

PROSPECTUS CBio Limited

ACN 094 730 417

A non-renounceable rights issue of approximately 2,006,880 New Shares on the basis of 1 New Share for every 13 Shares held, at an issue price of \$8.00 per New Share.

The Offer closes at 5.00pm AEST on 27 April 2007

This document is important and requires your immediate attention.
If after reading this prospectus you have any questions about the New Shares being offered pursuant to this prospectus or any other matter, then you should consult your professional adviser.

An investment in the New Shares offered by this prospectus should be considered speculative.

CBIO LIMITED CORPORATE DIRECTORY

DIRECTORS

Mr Stephen Jones (Executive Chairman)
Mr Stephen Streeter (Non-Executive Director)
Dr Michael Monsour (Non-Executive Director)

MANAGEMENT

Mr Jason Yeates (Chief Executive Officer)
Dr Dennis Feeney (President Global Development and Licensing)
Mr James Greig (Chief Financial Officer)
Dr Dean Naylor (Manager of IP Development)
Dr Caroline Dobbin (Manager of Assay Development)
Dr Daina Vanags (Manager of Clinical Development and Regulatory Affairs)
Dr Walter van Heumen (IP Manager)
Ms Bronwyn Williams (Manager of Clinical Operations)

COMPANY SECRETARY

Mr Bryan Dulhanty

REGISTERED OFFICE

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SHARE REGISTRY

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AUDITORS

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LETTER FROM THE CHAIRMAN

Dear Shareholder

Your Board is pleased to invite you to subscribe for New Shares in CBio Limited via a non-renounceable rights issue of 1 New Share for every 13 Existing Shares at an issue price of \$8.00.

CBio Limited is seeking to raise up to approximately \$16 million (before costs of the Offer) through the issue of approximately 2 million ordinary shares. The Offer is subject to a Minimum Subscription amount of \$4 million.

These funds will be primarily directed at commencing activities to support registration of our XToll™ drug by undertaking an appropriately designed clinical trial supported by Toxicology Studies in two animal species both in Australia and abroad.

However, before I summarise the details of this usage of funds, it is appropriate that you are apprised of the Company's current positioning. This is summarised below.

The Company has:

- safely developed, patented and trialled in 147 humans, a biologically active genetically-modified variation of native Cpn10, known as XToll™
- a 'composition of matter' patent pending for XToll™ which, if granted, will have an expiry date of 2023. This is the cornerstone IP amongst other patent applications which are discussed later in this Prospectus
- completed Phase I (a) and (b) studies in 50 humans with no evidence of a pattern of serious adverse events, and biological action noted
- completed three early human trials in:
 - 23 rheumatoid arthritis ("RA") patients;
 - 24 psoriasis patients; and
 - 50 multiple sclerosis ("MS") patientswith drug safety demonstrated in all studies. Clinical signals were noted in RA and psoriasis and the results of the RA study were reported in the prestigious British medical journal "The Lancet" in August 2006
- safely completed an early trial of subcutaneous administration of XToll™ in humans.

The Prospectus sets out the proposed use of funds under the Offer, both on a Fully Subscribed and Minimum Subscription basis.

At the date of this Prospectus, CBio has been unable to conclude a commercial collaboration or licensing arrangement with a multinational pharmaceutical company. There are however, several parties engaged in ongoing discussions with CBio with a view to a commercial collaboration. Parties which conducted formal due diligence are among the parties in ongoing discussions.

It is appropriate that I provide you with pertinent comments made about the Company's current position as assessed by certain multinational pharmaceutical companies (our target market for collaborations and licensing), which have completed extensive due diligence on your Company's business in connection with assessing their commercial interest.

Feedback from these prospective partners, in the Board's opinion, confirms the potential merits of XToll™. This feedback also indicates the Company must conduct itself as an earlier stage biotech prospect than it previously believed itself to be.

Whilst clinical signals from the clinical trials thus far completed have been encouraging, the Board holds the view that to enhance the prospects of a successful collaboration or licensing arrangement with a multinational pharmaceutical company, CBio needs to address a number of key matters in its approach to the ongoing development of XToll™. These are:

- Scientific purity - Cbio cannot yet say with certainty that XToll™ was the exclusive reason for the clinical signals observed in the RA and psoriasis trials. It needs to refine the trials with measurement methods that will better meet the requirements of regulators such as the FDA in the USA, and the requirements of the leading pharmaceutical companies with which the Company is dealing.
- The corresponding need to undertake further toxicology studies.
- Conducting a clinical study (or studies) using a placebo control arm and addressing the unexpected absence of an appropriate representative sample of RA patients in one of CBio's recent trials, to endeavour to confirm earlier results.
- A more refined intellectual property ("IP") strategy – there is a need to clearly iterate and explain the protection offered by the current portfolio of IP together with an IP development strategy which indicates progression to solid investment protection now and in the future and upon which a partner could rely for long term investment protection.

CBio's objective and the purpose of this capital raising is to accelerate the XToll™ programme by undertaking a registration standard clinical trial and supportive work. These data may be included in a drug registration dossier as support for registration of XToll™ in conformity with the requirements of all major regulating jurisdictions.

In summary, this will involve completing a compliant toxicology programme; improving measurement of the drug to meet regulatory requirements; commencing a controlled clinical study with appropriate patient numbers to determine clinical outcomes (e.g. 148 patient, 6 month duration clinical trial which includes a placebo arm and 3 other arms, administered subcutaneously); and to continue to enhance the IP programme driven by a solid and well thought out discovery science programme.

The successful completion of these activities are expected significantly to enhance the prospects of successfully concluding satisfactory commercial arrangements with a multinational pharmaceutical company and thus maximise the value of the Company and potential return to shareholders.

The Board and Management are of one view that the Company has a drug which proposes a novel mechanism of action and has been described as possibly the first in a new class of novel biological drugs. XToll™ has demonstrated utility in RA and psoriasis.

Further, the Board believes that the completion of a registration standard clinical trial and other activities proposed in this Prospectus will support the current belief in the drug by demonstrating positive outcomes, and also, consequently, greatly facilitate commercialisation of XToll™.

Thus, I urge all shareholders to consider supporting CBio in this capital raising which in the Board's view merits support.

I encourage you to read this Prospectus in full which includes details of CBio's business operations and plans and outlines potential risks associated with this investment.

Yours faithfully

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

Stephen Jones
Executive Chairman

1. IMPORTANT INFORMATION

1.1 Important Notice

Investment in the New Shares that are offered under this Prospectus should be considered speculative.

Applicants should read this prospectus in its entirety before deciding to apply for the New Shares. If, after reading this Prospectus, you have any questions as to how to deal with this Prospectus, you should contact your stockbroker, solicitor, accountant or professional adviser.

1.2 Important Information

This Prospectus is dated 16 March 2007, and was lodged with ASIC on 16 March 2007 with the consent of all the Directors. No New Shares will be allotted or issued on the basis of this Prospectus after the expiry date of this Prospectus, being 13 months after the date of this Prospectus.

Neither ASIC nor its officers take any responsibility for the contents of this Prospectus. This Prospectus has been lodged in Australia and no action has been taken by the Company to lodge this Prospectus in any jurisdiction outside of Australia. The Entitlement and Acceptance Form and the Shortfall Acceptance Form accompanying this Prospectus are important. Please refer to the instructions in section 4 of this Prospectus regarding the acceptance of your entitlement.

Applications can only be submitted on a valid Entitlement and Acceptance Form or on the Shortfall Application Form (where relevant) that is only available with this Prospectus. This Prospectus is not to be distributed in, and no offer of New Shares is to be made in countries other than Australia. Applicant residents outside Australia should consult their professional adviser as to whether any consents are required or whether any formalities need to be observed in the jurisdiction of their residence to enable them to accept their Entitlement pursuant to the Offer.

This Prospectus does not constitute an offer in any place where, or to any person to whom, it would not be lawful to make an offer. The distribution of this Prospectus in jurisdictions outside the Commonwealth of Australia may be restricted by law, and Shareholders in those jurisdictions should seek advice on and observe all applicable restrictions. Any failure to comply with applicable restrictions may constitute a violation of applicable securities laws.

This document is important and should be read in its entirety before deciding to participate in the Offer. This Offer does not take into account your investment objectives, financial or taxation situation or particular needs. Before making any investment in the Company, you should consider whether such an investment is appropriate to your particular needs, objectives and financial circumstances and you should consult your stockbroker, solicitor, accountant or other professional adviser without delay. By returning an Entitlement and Acceptance Form and/or the Shortfall Application Form, you acknowledge that you have received and read this Prospectus and you have acted in accordance with the terms of the Offer detailed in this Prospectus.

All references to currency are to Australian dollars and all references to time are to AEST, unless otherwise indicated. Capitalised terms in this Prospectus are defined in the Glossary.

1.3 Exposure Period

The *Corporations Act 2001* prohibits the acceptance of applications under the Offer during the period of 7 days after lodgement of this Prospectus (which may be extended by ASIC to a period of 14 days). This period is referred to as the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the opening of the Offer. Entitlement and Acceptance Forms, and Shortfall Application Forms, received during the Exposure Period will not be accepted until after the expiry of that period. No preference will be conferred on applications received during the Exposure Period. This Prospectus (but not the Entitlement and Acceptance Form and Shortfall Application Form) will be made generally available during the Exposure Period at the Company's website, www.cbio.com.au.

