125,000, was repaid in cash. On 30 June 2011, the Company received a notice from the holder of two Notes, with a face value of \$2,000,000, electing to convert their Notes to equity. Subsequent to the Balance Date, 4,000,000 shares and 2,500,000 share options were issued in relation to these notes. These notes were recorded as equity at 30 June 2011. Two other notes, with a combined face value of \$2,000,000, remain outstanding at the balance date.

(a) *Key convertible note terms*

Face Value \$	Conversion Rate \$	Shares issued if converted	Options issued if converted	Option exercise price \$	Note expiry
2,000,000	0.286	7,000,000	2,500,000	1.00	31/12/11

(b) *Financial Liability reconciliation*

	Convertible Note	Embedded Derivative	Interest Accrual
Opening balance at 1 July 2010	3,227,740	338,838	50,343
Issue of convertible notes	1,650,000	-	-
Interest accretion	794,828	-	-
Conversion of convertible notes	(2,450,000)	(258,966)	-
Repayment of convertible notes	(1,475,000)	(1,661)	-
Interest charge on convertible notes	-	-	606,301
Interest paid on convertible notes	-	-	(607,329)
Fair value adjustment	32,438	419,149	-
	1,780,006	497,360	49,315

NOTES TO FINANCIAL INFORMATION

For the year ended 30 June 2011

	2011	2010
	\$	\$
10. PROVISIONS		
(a) Short-term employment provisions (i)	219,369	158,851
(b) Long-term employment provisions (ii)	151,156	110,597
	370,525	269,448
 Movement in carrying value		
At 1 July	269,448	226,627
Accrued in the period	222,331	247,945
Used in the period	(121,254)	(205,124)
At 30 June	370,525	269,448

- (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 and long-service leave and related on-costs payable on the accrued entitlements. It is expected these costs will be settled by 30 June 2012.
- (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 2012.

	2011	2010
	\$	\$
11. UNEARNED INCOME		
Option agreement (i)	2,793,556	3,182,848
Other	12,180	-
	2,805,736	3,182,848

(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.

	2011	2011	2010	2010
	Number	\$	Number	\$
12. ISSUED CAPITAL				
Ordinary shares fully paid	159,854,762	84,302,952	80,104,905	68,291,037

NOTES TO FINANCIAL INFORMATION

For the year ended 30 June 2011

12. ISSUED CAPITAL (cont'd)	2011 Number	2011 \$	2010 Number	2010 \$
Movements in shares on issue				
As at 1 July	80,104,905	68,291,037	41,258,424	47,947,588
SpringTree convertible loan agreement (i)	2,316,093	551,882	2,777,778	686,000
Exercise of share options (ii)	611,367	168,994		
Consideration for provision of services (iii)	51,282	33,846	900,000	400,000
Consideration for payment of capital raising costs (iv)	2,854,770	460,569	700,250	535,125
Share placement (v)	11,627,687	5,116,182	-	-
Rights issue (vi)	58,288,658	9,326,185	-	-
Information memorandum	-	-	15,126,000	7,563,000
IPO	-	-	7,101,717	7,101,717
Share Purchase Plan	-	-	1,148,566	401,998
Repayment of loan	-	-	520,590	260,295
Consideration for accrued interest on convertible notes	-	-	397,578	198,789
Conversion of convertible notes (vii)	4,000,000	2,000,000	10,174,002	5,161,187
Transaction costs	-	(1,645,743)	-	(1,964,662)
As at 30 June	159,854,762	84,302,952	80,104,905	68,291,037

- (i) 2,316,093 shares were issued at prices of between \$0.1774 and \$0.2354 pursuant to a Convertible Loan Agreement with SpringTree Special Opportunities Fund LP.
- (ii) 611,367 shares were issued upon the exercise of share options at exercise prices of between \$0.2323 and \$0.3510.
- (iii) 51,282 shares were issued to a supplier for the provision of service at \$0.195 per share
- (iv) 2,826,100 shares were issued as commission in connection with the Rights Issue conducted by the company at \$0.16 per share with the remaining 28,670 shares issued as commission at \$0.2927 per share.
- (v) 11,627,687 shares were issued at \$0.44 per share in a share placement
- (vi) 58,288,658 shares were issued at \$0.16 in a Rights Issue.
- (vii) 4,000,000 shares were issued at \$0.50 in accordance with convertible note terms. These shares were recognised in equity at 30 June in accordance with Accounting Standards, however the shares were not issued until 7 July 2011.

