

22 November 2010

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

Dear Sir,

ISSUE OF SECURITIES

CBio Limited (ASX: CBZ) has today applied for quotation of 6,404,000 shares issued as part of the 'shortfall' in connection with the recent Right's Issue offered by the Company. The Company raised \$5.08 million from existing shareholders through the Rights Issue, with the \$4.22 million shortfall to be filled by both new and existing shareholders.

The Company is currently finalising the allotment of the remaining shortfall shares and expects to complete this process shortly.

The Company has also issued a new \$150,000 Convertible Note pursuant to its \$12 million Agreement with the SpringTree Special Opportunities fund. An Appendix 3B in relation to the issue of shares and convertible note is attached to this announcement.

For and on behalf of the Board

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Company Secretary

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About CBio

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

Novo Nordisk A/S, a top 20 global pharmaceutical company and world-leader in diabetes care, has an exclusive option to enter into a licence agreement for the intellectual property rights relating to XToll®.

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

About Rheumatoid Arthritis

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

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

CBio Limited

ABN

76 094 730 417

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|--|
| 1 | +Class of +securities issued or to be issued | (a) Convertible Note (the Note)
(b) Ordinary Shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | (a) A\$150,000 Note
(b) 6,404,000 Ordinary Shares |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | <u>(a) Note</u> <ul style="list-style-type: none">• The principal amount of the Note is A\$150,000 (the Principal Amount).• The Note does not bear interest and is unsecured.• On maturity, the Note shall convert into new Ordinary Shares of the Company determined by dividing the Principal Amount to be converted by the lesser of:<ul style="list-style-type: none">1. 140% of the average of the daily |

+ See chapter 19 for defined terms.

- VWAPs per Share for the twenty (20) consecutive Trading Days immediately prior to 16 May 2010; and
2. 90% of the lowest daily VWAP per Share during the twenty (20) Trading Days immediately prior to the Repayment Date of that Repayment,
(the **Conversion Price**)
- The Note may be repaid in cash at 105% of its face value upon the Company providing written notice to the Noteholder within 7 days of the Note's maturity.
 - The Ordinary Shares issued upon conversion of the Note will rank pari passu with existing Ordinary Shares.
 - On each repayment date, the Company shall grant the Investor, or its nominee or designee, Options in the number equal to 20% of the number of the new Ordinary shares (calculated as per point 3 above) issued or issuable on that repayment date, exercisable at a price equal to 130% of the Conversion Price applicable to the repayment.
 - The Note does not carry any voting rights at meetings of shareholders of the Company, and has no rights of participation in any rights issue undertaken by the Company prior to conversion of the Note.
- (b) Ordinary fully paid shares

+ See chapter 19 for defined terms.

4	Do the ⁺securities rank equally in all respects from the date of allotment with an existing ⁺class of quoted ⁺securities? If the additional securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	(a) On conversion of the Note, the Ordinary Shares will rank pari passu with existing Ordinary Shares. (b) Ordinary Shares rank pari passu with existing Ordinary Shares.						
5	Issue price or consideration	(a) \$150,000 cash (b) \$0.16 per share						
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	(a) Issue of Note pursuant to the Convertible Loan Agreement, details of which were announced to the market on 17 May 2010. (b) Allotment of Shortfall Shares pursuant to the Right's Issue which closed on 27 October 2010.						
7	Dates of entering ⁺ securities into uncertificated holdings or despatch of certificates	(a) 18 November 2010 (b) 18 November 2010						
8	Number and ⁺ class of all ⁺ securities quoted on ASX (including the securities in clause 2 if applicable)	<table><tr><th>Number</th><th>⁺Class</th></tr><tr><td>116,388,943</td><td>Ordinary Shares</td></tr><tr><td>14,287,355</td><td>Share options exercisable at \$1.00 each on or before 31 December 2012</td></tr></table>	Number	⁺ Class	116,388,943	Ordinary Shares	14,287,355	Share options exercisable at \$1.00 each on or before 31 December 2012
Number	⁺ Class							
116,388,943	Ordinary Shares							
14,287,355	Share options exercisable at \$1.00 each on or before 31 December 2012							

⁺ See chapter 19 for defined terms.