2. THE OFFER

2.1 Introduction

This Prospectus contains an Offer under a non-renounceable pro-rata rights issue to holders of ordinary shares in the Company who are resident in Australia to take up New Shares in the Company at a subscription price of \$8.00 per New Share, payable in full upon application.

The purpose of this issue is to provide current eligible Shareholders an opportunity to acquire New Shares in the Company so as to fund further development of CBio's leading drug candidate, XToll™.

Eligible shareholders can apply for 1 New Share for every 13 Shares held as at the Record Date (being 5.00pm (AEST) on 23 March 2007). Existing Option holders cannot participate in this Offer unless they have exercised their Options on or before the Record Date.

Any New Shares which are not applied for by Shareholders by the Closing Date, will become Shortfall New Shares. The Company will place the Shortfall New Shares with any party at its discretion prior to 27 July 2007.

2.2 Use of Funds

The Company is seeking to raise up to approximately \$16 million under this Offer, assuming it is fully subscribed. The Offer is subject to a minimum subscription amount of \$4 million. This amount will be used to fund the ongoing clinical development of XToll™ as set out below.

	Fully Subscribed \$million (approximate)	Minimum Subscription \$million (approximate)
Registration Standard clinical trial in rheumatoid arthritis including product costs	7.3	Nil
Toxicology	2.1	0.9
Process Development	1.8	1.8
Intellectual property patent costs	0.7	0.3
Research & Development and Operational overheads		
- salaries and on-costs	3.7	0.6
- corporate costs and consultants	1.2	0.2
- compliance costs	0.2	0.1
- administration, facilities and other costs	1.4	0.4
Receipts from Grants and Interest	(2.3)	(0.3)
Total Net Funds before Commission and Offer Expenses	16.1	4.0
Commission and Offer Expenses	0.4	0.1
Total Net Funds after Commission and Offer Expenses	15.7	3.9

Further details of the above expenditure items are set out in Section 3 of this Prospectus.

The Offer is not underwritten. If the Minimum Subscription is not raised the Offer will not proceed. If the Offer is not fully subscribed the above items will be scaled back in the manner set out above, to enable the Company to proceed with toxicology studies and supply of product to reach a point where the clinical trial could begin. It is anticipated by the Directors that the shortfall will then be placed.

It is anticipated that a Fully Subscribed Offer will permit the Company to meet budgeted expenditure for a period of at least 12 months from the date of this Prospectus. The Minimum Subscription amount will permit the Company to meet budgeted expenditure, under a reduced development programme, **excluding** the clinical trial, for a period of 6 months from the date of this Prospectus.

The Company may choose to raise additional funds during or at the expiration of the period. The ability to procure additional funds as and when required is one of the risks associated with the Company. Shareholders should carefully consider the risks disclosed in section 6.

2.3 Details of the Offer

The Company currently has 26,089,362 fully paid ordinary shares on issue. The Company is offering for subscription, under a non-renounceable pro-rata rights issue of Ordinary New Shares in the Company on the basis of 1 New Share for every 13 Shares held with fractional entitlements rounded up to the nearest whole New Share. The subscription price for each New Share is \$8.00.

The Offer will be to eligible Shareholders as at the Record Date having a registered address in Australia.

The Company may seek to place Shortfall New Shares which are not applied for by Shareholders at its discretion within approximately 3 months following the Closing Date, but before the Shortfall Closing Date.

The Company reserves its right to place the Shortfall New Shares in its absolute discretion at a price of \$8.00 per New Share. Any Shortfall New Shares placed by the Company in this manner will be subscribed for under this Prospectus, on the Shortfall Application Form for new shareholders.

As at the date of this Prospectus there are 8,669,230 Options on issue. There are 7,906,098 Options that are exercisable prior to the Record Date. The Options currently on issue are exercisable at either \$1.00, \$2.00 or \$3.00 and are exercisable on varying dates prior to July 2011 (refer to Section 5.2 for further details).

If no options are exercised, existing shareholders subscribe on the minimum subscription, and such a placement proceeds, the Company would issue 500,000 shares to existing shareholders and a maximum of approximately 1.5 million shares under the placement. The subscribers to that issue would thereby acquire a maximum of approximately 5.34% of the voting shares in the Company, undiluted by the exercise of options, or 4.08% on a fully diluted basis (assuming all options were to be exercised only after the record date).

If all options are exercised before the record date, the number of shares on issue would be increased to 33,995,460. In this event, after the issue of shares for the minimum subscription, subscribers to an issue of the balance of the available shares would thereby acquire a maximum of 2,115,035 shares or 5.78% of the voting shares, undiluted, or 5.66% on a fully diluted basis.

2.4 Timetable for the Offer

The Directors may alter the Closing Date, and the Shortfall Closing Date and any subsequent date, at their discretion.

Lodgement of Prospectus with ASIC	16 March 2007
Record Date to determine entitlements to the New Shares	23 March 2007
Prospectus and Entitlement and Acceptance and Shortfall Application Forms despatched	29 March 2007
Closing Date for acceptance and payment of subscription price	27 April 2007
Allotment date on or before	25 May 2007
Shortfall Closing Date for placement of Shortfall New Shares	27 July 2007

2.5 Subscription Price

Each New Share is offered at a subscription price of \$8.00 each payable in full upon acceptance.

2.6 Your Entitlement

The Company is making a non-renounceable pro-rata rights issue of New Shares in the Company on the basis of 1 New Share for every 13 Shares held.

The number of New Shares to which eligible shareholders are entitled is calculated as at the Record Date shown above and is shown on the Entitlement and Acceptance Form, which accompanies this Prospectus. Fractional entitlements to New Shares will be rounded up to the nearest whole New Share.

If as a Shareholder you do not take up your entitlement you will, as a result of this rights issue, have your percentage shareholding in the Company diluted.

2.7 Issue Amount

The total number of New Shares to be issued pursuant to the Issue will be approximately 2,006,880 New Shares, to raise approximately \$16,055,000, before Offer costs. The number of New Shares could be increased on the basis that some of the Options currently on issue might be exercised prior to the Record Date.

2.8 Entitlements and Acceptances

The Offer of New Shares may be accepted in whole or in part by eligible Shareholders prior to the Closing Date *and the offer of Shortfall New Shares may be accepted by relevant parties before the Shortfall Closing Date*. The Minimum Subscription amount, including applications for New Shares and Shortfall New Shares, is \$4,000,000. The Directors reserve the right to vary the timetable for the Offer, including extending the Offer period. You can only accept this Offer by completing the Entitlement and Acceptance Form, which accompanies this prospectus, or by completing the Shortfall Application Form, if you are applying for Shortfall New Shares.

2.9 How to apply for Shares in the Offer

Applications for New Shares under the Offer can only be made by completing the Entitlement and Acceptance Form in full, in accordance with the instructions on it and sending it to Link Market Services. A personalised Entitlement and Acceptance Form accompanies this prospectus for use by Shareholders who are entitled to participate in the Offer.

The Offer is scheduled to close at 5.00pm on 27 April 2007. Entitlement and Acceptance Forms must be received by that time by Link Market Services, together with a cheque or bank draft in Australian currency drawn on an Australian branch of a financial institution for the amount of the application.

Shortfall New Shares may be issued within 3 months of the Closing Date.

2.10 Capital Structure

The capital structure of CBio Limited at the completion of the Rights Issue at a price of \$8.00 per share will be as follows:

	Number of Shares
Shares on issue as at date of this Prospectus	26,089,362
Shares offered by this Prospectus	2,006,880
TOTAL	28,096,242

2.11 Allotment and Despatch

Application monies will be held in trust for applicants until allotment of the New Shares. Interest earned on the application monies will be for the benefit of CBio Limited and will be retained by CBio Limited whether or not allotment takes place. No allotment of New Shares will occur until the Minimum Subscription has been received.

New Shares under the Rights Offer are expected to be allotted on or before 25 May 2007.

3. PURPOSE OF THE OFFER

3.1 Application of Funds

The purpose of the Offer is to raise capital to enable CBio to continue the development of XToll™ including the commencement of a registration standard clinical trial in rheumatoid arthritis.

A fully subscribed Offer will allow the Company to conduct this trial to a stage of receiving interim statistical analyses which will provide an indication of the effectiveness of XToll™ in the study. This minimises financial risk to shareholders.

Should this interim statistical analyses determine that the study should continue, a fully subscribed offer will mean that further funds will be required at that point to complete the programme.

The Directors are confident of placing the necessary funding needs to complete the programme based on:

- the Company's strong history of successful capital raisings;
- the continued engagement with multi-national pharmaceutical companies;
- the promising signs from work to date which supports that XToll™ may be an efficacious drug with utility.

This together with the continuing discussions with multi-national pharmaceutical companies may lead to a collaboration before the interim analysis is effectuated.