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 FINANCIAL INFORMATION

For the year ended 30 June 2011

12. 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 2011 and 30 June 2010 are as follows:

	2011	2010
	\$	\$
Total borrowings (at face value)	2,000,000	4,275,000
Trade and other payables	1,369,158	2,195,305
Less cash and cash equivalents	(3,909,426)	(3,433,448)
Net debt	(540,268)	3,036,857
Total equity (including liabilities at face value)	(1,865,050)	(5,485,315)
Total net debt plus equity	(2,405,318)	(2,448,458)
Gearing ratio	(22%)	(124%)

13. RESERVES

Equity reserve

Balance at 1 July	19,099,898	16,628,240
Convertible note issue	286,160	1,221,419
Repayment of convertible notes	-	(21,690)
Share option expense	16,396	846,758
Adjustment to convertible notes on modification	-	425,171
Balance at 30 June	19,402,454	19,099,898

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 FINANCIAL INFORMATION

For the year ended 30 June 2011

	2011 \$	2010 \$
14. EARNINGS PER SHARE		
Basic/Diluted (loss) per share (cents per share) – continuing operations	(11.32)	(24.90)
Basic/Diluted (loss)/earnings per share (cents per share) – attributable to the members of the company	(11.32)	(24.90)
Income and share data used in the calculation of basic & diluted earnings per share:		
Loss from continuing operations after income tax expense	(13,679,994)	(16,787,189)
Loss attributable to members of the parent entity	(13,679,994)	(16,787,189)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic & diluted EPS	120,891,672	67,425,696
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)	120,891,672	67,425,696

(i) As at the balance date, there were 37,084,849 share options on issue, 7,000,000 potential shares and 2,500,000 potential options which may be issued upon conversion of outstanding Convertible Notes, giving a total potential shares which may be issued of 46,584,849. 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 unless SpringTree elects to make a payment to CBio in accordance with the terms of the Agreement.

15. 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	3,909,426	3,433,448
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NOTES TO FINANCIAL INFORMATION

For the year ended 30 June 2011

	2011 \$	2010 \$
15. 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	(13,679,994)	(16,787,189)
Non cash items		
Interest	794,828	2,391,429
Transaction cost	211,400	-
Termination fee	-	250,000
Depreciation	144,420	232,698
Equity based compensation	16,396	373,655
Capital raising costs	-	535,125
Realised/ Unrealised foreign exchange gain	(341,044)	68,543
Change in assets and liabilities		
(Increase)/decrease in receivables and prepayments	133,623	(376,037)
Increase/(decrease) in payables	(824,637)	(3,781,843)
Increase/(decrease) in provisions	101,077	42,820
Increase/(decrease) in unearned income	(12,180)	1,096,690
Net cash flows used in operating activities	(13,456,111)	(15,202,035)

16. SUBSEQUENT EVENTS

The Company issued a \$150,000 Convertible Notes on 6 July pursuant to the funding agreement with SpringTree Special Opportunities Fund, LP. The Note was repaid in cash on 3 August.

In July the Company issued 100,000 shares to entities associated with Dr Michael Monsour as commission on the firm commitment to subscribe for shares under the Rights Issue conducted by the Company in 2010. The share issue was approved by shareholders in general meeting on July 15.

In July the Company issued 1,900,000 performance rights to employees of the Company and 1,200,000 performance rights to Non-Executive Directors of the Company. The issue of performance rights was approved by shareholders in general meeting on July 15.

In July the Company announced the headline results from its phase IIa clinical trial in Rheumatoid Arthritis.

In July, SpringTree Special Opportunities Fund, LP exercised 200,000 of 1,900,000 options issued upon the signing of the funding agreement at \$0.517 per share.

In August, the Company announced the termination of the Convertible Loan facility with the SpringTree Special Opportunities Fund, LP. On termination of the facility, SpringTree made a payment of \$180,160 to CBio in lieu of the cancellation of the Collateral Shares issued in the prior year pursuant to the Agreement.

NOTES TO FINANCIAL INFORMATION

For the year ended 30 June 2011

17. CORPORATE INFORMATION

CBio Limited is a company limited by shares that is Incorporated and domiciled in Australia. CBio Limited is listed on the Australian Securities Exchange. During the year ending 30 June 2011 there were no controlled entities.

The registered office and principal place of business is:

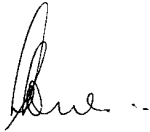
CBio Limited
85 Brandl St
Eight Mile Plains, QLD, 4113

NOTES TO FINANCIAL INFORMATION

For the year ended 30 June 2011

COMPLIANCE STATEMENT

1. This Appendix 4E has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.
2. This Appendix 4E, and the accounts upon which the Appendix 4E is based, use the same accounting policies.
3. This Appendix 4E does give a true and fair view of the matters disclosed.
4. This Appendix 4E is based on financial statements which are in the process of being audited.
5. The entity has a formally constituted audit committee.
6. In the directors opinion, there are reasonable grounds to believe that the company is able to pay its debts as and when they become due and payable.

A handwritten signature in black ink, appearing to read "Stephen Jones".

STEPHEN JONES

Executive Chairman

31 August 2011