

CBio Ltd
ABN 76 094 730 417

Appendix 4D

Half Year Report

For the 6 months ended December 2010 (current period)
And the previous corresponding period 6 months ended 31 December 2009

Results for announcement to the market

Revenue from ordinary activities:	Up	2.4%	to	\$'000 207
(Loss) from ordinary activities after tax attributable to members:	Down	3.2%	to	7,992
Net (Loss) for the period attributable to members:	Down	3.2%	to	7,992
		Current period		Previous corresponding period
Net tangible asset backing per ordinary share		(2.7) cents		(0.11) cents

An explanation of the result of the current period is set out in the Directors Report contained in the attached audit reviewed half-year Financial Report.

Full financial details of the Company are also contained in the attached audit reviewed half-year Financial Report.

Dividends: It is not proposed that any dividend will be paid. No dividends were paid in the previous corresponding period. The Company does not currently have a dividend reinvestment plan.

Control: The Company has not gained or lost control of any entity during the period.

Joint Ventures/Associates: The Company is not part of any Joint Venture and has no associated entities.

CBio Limited

ABN 76 094 730 417

HALF-YEAR FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

CBIO LIMITED

Directors' Report

For the half-year ended 31 December 2010

Your directors submit their report for the half-year ended 31 December 2010.

DIRECTORS

The names of the directors of the company in office at any time during the half-year are as below. Directors were in office for this entire period unless otherwise stated.

Mr. Stephen Jones	Executive Chairman
Mr. Jason Yeates	Managing director & Chief Executive Officer
Dr. Peter Corr	Non-executive director
Dr. Göran Ando	Non-executive director
Prof. John Funder	Non-executive director
Dr. Michael Monsour	Non-executive director
Mr. Stephen Streeter	Non-executive director
Dr Terje Kalland	Non-executive director (appointed 1 December 2010)
Dr Thomas Lönngren	Non-executive director (appointed 27 January 2011)
Mr James Greig	Executive director (appointed 31 January 2011)
Dr. Dennis Feeney	Executive director (resigned 24 November 2010)

RESULTS AND REVIEW OF OPERATIONS

The loss attributable to members of CBio Limited for the period ending 31 December 2010 was \$7,992,605 (2009: \$8,259,988). No dividend was proposed or paid during the period.

The main activity of the Company during the period was the phase IIa clinical trial in Rheumatoid Arthritis. In September the Company achieved full recruitment into the trial, with 155 patients enrolled at clinical trial sites throughout Australia, New Zealand and Central and Eastern Europe.

The last enrolled patient is expected to complete dosing in the trial in March 2011. The Company expects to receive data tables and listings from the trial in June, with the final study report available later in 2011.

The Company has continued to interact with a number of global pharmaceutical companies throughout the trial period. It is expected that more detailed commercial discussions will commence in coming months with a view to securing a licensing transaction for the future development and commercialisation of XToll®. All interactions are expected to continue for several months.

The Company is progressing a number of activities aimed at reducing the overall development 'time to market' for XToll®, including local scale-up of the drug manufacturing process, the design of larger phase IIb/phase III studies as well as pre-IND interactions with the US Food & Drug Administration (FDA). It is critical that these activities continue apace in order to maximise the commercial potential of XToll® in the market.

CBIO LIMITED

Directors' Report

For the half-year ended 31 December 2010

During the period, the Company has continued to raise the necessary capital required to complete the current clinical trial and to prepare for future development activities. The Company completed a Rights Issue during the period, raising \$9.3 million. These funds are expected to meet the remaining costs associated with the current clinical trial.

The Company continued to raise funds during the half-year under its Convertible Loan facility with SpringTree Special Opportunities Fund. The company issued six convertible notes to SpringTree during the period, raising \$900,000. Two Notes were repaid through the issue of 1,470,546 shares and 294,110 share options, while the remaining four notes were repaid in cash.

As at 31 December, a further \$9.8 million is available to the Company under the SpringTree Convertible Loan facility through until April 2013.