One of the benefits of this approach, though not risk free, is that such additional funds will be sought at a higher price and thus be less dilutionary and, as a risk management approach, only seeks funds to reach the next milestone event (as the Company has historically done) .

A fully subscribed Offer will also fund the necessary supportive toxicology studies and allows for the production and supply of XToll™ for these studies and the clinical trial.

These projects will be run in parallel to meet the Company's objective of progressing the XToll™ programme to a Phase II asset in the shortest possible timeframe without compromising the quality of the programme.

In addition, funds will be used as part of an ongoing programme to strengthen CBio's intellectual property position. The allocation of these funds is set out in section 2.2 of this Prospectus.

If the Offer is not fully subscribed the above items will be scaled back to enable the Company to proceed with toxicology studies and process development to reach a point where a registration standard clinical trial *could* begin.

3.2 Background

CBio raised \$5 million under a prospectus dated 29 June 2001 to complete Phase I clinical trials of its primary product, XToll™. The Company then raised a further \$3.9 million and \$2.2 million under a prospectus dated 26 November 2003 and 12 January 2005 respectively. CBio has also raised, by private placement, a further \$16.8 million. These funds were expended in achieving the following:

- Scale up, documentation and manufacture of XToll™ for Phase II clinical trials

- Patent portfolio costs for new and existing patents based on in-house research activities
- Successful completion of Phase I clinical trials in humans
- Obtaining a TGA licence for the testing and release of clinical trial product under GMP
- Commencement and completion in May 2006 of intravenous Phase IIa clinical trials in rheumatoid arthritis, psoriasis and multiple sclerosis, successfully meeting all clinical end points as set out in the clinical trial protocols
- Acquisition of a controlling interest in BresaGen Limited, an accredited manufacturing GMP operation in Adelaide, in 2004 to undertake the manufacture of XToll™ and subsequent disposal of this investment in 2006 for a profit of \$6.7m
- Due to expansion, relocation to a purpose built facility in April 2005
- Receiving a grant of \$6m over 4 years under the Australian Government Pharmaceuticals Partnerships Programme (P3) from 2005/06 financial year
- Completion of a Phase I clinical trial of subcutaneously administered XToll™ of healthy subjects in December 2006

3.3 The Development Stages

Conventional drug development passes through the following industry recognised stages:

- Initial Research – e.g. screening, drug design, molecular characterization and bioactivity studies;
- Preclinical Studies – pilot production, drug characterization, animal efficacy studies and toxicology;
- Phase I Clinical Trials – safety testing of the drug product in humans and indication of uptake and clearance of the drug;
- Phase II Clinical Trials – scale-up of drug manufacturing to GMP standards and establishment of drug efficacy and safety in human patients with specific diseases;
- Phase III Clinical Trials – well controlled, statistically valid efficacy studies including contraindications, adverse reactions and precautions for submission to regulatory authorities for product registration;
- Registration – review and approval by a regulatory authority such as Therapeutic Goods Authority (TGA, Australia) or Food and Drug Administration (FDA, USA) for release for sale of the drug product;
- Marketing – release and sale of the drug product to the market;
- Phase IV Studies – regulatory monitoring of drug product events in the market place and extension of uses for the drug.

CBio has completed Phase I clinical trials in 50 healthy subjects and has completed three Phase IIa clinical trials in 97 patients. The data generated from these trials suggest efficacy in rheumatoid arthritis and psoriasis. *Due to trial design and limited supporting pre-clinical data, and the expressed views of major drug companies, the Company now considers the XToll™ programme a Phase I asset.*

3.4 XToll™ Development Stage

Feedback from multi-national pharmaceutical companies in relation to our project is that they were led to expect a later stage project for in-licensing purposes.

These companies identified the following areas of the XToll™ programme that needed further work before the programme was considered a Phase II asset:

- a successful, appropriately designed subcutaneous clinical trial
- improved intellectual property position
- substantive toxicology
- scientific purity.

In addition, to progressing XToll™ to the stage of an acknowledged Phase II asset, the company will complete stage one of a four stage programme for commercial production of XToll™ and continue with further discovery research which drives patenting strategy and thus the protection of the Company's IP.

Discussed below are the proposed projects that will be undertaken using funds raised from this Prospectus:

a) Appropriately designed subcutaneous clinical trial

CBio is developing XToll™ as a potential first line therapeutic biologic for the treatment of debilitating auto-immune and chronic inflammatory diseases. Data from the two completed Phase I clinical trials and the three intravenous Phase IIa clinical trials in RA, psoriasis and MS have demonstrated that XToll™ is very well tolerated when administered by intravenous doses of 5mg, 7.5mg and 10mg twice per week over 12 weeks.

Additionally and unexpectedly, there have been clinical signals observed in the clinical trials conducted in patients with RA and psoriasis that suggest drug efficacy and utility.

However, due to the absence of a placebo control arm in these clinical trials, limited patient numbers, and a patient sample that was not representative of the general RA population the clinical signals could not be proven to be statistically definitive.

Additionally, and of importance, CBio's XToll™ has successfully demonstrated low potential to induce formation of anti-Cpn10 antibodies. The proposed clinical trial will provide further data on antibody production in XToll™ patients in excess of placebo patients to determine any clinical significance.

The Company now plans to conduct a larger clinical trial in RA using a commercially acceptable route of administration (subcutaneous) and dose frequency. The reason for the choice of RA (as opposed to psoriasis), is that the drug companies with whom we are in discussion have indicated a primary interest in new therapies for RA due to the size of the RA market.

The clinical end points of this trial will measure the effectiveness of XToll™ when administered subcutaneously. External clinical and statistical advice has been sought and received by CBio to ensure the trial design is robust.

Built into the protocol will be the requirement that will allow interim statistical analyses which may provide evidence as to clinical effect at an early stage in the trial. Based on these statistical analyses, a positive or negative clinical effect may be known prior to the completion of the trial and this may influence the trial programme and manage risk.

Obtaining positive data from an appropriately designed clinical trial is fundamental for CBio as these data were determined by a number of pharmaceutical companies as critical to their decision making about in-licensing the XToll™ programme.

Funds raised will be applied to the clinical trial, and the manufacture, fill and finish of product for this clinical trial. The Company must also commit to supplying XToll™ to patients (under an Extension Protocol) who wish to continue with this treatment, for a period of 18 months after the clinical trial dosing period ceases.

Additional funds (to those raised by this Prospectus) will be required for on-going support for patients participating in this Extension Protocol.

b) IP position

The Company has a worldwide exclusive licence to utilise the intellectual property underlying XToll™. Details of this licence are contained in Section 7.3. The Company is concluding the assignment of the rights, title and interest from the licensor.

The Company has also lodged patents in various territories to provide protection around genetically modified variants of Cpn10 and of XToll™.

The Company has designed an enhanced science-driven IP programme (currently being implemented) that will address the IP risk.

c) Toxicology

To date CBio has completed toxicology studies in one animal species to support the clinical trials that are now completed.

To meet anticipated ethics committee and regulatory obligations for currently planned and future clinical trials, CBio must complete further toxicology studies in two animal species.

The primary purpose of these studies is to understand the safety profile of XToll™ over a longer dosing period and at higher doses in animals.

Once these studies have been completed these safety data can be used to support the proposed and future clinical trials necessary for registration of XToll™ in all major markets.

Funds raised by this Prospectus will be used to provide XToll™ product for these toxicology studies and fund toxicology contractors who conduct these studies.

Further, funds raised will also be used in ongoing animal studies using different disease models to develop further understanding of the effect of XToll™. This work may provide valuable information which if obtained will be used for IP purposes and to direct future research work.

d) Scientific purity

Ongoing research has confirmed that CBio's potency assay used for analysing XToll™ was, in addition to Cpn10, measuring a low level contaminant.

Research has commenced which substantiates the activity of XToll™ and these data will be used to construct a new cell based compliant potency assay in the coming months. Further other assays are being developed which may be add to the discovery of new IP. Funds raised in this Prospectus will be applied to this ongoing work.

e) Process development

The current manufacturing production process for XToll™ is uncommercial as it does not provide a product with an optimal shelf life. Further, the material used in the recent human

clinical trial needs to be made in a way which is more acceptable to regulators and hence the registration of XToll™.

Funds raised by this Prospectus will be used to complete formulation studies and production process changes to optimize the shelf life of XToll™ that will render XToll™ suitable for commercial use.

Further, funds raised by this Prospectus will be used to complete stage 1 of a 4 stage scale-up programme with a large overseas commercial contract manufacturing organization. This will address the product requirements for future registration clinical trials. Stages 2 through to 4 of the programme will only be considered in the event of a positive result resulting from our planned clinical trial. Funds for Stages 2 through to 4 are not provided for in this Prospectus.

3.5 Research & Development and Operational Overheads

Funds raised by this Prospectus will be used to meet the expenses associated with running and maintaining the Company's operations. These costs include salaries and on-costs for approximately 35 staff, corporate costs such as directors and consultants, rent and associated facilities costs, compliance costs such as secretarial, share registry and audit fees, domestic and international travel costs for business development, laboratory and office consumables and other administration costs.