	Number	+Class
9	Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	See Attachment A Restricted fully paid shares and share options, unlisted share options and convertible notes.
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Not applicable

Part 2 – Bonus issue or pro rata issue

11	Is security holder approval required?	Not applicable
12	Is the issue renounceable or non-renounceable?	Not applicable
13	Ratio in which the +securities will be offered	Not applicable
14	+Class of +securities to which the offer relates	Not applicable
15	+Record date to determine entitlements	Not applicable
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	Not applicable
17	Policy for deciding entitlements in relation to fractions	Not applicable
18	Names of countries in which the entity has +security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	Not applicable
19	Closing date for receipt of acceptances or renunciations	Not applicable

+ See chapter 19 for defined terms.

20	Names of any underwriters	Not applicable
21	Amount of any underwriting fee or commission	Not applicable
22	Names of any brokers to the issue	Not applicable
23	Fee or commission payable to the broker to the issue	Not applicable
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	Not applicable
25	If the issue is contingent on +security holders' approval, the date of the meeting	Not applicable
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	Not applicable
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	Not applicable
28	Date rights trading will begin (if applicable)	Not applicable
29	Date rights trading will end (if applicable)	Not applicable
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	Not applicable
31	How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	Not applicable

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- 32 How do ⁺security holders dispose of their entitlements (except by sale through a broker)? Not applicable
- 33 ⁺Despatch date Not applicable

Part 3 – Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) ☒ Securities described in Part 1

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 ☐ If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders
- 36 ☐ If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
- 1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over
- 37 ☐ A copy of any trust deed for the additional ⁺securities

⁺ See chapter 19 for defined terms.

Entities that have ticked box 34 (b)

38	Number of securities for which +quotation is sought	Not applicable	
39	Class of +securities for which quotation is sought	Not applicable	
40	Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities? If the additional securities do not rank equally, please state: - the date from which they do - the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment - the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	Not applicable	
41	Reason for request for quotation now Example: In the case of restricted securities, end of restriction period (if issued upon conversion of another security, clearly identify that other security)	Not applicable	
42	Number and +class of all +securities quoted on ASX (including the securities in clause 38)	Number	+Class
		Not applicable	

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:



(Company secretary)

Date: 22 November 2010

Print name: BEN GRAHAM

+ See chapter 19 for defined terms.

ATTACHMENT A

Number and ⁺class of all ⁺securities not quoted on ASX (*including* the securities in clause 2 if applicable)

(a) ASX Restricted Securities (not quoted)

Number	⁺ Class
3,359,744	Ordinary fully paid shares, classified by ASX as restricted securities and to be held in escrow for a period of 24 months from the commencement of official quotation
15,087,494	Share options exercisable at \$1.00 each on or before 31 December 2012, classified by ASX as restricted securities and to be held in escrow for a period of 24 months from the commencement of official quotation

(b) Securities Not Quoted

Number	⁺ Class
710,000	Share options exercisable at \$2.00 each on or before 31 December 2012
600,000	Share options exercisable at \$3.00 each on or before 31 December 2012
1,900,000	Share options exercisable at \$0.517 each on or before 16 May 2015
148,148	Share options exercisable at \$0.351 each on or before 15 June 2015
127,443	Share options exercisable at \$0.306 each on or before 15 July 2015
166,667	Share options exercisable at \$0.234 each on or before 16 August 2015

⁺ See chapter 19 for defined terms.

(c) Convertible Notes on Issue

Number	+Class
1	Convertible Note with a face value of \$150,000 expiring 16 December 2010
1	Convertible Note with a face value of \$125,000 expiring 31 December 2010.
2	Convertible Notes with a face value of \$1,000,000 each expiring 30 June 2011
2	Convertible Notes with a face value of \$1,000,000 each expiring 31 December 2011

+ See chapter 19 for defined terms.