

5 September 2011

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

Dear Sir,

CBIO ANNOUNCES UNDERWRITTEN NON-RENOUCEABLE RIGHTS ISSUE

BRISBANE, 5 September 2011: Australian drug development company CBio Limited (ASX:CBZ) today announced an underwritten non-renounceable rights issue to raise up to \$10.8 million. The offer will enable shareholders to subscribe for three (3) new shares for every eight (8) shares currently held at an offer price of \$0.18 per share.

CBio is developing XToll, an established immunomodulator which has been studied in phase I and phase II clinical trials in rheumatoid arthritis, psoriasis and multiple sclerosis.

Executive Chairman Mr Stephen Jones said that in order to realise the value of XToll the company must now conclude a commercial transaction with a pharmaceutical partner.

"Clinical trial data has now been sent to a number of pharmaceutical companies. Any opportunity for the commercialisation of XToll can only be exploited with adequate and timely funding being available," Mr Jones said.

"The offer price for this Rights Issue has been determined having regard to the market price for the company's securities and represents a 31% discount to the last traded price on 31 August," he said.

Zheng He Securities Pty Ltd (ASX: ZHE) is acting as underwriter and lead manager to the offer.

"CBio is pleased that this offer is underwritten by Zheng He Securities. To the extent there is any shortfall on the offer, Zheng He will subscribe to take up the remaining shares on offer," Mr Jones said.

Clinical trial data from the recent trial into RA continues to be received and analysed. Information to date continues to support the view that XToll works to restore a balanced immune system. It is this apparent ability to work with the body's immune system rather than against it that offers the potential for real therapeutic benefit with a good safety profile.

"Given the data from the clinical trial to date, the Board remains confident in the continued pursuit of a commercial transaction to enable the onward development of XToll," Mr Jones said.

It is an objective of the Company to commence a further clinical trial into Lupus whilst the RA study wraps up and commercialisation activities take their course.

CBio has a commercial agreement with Novo Nordisk that grants Novo Nordisk the first option to negotiate a licence for the XToll technology. The final study report is set to be received by the company in October after which Novo Nordisk will have up to 60 days to exercise their Option.

Offer details

A non-renounceable rights issue of approximately 60,058,036 New Shares on the basis of three (3) New Shares for every eight (8) Shares held at an issue price of \$0.18 per New Share to raise up to approximately \$10.8 million. Applications may also be made for shares from the shortfall in acceptances (if any). The Rights Issue (and shortfall) is underwritten to \$10.8 million by Zheng He Securities Pty Ltd (ABN 48 147 566 178), Australian Financial Services Licence No. 392360 on the terms set out in this Prospectus. The record date to participate in the offer is 13 September 2011.

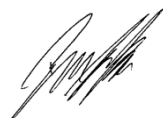
Use of proceeds

After payment of the costs of the Offer, the funds raised will be applied to on-going development and commercialisation activities of CBio's leading drug candidate, XToll. Specifically, funds raised from this Offer will go towards costs associated with on-going engagement and discussions with numerous pharmaceutical companies, a phase I study in lupus, drug manufacturing and production activities, IP activities including mechanism of action studies, and general working capital.

Important dates

Event	Date
Lodgement of Prospectus	5 September 2011
Notice of Rights Issue sent to shareholders	5 September 2011
"Ex" date (the date Shares are quoted ex-rights)	7 September 2011
Record date to identify Shareholders entitled to participate in the Rights Issue	13 September 2011
Despatch of Prospectus, Entitlement and Acceptance Forms	19 September 2011
Closing Date	7 October 2011
Securities quoted on a deferred settlement basis	10 October 2011
Notification to ASX of under subscriptions	12 October 2011
Despatch date of holding statements. Deferred settlement trading ends.	17 October 2011

For and on behalf of the Board



BEN GRAHAM
 Company Secretary

About CBio Limited

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 (RA) and lupus. Novo Nordisk, a top 20 global pharmaceutical company and world-leader in diabetes care, has an exclusive option to enter into a licence agreement for the intellectual property rights relating to XToll®. XToll® has been trialled in over 330 patients. The company's largest clinical trial to date completed in Q2 2011. CBio's phase IIa study evaluated the efficacy and safety of XToll® in patients with moderate to severe rheumatoid arthritis despite treatment with methotrexate (MTX). Headline results of the trial announced in August 2011 indicate that XToll® shows biological activity and real clinical effect in patients. The final clinical trial report is expected in Q4. CBio's Board includes Vice-Chairman of Novo Nordisk, Dr Göran Ando; former Executive Director of the European Medicines Agency, Dr Thomas Lönngren; retired Vice President of Novo Nordisk's Biopharmaceuticals Research, Dr Terje Kalland; former Senior VP for Science and Technology at Pfizer, Dr Peter Corr; and Professor of Medicine at Monash University, Professor John Funder, AO.

INVESTOR RELATIONS

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MEDIA LIAISON

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