4. ACTIONS REQUIRED

4.1 To take up your entitlement in full and/or New Shares in excess of your entitlement

If you wish to take up all of your entitlement, please complete the Entitlement and Acceptance Form, which accompanies this Prospectus, in accordance with the instructions set out on the Form.

If you have applied to take up your entitlement in full, you may apply for additional New Shares in excess of your entitlement by completing the relevant section on the Entitlement and Acceptance Form. CBio will refund any amount not used for the additional New Shares applied for. Subscriptions in excess of entitlements will only be made out of shortfall. The Directors reserve the right to accept, scale back or refuse any application for additional New Shares in excess of a Shareholder's entitlement.

Forward your completed Entitlement and Acceptance Form, together with your cheque or bank draft for the amount shown on your Form, in the reply paid envelope to reach the Company's share registry by 5.00pm on the Closing Date or such later date as the Directors notify.

Alternatively, you can pay the application money using BPay in accordance with the instructions on the Entitlement and Acceptance Form accompanying this Prospectus. If you do so, you do not need to complete and return the Entitlement and Acceptance Form.

4.2 To take up part of your entitlement

If you wish to take up part only of your entitlement, please complete the Entitlement and Acceptance Form, which accompanies this prospectus, by inserting the number of New Shares for which you wish to accept the Offer under this prospectus (being less than your entitlement as specified on the Entitlement and Acceptance Form) and forward the completed Form together with your cheque or bank draft for the total amount payable to reach the Company's share registry by 5.00pm on the Closing Date or such later date as the Directors notify.

4.3 To decline the offer

If you do not wish to take up any part of your Entitlement to New Shares, you are not required to take any action, in which case you will receive no New Shares and your rights will lapse.

If you do not take up your Entitlement you will, as a result of this Offer, have your percentage shareholding in the Company diluted.

If you have any queries concerning your entitlement, please contact Link Market Services on 1300 554 474 or +61 2 8280 7454 or contact your stockbroker or professional adviser.

4.4 Shortfall New Shares

The Company may seek to place Shortfall New Shares for any shares which are not applied for by Shareholders. The Directors reserve the right to issue the Shortfall Shares at their discretion. The Shortfall Shares must be applied for before the Shortfall Closing Date. The issue price for the Shortfall Shares will be \$8.00. New Shares placed by the Company in this manner will be subscribed for under this Prospectus, on the Shortfall Application Form for new shareholders.

If you wish to apply for Shortfall New Shares, please complete the Shortfall Application Form, which accompanies this Prospectus, by inserting the number of New Shares for which you wish to accept under this Prospectus and forward the completed form together with your

cheque or bank draft for the total amount payable to reach the Company's share registry by 5.00pm on the Closing Date or such later date as the Directors notify.

Shortfall New Shares are allotted at the Directors discretion. The Company cannot guarantee the availability of Shortfall New Shares for all or any of the applications.

4.5 Payment

Payments will only be accepted in Australian dollars as follows:

- (a) cheques drawn on and payable by any Australian bank;
- (b) bank drafts drawn on and payable at any Australian bank or financial institution; or
- (c) electronic payment by BPay.

Other currency will not be accepted. Shareholders should not forward cash. Receipts for payments will not be issued.

Entitlement and Acceptance Forms and accompanying cheques or bank drafts may be lodged at any time before the Closing Date. Applications received after the Closing Date will not be accepted. The Company will not be responsible for postal or delivery delays.

Shortfall Application Forms and accompanying cheques or bank drafts may be lodged at any time before the Shortfall Closing Date.

Cheques should be made payable to 'CBio Limited Share Offer' and crossed 'Not Negotiable'.

4.6 Shareholders resident outside Australia

The Company will only extend the Offer to Shareholders with registered addresses in Australia. The Company considers it would be unreasonable to extend the Offer to Shareholders with registered addresses in other jurisdictions having regard to the small number of such Shareholders, the small number and value of securities that would be offered in such jurisdictions and the costs of complying with legal and regulatory requirements in those jurisdictions.

It is the responsibility of any person who comes into possession of this Prospectus outside Australia to ensure compliance with all laws of any country relevant to their application. Any person not in Australia considering taking up their entitlement and Shareholders who are resident outside those countries should consult their professional advisers as to whether or not any governmental or other consents are required, or if other formalities need to be observed, to enable them to accept the New Shares under this Prospectus.

This Prospectus does not constitute an offer in the USA or in any place in which, or to any person to whom, it would not be lawful to make such an offer.

4.7 Underwriting

The Offer is not underwritten.

4.8 Opening and closing dates

The Prospectus will be despatched by no later than 29 March 2007 and the Closing Date will be on 27 April 2007. The Shortfall Closing Date will be no later than 27 July 2007.

4.9 Allotment

The date for the New Shares allotted as a result of the offer is expected to be no later than 25 May 2007.

All Shareholders who accept the Offer will receive their Entitlement in full. If more New Shares are applied for than are available from the shortfall under the Offer, the Company will scale back those applications in its absolute discretion and excess application money will be refunded without interest.

The Company may seek to place Shortfall New Shares which are not applied for by Shareholders under the offer at its discretion. Such Shortfall New Shares must be issued within 3 months of the Closing Date.

4.10 Terms of the New Shares

The terms of the New Shares are set out in section 7.1. The New Shares will rank equally with the existing fully paid Shares of the Company. The rights and liabilities attaching to the New Shares are summarised in section 7.2.

4.11 Minimum subscription

The offer made pursuant to this Prospectus is subject to a minimum subscription condition under section 723(2) of the *Corporations Act 2001 (Cth)*. The minimum subscription is the amount of \$4 million.

5. EFFECT OF THE OFFER ON THE COMPANY

5.1 Impact on Capital Structure

Cash reserves will initially increase by up to \$16,055,000 (before expenses of the Issue) to enable the Company to pursue its objectives (see section 3.1).

The number of Shares on issue will increase from 26,089,362 by up to 2,006,880 to 28,096,242.

The above assumes none of the Options which are currently on issue are exercised prior to the Record Date.

5.2 Options currently on Issue

There are currently 8,669,230 Options on issue. There are 7,906,098 Options that are eligible for exercise prior to the Record Date to subscribe for that number of Shares in the Company at exercise prices ranging from \$1.00 to \$3.00 per Share. Details of these Options are:

<i>Number of Options</i>	<i>Expiry Date</i>	<i>Exercise Price (\$)</i>
510,000	December 2007	\$1.00
1,820,000	June 2008	\$1.00
500,000	April 2009	\$1.00
2,500,000	April 2009	\$2.00
100,000	June 2009	\$2.00
350,000	July 2009	\$3.00
20,000	October 2009	\$2.00
30,000	November 2009	\$2.00
1,947,750	November 2009	\$3.00
14,000	March 2010	\$3.00
26,700	May 2010	\$3.00
18,350	June 2010	\$3.00
21,700	July 2010	\$3.00
35,000	October 2010	\$3.00
136,867	November 2010	\$3.00
50,000	December 2010	\$1.00
110,000	December 2010	\$3.00
32,333	January 2011	\$3.00
63,533	February 2011	\$3.00
15,000	March 2011	\$3.00
29,664	April 2011	\$3.00
38,333	May 2011	\$3.00
300,000	July 2011	\$3.00
<u>8,669,230</u>		

If all eligible Options able to be exercised at the Record Date were exercised then the Company would receive \$15.8 million in cash for subscription monies, and the total number of Shares on issue prior to the Issue would increase to 33,995,460.

5.3 Annual Report and Half-Year Report

The Annual Report of the Company as at 30 June 2006 has previously been sent to existing Shareholders. It contains information about the financial position of the Company and other information required by law, and may be of interest to prospective investors and their advisers. This Report is available on the Company's website www.cbio.com.au or if you require a copy, please contact the Company on Tel: +61 7 3841 4844 for a copy free of charge. Refer also to section 7.3 of this prospectus. The Half-Year Report of the Company as at 31 December 2006 has been adopted by the Board and lodged with ASIC. This Report is available on the Company's website www.cbio.com.au. It contains information about the financial position of the Company and other information required by law, and may be of interest to prospective investors and their advisers.

5.4 Pro-Forma Balance Sheet

Set out on the next page is the reviewed consolidated balance sheet of CBio Limited as at 31 December 2006, and the pro-forma balance sheet containing adjustments for the impacts of the issue on cash assets and contributed capital after estimated offer expenses under both a fully subscribed and a minimum subscription scenario.

	Reviewed Consolidated Balance Sheet as at 31 December 2006	(1) Unreviewed Pro-forma Balance Sheet Fully Subscribed	(2) Unreviewed Pro-forma Balance Sheet Minimum Subscription
CURRENT ASSETS			
Cash and cash equivalents	4,126,054	20,181,054	8,126,054
Trade and other receivables	1,522,583	1,522,583	1,522,583
Other current assets	30,985	30,985	30,985
TOTAL CURRENT ASSETS	5,679,622	21,734,622	9,679,622
NON-CURRENT ASSETS			
Property, plant and equipment	1,021,851	1,021,851	1,021,851
Trade and other receivables	172,472	172,472	172,472
TOTAL NON-CURRENT ASSETS	1,194,323	1,194,323	1,194,323
TOTAL ASSETS	6,873,945	22,928,945	10,873,945
CURRENT LIABILITIES			
Trade and other payables	1,631,441	1,631,441	1,631,441
Cost of Issue	-	434,000	74,000
Short-term provisions	126,287	126,287	126,287
TOTAL CURRENT LIABILITIES	1,757,728	2,191,728	1,831,728
NON-CURRENT LIABILITIES			
Long-term provisions	19,091	19,091	19,091
TOTAL CURRENT LIABILITIES	19,091	19,091	19,091
TOTAL LIABILITIES	1,776,819	2,210,819	1,850,819
NET ASSETS	5,097,126	20,718,126	9,023,126
SHAREHOLDERS' EQUITY			
Share capital	34,838,009	50,459,009	38,764,009
Reserves	4,382,852	4,382,852	4,382,852
Accumulated Losses	-34,123,735	-34,123,735	-34,123,735
TOTAL SHAREHOLDERS' EQUITY	5,097,126	20,718,126	9,023,126

Best-estimate Assumptions

(1) This is a pro-forma balance sheet based on the 31 December 2006 consolidated balance sheet adjusted for a fully subscribed issue of shares under this Prospectus.

(2) This is a pro-forma balance sheet based on the 31 December 2006 consolidated balance sheet adjusted for the minimum subscription of shares under this Prospectus.

6. RISKS

6.1 Risk factors

Investors should be aware that investment in the New Shares does carry particular risks. The Company is subject to all the usual risks associated with emerging companies involved in developing new technologies. Actual events and results could differ significantly from those anticipated in this prospectus. Accordingly, investment in the New Shares should be considered speculative.

The Board of Directors is responsible for ensuring that appropriate strategies, policies and procedures are in place to identify and monitor the risks faced by the Company, and that such risks are managed (where possible) within a level determined by the Board to be prudent. The risks can be categorized as general market risks (matters which relate to business in general), investment risks (matters which related investing in shares) and specific risks (those which relate directly to the Company's business). Other significant issues of which investors should be aware have been identified throughout the Prospectus. Potential investors should read the Prospectus in full before an investment decision is made.

In addition, the Directors consider that the following summary, which is not exhaustive, represents major risk factors of which potential investors need to be aware.

6.2 General market risks

Actual Events

Actual events and circumstances may differ from those anticipated in this Prospectus so that the Company needs to adapt its operations accordingly.

General economic conditions

Any prolonged economic slowdown of global economies may impact on the Company.

Managing rapid growth

As the Company continues to grow, the Company must continue to implement and improve operating and financial systems and controls necessary to ensure effective management of future growth. The Company must continue to expand, train, retain and manage its employee base. No assurance can be given of the ability to manage future growth.

Technology

Any inability to respond to technological changes in a timely manner may have an adverse impact on the revenues and earnings of the Company.

Financial market volatility

Markets are volatile. There is a risk that demand for the Company's product could vary with the movements in markets.

Regulation and legal issues

It is possible laws that may be introduced or amended in Australia or international jurisdictions relating to any aspect of its business, which may have a material adverse effect on the financial position and operating results of the Company. At the present time the Company is not aware of any such regulatory or legal issues in any of the jurisdictions in which the Company operates or intends to operate.

6.3 Investment risk

Shareholders should be aware there are risks associated with any investment in Shares. The value of the Company's Shares can be expected to fluctuate depending upon various factors including general worldwide economic conditions and general stock market conditions (even though the Company is not listed) as well as the performance of the Company.

The New Shares to be issued pursuant to this prospectus carry no assurance with respect to the payment of dividends, return of capital or the value of the New Shares. Investment pursuant to this Prospectus should be regarded as speculative and neither the Company nor its Directors can give assurance that any specific objective of the Company will be achieved.

Actual operating performance of the Company may be affected by a number of business risks and economic conditions. There are a number of risk factors, both specific to the Company and relating to the general business environment which may impact upon the operating performance and financial position of the Company. Some of these risks can be mitigated by the use of contingency plans and safeguards; however, many are outside the control of the Company and cannot be mitigated. Inflation, currency fluctuation, interest rates, supply and demand and changes in legislation can affect operating costs and share values.

6.4 Risks related to the Company's business

The details contained in this Prospectus concerning the application of funds are based on estimates and assumptions about certain events and circumstances which have not yet taken place, and are subject to variation and possible non-fulfilment. The Company is involved in technology development. There can be no assurances as to the accuracy of estimated expenditure under the table for the application of funds under this Prospectus.

If under this Offer, only the Minimum Subscription is raised, development of XToll™ and the drug's clinical development programme will be delayed.

XToll™ risk

The drug, XToll™ and its success in testing is important to the prospects of the Company.

If the Company's technology does not lead to products and services being accepted in the markets for which they are intended, it is unlikely that CBio will ever become profitable. Specifically, investors must be aware that, despite the promising results of research and development to date, it is distinctly possible that the XToll™ drug may ultimately not be capable of human application.

Product acceptance

Compared with other products, including competitors with similar products, the Company's product is new and unproven, and the use of product by potential customers or alliance partners is limited. In order to be successful, products must meet the requirements of the markets for which they are intended, and potential customers must be convinced to use our product instead of competing technologies. Market acceptance will depend on many factors, including:

- convincing potential customers that our product is a more attractive alternative to other products;
- manufacturing our products in sufficient quantities with acceptable quality and at an acceptable cost;
- even if XToll™ is found to be, or developed so as to be, capable of human clinical application, XToll™ may not be efficacious, and may not be capable of commercial development, exploitation and sale; and

- convincing potential customers and alliance partners to purchase the Company's products.

Because of these and other factors, the Company's products may not gain market acceptance.

Operational risk

The operations must grow in years to come. This growth will place a significant strain on operational, human and financial resources. The Company's ability to compete effectively will depend, in large part, on its ability to hire, train and assimilate additional management, professional, scientific and technical personnel and its ability to expand, improve and effectively use operating, management and financial systems to accommodate expanded operations. The Company's ability to compete is also reliant, in part, on the provision of appropriate operating facilities including laboratories, specific laboratory equipment and high technology consumables. The physical expansion of the facilities to accommodate future growth may lead to significant costs and divert management and business development resources. If the Company is unable effectively to anticipate, implement and manage the changes required to sustain growth, the Company may not be able to compete successfully.

Development risk

Pharmaceutical products have lengthy development cycles, which could cause the Company's operating results to fluctuate significantly.

Sales of the Company's products may typically involve significant evaluation and development. Accordingly, the development cycles associated with the products and their optimisation to achieve market penetration are expected to be lengthy and subject to a number of significant risks, including Australian Therapeutic Goods Administration ("TGA") and the United States Food and Drug Administration ("FDA") approval, customers' preferences, the Company's potential strategic research partners' choices as to which types of projects to fund, the Company's competitors' developments and significant regulatory approvals, each of which is beyond the Company's control. Due to this lengthy process, the operating results could fluctuate significantly. The Company expects to continue to experience significant fluctuations as a result of a variety of factors, many of which are outside of the Company's control.

The following factors could affect the Company's operating results:

- FDA and TGA approval processes for the products;
- market acceptance of products; and
- general and industry-specific economic conditions, which may affect the research and development expenditures of our strategic development partners.

The Company will depend in part on third-party products and services and sole or limited sources of supply to manufacture some components of its products.

The Company will rely on outside vendors to manufacture many of the components used in the products. Some of these components will be obtained from a single supplier or a limited group of suppliers. Reliance on outside vendors generally, and a sole or a limited group of suppliers in particular, involves several risks, including:

- the inability to obtain an adequate supply of required components due to manufacturing capacity constraints, a discontinuance of a product by a third-party manufacturer or other supply constraints;
- reduced control over quality and pricing of components; and
- delays and long lead times in receiving materials from vendors.

The Company may not be successful in developing new products and services.

For example, the Company's customers or strategic partners may choose to expend their resources on competing products to such a degree that it does not make economic sense for it to continue its research and development of certain products. If this happens, the Company may not be able to take advantage of opportunities identified in this prospectus.

Commercial, manufacturing and distribution capability

CBio's ultimate success is dependent upon its ability and or that of its commercial partners (especially BresaGen Limited) to manufacture its products on a commercial scale, with continuity of supply and in accordance with current Good Manufacturing Practices, prescribed by the TGA and other regulatory authorities. In the event that any the Company or any one or more of its commercial partners discontinue operations for any reason, this may result in substantial cost and delay.

Delays and difficulties in the manufacture of products could delay trials and subsequently market introduction and sales of CBio's products. More particularly, any contamination in the manufacture of the compounds that are supplied or subsequently manufactured could result in delay, increased costs, exposure to liability for breach of obligations as well as regulatory and statutory standards, loss of funding and / or regulatory approval.

The inability of CBio to scale up and maintain production within estimated timeframes may potentially result in an adverse financial impact for the Company both in the short and medium term.

Any one of these potential risks could have a material adverse impact on CBio.

Funding risk

There is a risk that the Company may not achieve or sustain profitability and its operating losses will increase in the future.

The Company is at an early stage of executing its business plan. The Company's positive cash position at the time of issue of this Prospectus has resulted solely from fund raising from investors and the receipt of government grants. The Company's present cash surplus has not resulted from operating revenues. The Company's financial position should be reviewed by prospective investors in light of information in the audited annual financial report, a copy of which can be obtained from the Company on request.

The Company expects to continue to incur operating and net losses and negative cash flow from operations, which may increase, for the foreseeable future, due in part to anticipated increases in expenses for the registration standard clinical trial. The time required for the Company to reach or sustain profitability is highly uncertain and the Company may not be able to achieve or maintain profitability. Moreover, if the Company does achieve profitability, the level of any profitability cannot be predicted and may vary significantly.

The ability of the Company to obtain further funds and the way in which it does so may involve certain risks to the respective proportion or value of a shareholders interest, as described in Section 6.6.

Increased or new competition

Competition may arise from a number of sources and may include companies with greater capital resources and expertise. While CBio's Directors believe that the Company's intellectual property position, depth of services and industry knowledge effectively reduce the impact of future competition, no assurances can be given that such competition will not adversely affect the performance of the Company.

Dependence on key personnel

The success of the Company will depend on the continuing commitment of its key employees. The Company has in place employment contracts with key employees. The Company has an objective of providing equity incentives and attractive employment conditions to assist in retaining key employees.

Strategic Investments and Divestments

The Company may from time to time make strategic investments and divestments, an example of which was the acquisition and subsequent divestment of a controlling interest in BresaGen Limited, the contract manufacturer of XToll™. The value of such investments is itself subject to risks, including general market risk and investment risk similar to that described in sections 6.2 and 6.3 above. In particular, the Company may suffer losses in connection with such investments, or the Company's proportional equity interest in such investments may be subject to dilution in the event the relevant entity makes a further issue of shares and the Company is not entitled, or determines not to, take up further shares.

Strategic Risks

Additionally, the Company may itself be required or determine to give funding to support entities in which it has invested. This may, for instance, include loan funding. The amount, timing and rate of such funding may have a serious adverse impact on the Company's own financial situation. The Company may have legal obligations to provide such funding and may have limited or no ability to control these factors.

6.5 Risks related to operating in this market

Markets

The markets in which the Company operates are highly competitive and subject to rapid technological change, and the Company may not have the resources necessary to compete successfully.

The Company competes with companies in the US and abroad that are engaged in the development and production of drug products and services including pharmaceutical companies, contract research companies and academic institutions. Many of the Company's competitors have access to greater financial, technical, research, marketing, sales, distribution, service and other resources than CBio. Academic institutions, governmental agencies and other research organisations also are conducting research in areas in which the Company propose to provide services, either on their own or through collaborative efforts.

Technology

Moreover, the pharmaceutical and biotechnology industries are characterised by rapid and continuous technological innovation. The Company anticipates that it will face increased competition in the future as new companies enter the market and advanced technologies become available. The Company's technology, services and expertise may be rendered obsolete or uneconomical by technological advances or entirely different approaches developed by the Company or one or more of its competitors.

The existing approaches of the Company's competitors or new approaches or technologies developed by its competitors may be more effective than those the Company develop. The Company may not be able to compete successfully with existing or potential competitors and competitive factors may prevent it from becoming successful.

Strategic partners

The Company's success will depend on its strategic development partners and the extent to which these partners are interested in pursuing development and marketing of products.

The Company's revenues will be highly dependent on the research and development decisions of the current and potential strategic partners. Their expenditures are based on a wide variety of factors, including the resources available, the spending priorities among various types of research and policies regarding expenditures during recessionary periods. General economic downturns in our partners' industries or any decrease in research and development expenditures could materially and adversely affect the Company's operations.

Consolidation

The concentration of the pharmaceutical industry and the current trend towards increasing consolidation could adversely affect our business prospects.

The number of the Company's potential strategic partners could be reduced if the current trend towards consolidation of the pharmaceutical industry continues. Accordingly, the Company expects that a relatively small number of partners will account for a substantial portion of its research, development and marketing activities with third parties.

Additional risks associated with such a highly concentrated industry include:

- larger companies may develop in-house technology and expertise rather than using or helping develop products; and
- larger customers may negotiate price discounts or other terms for the products that are unfavourable to us.

Employment risk

The Company's future success will depend to a significant extent on its ability to attract, retain and motivate highly skilled scientists and other personnel. The ability to maintain, expand or renew existing engagements with current strategic partners, enter into new engagements and provide additional products and services to customers depends, in large part, on the Company's ability to hire and retain scientists with the skills necessary to keep pace with continuing changes in drug development technologies and other personnel.

The Company's employees may leave and the Company may dismiss them. The Company believes that there is a shortage of and significant competition for, scientists with the skills and experience in the sciences necessary to perform the services the Company requires.

The Company competes with the research departments of pharmaceutical companies, biotechnology companies, contract research companies and academic institutions for personnel.

The Company's inability to hire additional qualified personnel could materially and adversely affect its future growth. In addition, the Company's inability to hire additional qualified personnel may require an increase in the level of responsibility for both existing and new personnel. The Company may not be successful in attracting new scientists or other personnel or in retaining or motivating our existing personnel.

Intellectual property

The intellectual property rights on which the Company relies to protect the technology underlying the products and techniques may not be adequate, which could enable third parties to use the Company's technology or very similar technology and thereby reduce its ability to compete in the market.

The Company's success will depend on its ability to obtain, protect and enforce patents on its technology and to protect its trade secrets. Any patents the Company owns or licenses may not afford meaningful protection for its technology and the products.

Others may challenge the patents or the patents of the Company's licensors and, as a result, these patents could be narrowed, invalidated or rendered unenforceable. In addition, current and future patent applications on which the Company depends may not result in the issuance of patents in Australia, the US or foreign countries.

Competitors may develop products similar to ours, which are not covered by our patents. Further, if there is a substantial backlog of patent applications at any Patent and Trademark Office, the approval or rejection of our, or, our competitors' patent applications may take several years.

In addition to patent protection, the Company also relies on copyright protection, trade secrets, know-how, continuing technological innovation and licensing opportunities. In an effort to maintain the confidentiality and ownership of our trade secrets and proprietary information, the Company requires employees, consultants and advisors to execute confidentiality and proprietary information agreements. However, these agreements may not provide adequate protection against improper use or disclosure of confidential information and there may not be adequate remedies in the event of unauthorised use or disclosure.

Furthermore, the Company may from time to time hire scientific personnel formerly employed by other companies involved in one or more areas similar to the activities conducted by us. In some situations, the Company's confidentiality and proprietary information agreements may conflict with, or be subject to, the rights of third parties with whom employees, consultants or advisors have prior employment or consulting relationships. Although the Company requires employees and consultants to maintain the confidentiality of all confidential information of previous employers, the Company or these individuals may be subject to allegations of trade secret misappropriation or other similar claims as a result of their prior affiliations.

Others may independently develop substantially equivalent proprietary information and techniques, or otherwise gain access to Company trade secrets. The inability to protect Company proprietary information and techniques may inhibit or limit the Company's ability to achieve or maintain a competitive position in the market.

The Company may be involved in intellectual property lawsuits, which may be expensive.

High technology companies have a history of patent litigation and will be likely to continue to have patent lawsuits. In order to protect or enforce the Company's patent rights, the Company may have to initiate legal proceedings against third parties. In addition, others may sue the Company for infringing their intellectual property rights or the Company may find it necessary to initiate a lawsuit seeking a declaration from a court that the Company does not infringe the proprietary rights of others.

The patent positions of companies in high technology industries can be uncertain and involve complex legal and factual questions.

Legal proceedings relating to intellectual property could be expensive, take significant time and divert Management's attention from other business concerns, no matter whether the Company wins or loses. The cost of such litigation could affect the Company's financial position.

Further, if the Company does not succeed in an infringement lawsuit brought against us, in addition to any damages the Company might have to pay, the Company could be required to stop the infringing activity or obtain a licence. Any required licence may not be available to the Company on acceptable terms, or at all. In addition, some licences may be non-exclusive,

and therefore, the Company's competitors may have access to the same technology licensed to the Company. If the Company is unable to obtain a required licence or are unable to design around a patent, Company outcomes could be affected.

The Directors of the Company are not presently aware of any fact, matter or circumstance by which any party may claim or be entitled to object to or challenge any of the Company's patents, trade marks or intellectual property. These circumstances, however, do not reduce the importance of the foregoing considerations for investors.

Cpn 10 Intellectual Property

In addition to the general intellectual property risks described above, it should be noted that the Company's rights with respect to Cpn 10 are significantly derived from the research agreement described in Section 7.3.

The term of the exclusive licence commences on the date of the first sale of the product (as defined in the agreement) and ends on the earlier of the tenth anniversary of that date or the expiration of the patent for that product.

There is a potential risk that this contract may be terminated early, or that it may run for the expected term but not be extended or satisfactorily substituted on terms favourable to the Company. This would have a significant negative impact upon the Company's ability to generate profits.

Liability regarding hazardous materials

Our research and development processes involve the controlled use of hazardous materials. CBio is subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of such materials and certain waste products. The risk of accidental contamination or injury from these materials cannot be completely eliminated.

In the event of such an accident, the Company could be held liable for any damages that result, and any such liability could exceed its resources and disrupt the business. In addition, the Company may have to incur significant costs to comply with environmental laws and regulations related to the handling or disposal of such materials or waste products in the future, which could require the Company to spend substantial amounts of money.

6.6 Risks related to this Offer

Non-liquid market

The Shares cannot be traded in a liquid market, and there are significant regulatory hurdles to overcome before such a market will exist. As a result, potential investors will have only a limited opportunity to sell their Shares and may therefore have to bear the economic risk of holding the present investment in the Shares for an indefinite period of time.

Merely because the Company is a public Company does not mean that there will be a free, or indeed any market for trading in such Shares. Generally speaking, Directors of a public Company have no discretion to refuse to register a transfer of Shares. That, however, is essentially a formality. The ability to sell (or buy) Shares in the Company, after the close of this Offer must be regarded as speculative at best. That ability will depend upon the Company's progress and financial performance, the number and spread of Shareholders, and the range of other factors associated with all of the risks highlighted in this prospectus. The Board urges investors to invest on the basis that in the short to medium term, investors will have practically no opportunity of selling (or buying) Shares in the Company.

Use of proceeds of this Offer

It is intended that funds raised from the Offer will be applied as explained in Section 2.2. Until the Company applies funds raised from this Offer it will be invested in short-term liquid investments. The actual application of the funds raised may vary if it is in the best interests of the Company when assessed by the Directors in the prevailing circumstances. For instance, the commencement, duration and extent of clinical trials and the ability to negotiate a favourable strategic partnership at the optimum time may impact upon the amounts and timing of actual expenditure compared to budgeted amounts.

Control issues

The Company's executive officers, Directors and major Shareholders own a large percentage of the Company's voting capital and could potentially delay or prevent a change in control, sale of its business, or other matters requiring Shareholder approval, even if favoured by other Shareholders. This may be a disincentive to investment by a major institution and/or prevent Shareholders from realising the value of their investment.

Funding

The Company will need substantial funds to continue to research, develop and enhance its technology. To the extent that the Company's capital resources are insufficient to meet future capital requirements, the Company will have to raise additional funds to continue the development of our technology. The Company may not be able to raise funds on favourable terms, or at all. The current operating plan could change as a result of many factors, and the Company could require additional funding sooner than anticipated. The requirements for additional capital may be substantial and will depend on many factors, some of which are beyond our control, including:

- market acceptance of the products;
- timing of the TGA and/or FDA approval of the products
- continued progress of our research and development of the products;
- competing technological and market developments;
- the cost of protection of patent and other intellectual property rights; and
- progress with commercialisation.

If the Company needs, but is unable to obtain, additional funding to support operations, the Company would have to reduce or cease operations or attempt to sell all or a part of its operations.

To the extent that the Company raises additional capital through the issue of Shares, the issuance of those Shares would result in equity dilution for our existing Shareholders. If adequate funds are not available, the Company may be required to curtail operations significantly or to obtain funds through entering into collaboration agreements on unattractive terms.

Because it is unlikely that the Company will soon pay dividends, you will only be able to benefit from holding our Shares if the share price appreciates and a market exists for the Shares. As outlined above, the board does not expect any significant market for the Shares to be available in the near future.

Technology development is inherently high risk and the above risks are not exhaustive. Other risks may become evident with further development of the technology and commercial relationships. The Company can give no assurance that all the Company's objectives can be satisfactorily achieved.

7. ADDITIONAL INFORMATION

7.1 Terms of the New Shares

The terms and conditions of issue of the New Shares are as follows:

- (a) the subscription price is \$8.00 each;
- (b) the New Shares may be subscribed for at any time before 5.00pm (AEST) on the Closing Date;
- (c) New Shares issued pursuant to this Offer will rank pari passu with existing Shares of the Company in all respects.

7.2 Rights and liabilities attaching to New Shares

The following is a broad summary (though not necessarily an exhaustive or definitive statement) of the rights and liabilities attaching to all Shares including New Shares, which will be issued pursuant to this Offer. Full details are contained in the Constitution of the Company and the *Corporations Act 2001*.

Share capital

All issued ordinary Shares rank equally in all respects.

Voting rights

At a general meeting of the Company, every holder of Shares present in person, by an attorney, representative or proxy has one vote on a show of hands and on a poll, one vote for every fully paid share held.

Dividend Rights

Subject to the rights of holders of shares issued with any special or preferential rights (at present there are none), the profits of the Company which the Directors may from time to time determine to distribute by way of dividend are divisible among the Shareholders according to the amounts paid on the Shares held by them.

Rights on winding-up

Subject to the rights of holders with shares with special rights in a winding-up (at present there are none), on a winding-up of the Company all assets which may be legally distributed amongst the members will be distributed in proportion to the Shares held by them respectively.

Transfer of Shares

Shares in the Company may be transferred by instrument in any form which complies with the Constitution and the *Corporations Act 2001*.

The Directors may refuse to register a transfer of shares only in those limited circumstances permitted by the *Corporations Act 2001*.

Further increases in capital

The allotment and issue of any Shares is under the control of the Directors and subject to any restrictions on the allotment of Shares imposed by the Constitution and the *Corporations Act 2001*, the Directors may allot, issue or grant options over or otherwise dispose of Shares to such persons, with such rights or restrictions as they may from time to time determine.

Variations of rights attaching to Shares

Where shares of different classes are issued, the rights attaching to the shares of a class can thereafter only be varied by a special resolution passed at a separate general meeting of the holders of those shares of that class, or with the written consent of the holders of at least three quarters of the issued shares of that class.

General meeting

Each holder of Shares is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive notices, accounts and other documents required to be furnished to Shareholders under the Constitution and the *Corporations Act 2001*.

A copy of the Constitution of the Company is available for inspection, free of charge, at the registered office of the Company.

Dividend policy

CBio does not anticipate paying dividends for the forthcoming financial year.

7.3 Material Contracts

There are a number of contracts relating to the rights, title and property associated with Cpn 10. Copies of these documents are available for inspection during normal office hours at the registered office of the Company for 13 months from the date of this prospectus.

Research Agreement

On 27 March 1996, UniQuest, the technology transfer and capitalisation Company for the University of Queensland, entered into a Research Funding and Commercialisation Rights Agreement (the "Research Agreement") with CSL Limited, whereby CSL Limited was granted the exclusive right to commercialise certain provisional patents owned by UniQuest, and any existing or new intellectual property arising from research and development relating to those patents.

The Research Agreement has been varied by the Deed of Agreement and Variation dated 14 May 2001 and assigned by the Deed of Assignment dated 14 May 2001, so that the full benefit and obligations under the Research Agreement as varied become those of CBio (in place of CSL Limited). Under the terms of the Deed of Assignment, CSL Limited will receive 2% royalty on direct sales and 5% of any royalty revenue received by CBio in respect of XTollTM. This shall apply for the life of the patents set out below.

Below is a summary of the combined provisions currently relevant to XTollTM.

UniQuest owns Australian Provisional Patent Applications Nos. PM2705 and PM 8234 ("the Patents"). CBio was granted an exclusive worldwide licence and right to exploit not only the Patents but also all corresponding international applications, all improvements to the Patents ("the Intellectual Property").

CBio was granted an exclusive worldwide licence and right to exploit the intellectual property, the subject of the agreement, with such right extending to the right to make, have made, use, market, sell and commercialise products; and, further with the right to grant sub-licences relative to the intellectual property.

The term of the exclusive licence commences on the date of the first sale of the Product and ends on the earlier of the tenth anniversary of that date or the expiration of the Patent for that Product.

For the term, a non-exclusive licence is granted to CBio to use all of the patents, provisional patents applications, all corresponding international applications, facts, data, opinions, secrets,

ideas, processes, methodologies, know-how, models, reagents or formula which are in the field of diagnostic, prophylactic and therapeutic uses of XToll™ (or its derivative), and further, have the right to grant sub-licences to that licence.

UniQuest is to provide all necessary information and assistance to CBio for it to manufacture, market, sell and commercialise products. Any information provided to UniQuest will be at its cost, will be confidential and can be communicated to licensees for the purposes of the manufacture and sale of products.

Confidentiality provisions are also in place between the parties.

No royalties are payable by CBio to UniQuest in respect of XToll™ or the Products.

As part of the above arrangements, a Convertible Note having the face value of \$1,125,000 noting UniQuest as the holder was issued to UniQuest on 14 May 2001. The balance of funds outstanding under this Convertible Note was converted into CBio shares in December 2005. As a consequence of this conversion, the intellectual property (as defined in the Research Agreement) that is registered in the name of UniQuest is in the process of being assigned to the Company.

Process Development

CBio has contracts in place for the purpose of supplying XToll™ for use in toxicology studies, the Registration Standard study, to complete formulation studies and production process changes to optimize the shelf life of XToll™ as well as to complete stage 1 of a 4 stage scale-up programme with a commercial contract manufacturing organization. The commitments outstanding under these contracts are approximately \$2,200,000.

Toxicology Studies

CBio has engaged an external contractor to provide toxicology services at an initial cost of approximately \$860,000.

Office Lease

CBio has a long-term property lease for office and laboratory space which expires in March 2012. Current lease payments are approximately \$405,000 per annum.

Loan Agreement

Australian Technology Innovation Fund Limited (“ATIF”) was advanced \$1,684,000 on 22 August 2006 under a loan agreement with CBio with interest payable at a commercial rate. \$650,000 of this loan was repaid in October 2006 and the balance including interest is expected to be repaid to CBio by 31 March 2007.

7.4 Material lodged with ASIC

In accordance with section 712 of the *Corporations Act 2001*, the Company wishes to identify documents lodged with ASIC containing important information for investors, professional analysts and advisers. Such information is taken to be included in this prospectus under section 712(3).

The Company is a disclosing entity subject to regular reporting and disclosure obligations (including continuous disclosure under section 675 of the *Corporations Act 2001*).

Any person may request, and the Company will provide free of charge, a copy of each of the following documents during the application period of this prospectus:

Date lodged with ASIC	Form Type	Effective Date
14/03/2007	1001 Half Yearly Financial Report	31/12/2006
01/02/2007	484 Change to Company Details Appointment or Cessation of a Company Officeholder	01/02/2007
03/01/2007	7053 Disclosure Notice	27/12/2006
11/12/2006	7053 Disclosure Notice	28/11/2006
07/12/2006	484E Change to Company Details Appointment of Cessation of a Company Officeholder	07/12/2006
27/11/2006	7053 Disclosure Notice	16/11/2006
31/10/2006	484 Change to Company Details 484O Changes to Share Structure 484G Notification of Share Issue	31/10/2006
30/10/2006	7053 Disclosure Notice	27/10/2006
25/10/2006	484N Change to Company Details Change to (Members) Share Holdings	25/10/2006
06/10/2006	484 Change to Company Details 484O Changes to Share Structure 484G Notification of Share Issue	06/10/2006
28/09/2006	388A Financial Report Financial Report – Public Company or Disclosing Entity	30/06/2006

The information in:

- the Annual Report, including audited financial statements for the period to 30 June 2006,
- the Half Yearly Report, including reviewed financial statements for the period to 31 December 2006;

may be of particular interest to investors, professional analysts and advisers. As noted above, the Annual Report was lodged with ASIC on 28 September 2006 and the Half Yearly on 14 March 2007. These reports contain detailed information concerning the financial performance and operations of the Company.

Additionally, the Disclosure Notices dated 3 January 2007 and 11 December 2006 may be of particular interest to investors, professional analysts and advisers. These announcements contain updates regarding the operations and management of the Company, including its progress in commercialisation of XToll™.

The Directors rely upon section 712(3) of the *Corporations Act* with the inclusion by reference of material referred to above for full disclosure of relevant information to Shareholders for the purposes of section 711 of the *Corporations Act*, including the nature and extent of any Directors' interests of or persons identified in section 711(4) of the *Corporations Act*.

7.5 Interests of Directors

Other than as set out below or elsewhere in this prospectus, no Director:

- has or had at any time in the last 2 years an interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company in connection with the Offer or promotion of the Company, or the Offer; or
- has been paid or agreed to be paid an amount, or has been given or agreed to be given any other benefit, either to induce him to become, or to qualify him as a Director, or otherwise for services rendered by him in connection with the formation or promotion of the Company or the Offer.

Interests in securities

The Directors (and their associates) have the following interests in securities of the Company as at the date of this prospectus:

Directors	SHARES		OPTIONS	
	Direct	Indirect	Direct	Indirect
Mr Stephen Jones (Executive Chairman)	33	1,190,000	300,000	-
Mr Stephen Streeter (Non-Executive Director)	-	-	1,300,000	-
Dr Michael Monsour (Non-Executive Director)	-	1,713,734	-	500,000

The Directors reserve their right to participate in the Offer, including any offer of Shortfall Shares.

Remuneration – Directors

Mr Stephen Jones (Executive Chairman) receives Directors' fees from the Company and from time to time is engaged as a consultant by the Company for which additional fees are paid to an associated entity. Mr Stephen Streeter receives Directors' fees and from time to time consulting fees which are paid to an associated entity. Mr Streeter is also engaged in capital raising activities on behalf of CBio for which commissions not exceeding 3% of the capital raised are paid to an associated entity. Dr Michael Monsour receives Directors' fees.

7.6 Interests of advisers

Other than as set out in this prospectus, no person named in this prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this prospectus has or had at any time in the last 2 years an interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company in connection with the Offer or the formation or promotion of the Company, or in the Offer; or has been paid or agreed to be paid any amount or agreed to be given any other benefit, either to induce him to become, or to qualify him as a Director, or otherwise for services rendered by him in connection with the formation or promotion of the Company or the Offer.

7.7 Commissions

The Directors anticipate there will be commissions payable on any Shortfall New Shares that are placed, of up to approximately 3% of the amount of Shortfall New Shares placed by the Company.

7.8 Expenses of the Offer

The total expenses of the Offer (excluding commissions which may become payable) that will be payable by the Company are estimated at approximately \$50,000. These expenses include legal fees, printing and other miscellaneous expenses. They will be borne by the Company.

7.9 Application moneys and interest

Moneys received from an applicant on account of New Shares offered under this Prospectus will, until those New Shares are issued, be held by the Company in a bank account established and kept by the Company for the purpose of depositing application moneys.

If, after the New Shares are issued, the Company remains liable to repay those moneys under section 723 of the *Corporations Act 2001*, the Company will do so.

To the fullest extent permitted by law, each applicant agrees that such moneys do not bear interest as against the Company and that any interest earned in respect of the application moneys paid into that account or kept in the separate account belongs to the Company, irrespective of whether or not all or any of the New Shares applied for by that applicant are issued to that applicant.

7.10 Consents

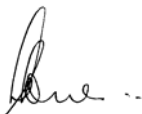
Link Market Services has given, and not withdrawn its written consent to be named as share registrar in the form and context in which it is named. Link Market Services has not caused or authorised the issue of this prospectus and takes no responsibility for any part of this prospectus.

Ernst & Young has given, and not withdrawn its written consent to be named as Auditor in the form and context in which it is named. Ernst & Young has not caused or authorised the issue of this prospectus and takes no responsibility for any part of this prospectus.

7.11 Directors' Statement

Each Director has given, and has not withdrawn, before the date of this prospectus, his consent to the lodgement of this prospectus with ASIC and to the issue of this prospectus in accordance with the *Corporations Act 2001*. The Directors report that after due enquiry by them, that they have not become aware of any circumstances which in their opinion will materially affect the Company's position, other than as disclosed in this replacement prospectus.

This Prospectus is signed for and on behalf of the Directors.



Stephen Jones
Executive Chairman

Dated 16 March 2007

GLOSSARY

\$	Australian Dollars unless otherwise stated
AEST	Australia eastern standard time
Applicant	A person who, or entity which, submits an Application
Application Price	The application price is \$8.00 being the amount payable in respect of each share at which Applicants must apply for New Shares under the Offer
ASIC	Australian Securities and Investments Commission
Closing Date	The date on which the offer to Shareholders (rights issue) closes being 27 April 2007 or such other earlier or later date as determined by the Company
Company, or CBio	CBio Limited ACN 094 730 417
Cpn 10	Chaperonin 10, a product which the Company has patent protection around its family
Directors	The directors of the Company
Entitlement and Acceptance Form	The entitlement and acceptance form accompanying this Prospectus
Exposure Period	Period of 7 days after lodgement of Prospectus with ASIC
FDA	United States Food & Drug Administration
IP	Intellectual Property including patents and trademarks.
Minimum Subscription	\$4.00 million
New Shares	The Shares in the Company offered under this Prospectus
Offer	The offer of New Shares pursuant to this Prospectus, namely the rights issue to Shareholders, and the subsequent placement of any Shortfall New Shares
Options	Options to acquire Shares in the Company
Phase I Clinical Trials	A drug dosing study in human subjects to establish that the drug is safe to be used in further clinical evaluations.
Prospectus	This prospectus dated 16 March 2007
Registration Standard Trial	A clinical study which data can be used as supportive information for drug registration applications
Record Date	23 March 2007
R&D	Research and Development
Share	A fully paid ordinary share in the capital of the Company
Shareholders	Holders of Shares in the Company at the Record Date
Shortfall Application Form	The Shortfall Application Form available with this prospectus, for use by those who are not Shareholders as at the date of this prospectus, but to whom the Company may place New Shares which are not taken up under the rights issue
Shortfall Closing Date	The date on which the Offer shortfall of New Shares to parties other than Shareholders closes, being 27 July 2007

Shortfall New Shares	New Shares which are not taken up by Shareholders, nor renounced by Shareholders, which form the remainder of New Shares which the Directors may place at their discretion
Subcutaneous	A method of drug delivery where an injection is made into the subcutaneous tissue just below the skin.
Toxicology Studies	Studies in animals for safety purposes
XToll™	XToll™ is the registered trade mark of the Cpn10 variant which CBio is in the process of developing for ultimate commercialisation