The Company announced the appointment of Dr Terje Kalland as a Director during the period. Dr Kalland is the retired Vice President Biopharmaceuticals Research Unit - Novo Nordisk, and brings considerable experience in drug development to the CBio Board. In November, Dr Dennis Feeney resigned as a Director of the Company. Dr Feeney served as a Director of the Company since 2007.

SUBSEQUENT EVENTS

The Company appointed Dr Thomas Lönngren to the Board on 24 January. Dr Lönngren is the recently retired Executive Director of the European Medicines Agency (EMA), the peak pharmaceutical regulatory body in Europe. The Company also appointed Mr James Greig to the Board on 31 January. Mr Greig has served as the Company's Chief Financial Officer since 2006.

On 27 January, the Company issued 1,000,000 share options to Dr Thomas Lönngren prior to his appointment to the Board. The Options have an exercise price of \$1 and an expiry date of 31 December 2012.

CBio has continued to issue convertible notes under the SpringTree facility subsequent to the review date. On 18 January, the Company issued 845,547 shares and 169,109 share options as repayment of the \$150,000 Convertible Note issued on 16 December. On January 24, the Company issued a \$150,000 convertible note which matured on 18 February. At maturity this note was repaid in cash. On 25 February the Company issued a request to SpringTree for the next monthly tranche of \$150,000 available under the facility. A convertible note, which will mature in March, will be issued on receipt of these funds.

CBIO LIMITED

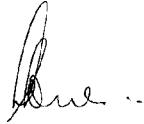
Directors' Report

For the half-year ended 31 December 2010

AUDITOR'S INDEPENDENCE DECLARATION

A statement of independence has been provided by our auditors, Ernst & Young, and is included in the attached financial report.

Signed in accordance with a resolution of directors

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

Mr Stephen Jones
Executive Chairman

Date: 25 February 2011

CBIO LIMITED

Statement of Comprehensive Income For the half-year ended 31 December 2010

	Notes	December 2010 \$	December 2009 \$
Interest received		24,330	16,530
Rental revenue		82,908	65,670
Other income	4	163,030	15,762
Fair value movement of derivative		(62,676)	104,695
 Borrowing costs expense	2	 (1,148,281)	 (1,584,191)
Administration & corporate expenses		(1,097,205)	(1,386,139)
Depreciation & amortisation		(79,610)	(124,044)
Staff costs		(1,589,893)	(1,652,488)
Rent & occupancy expense		(296,181)	(259,699)
Share based payment expense		(828)	(355,651)
Research and development costs	3	(3,564,983)	(2,627,861)
Patent costs		(300,792)	(140,109)
Business development		(122,424)	(332,463)
Loss before income tax from continuing operations		(7,992,605)	(8,259,988)
Income tax expense		-	-
Loss from continuing operations after income tax		(7,992,605)	(8,259,988)
 Other comprehensive income		 -	 -
Total comprehensive income for the period		(7,992,605)	(8,259,988)
 Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders to the parent			
Basic earnings per share (cents)		(8.35)	(16.34)
Diluted earnings per share (cents)		(8.35)	(16.34)

The Statement of Comprehensive Income is to be read in conjunction with the notes to the Financial Statements

CBIO LIMITED

Statement of Financial Position

As at 31 December 2010

	Notes	31 December 2010 \$	30 June 2010 \$
Current assets			
Cash and cash equivalents		4,514,775	3,433,448
Trade and other receivables		59,324	55,807
Other current assets		286,160	271,403
Total current assets		4,860,259	3,760,658
Non-Current Assets			
Property, plant and equipment		154,295	232,856
Trade and other receivables		150,000	155,967
Intangible assets		-	-
Other assets		253,611	338,148
Total Non-Current Assets		557,906	726,971
Total Assets		5,418,165	4,487,629
Current Liabilities			
Trade and other payables	5	1,636,613	2,195,305
Short-term provisions		164,755	158,851
Financial liabilities	6	4,210,074	3,616,921
Unearned income		3,055,923	3,182,848
Total current liabilities		9,067,365	9,153,925
Non-Current Liabilities			
Long-term provisions		196,159	110,597
Financial Liabilities		-	-
Total Non-Current Liabilities		196,159	110,597
Total Liabilities		9,263,524	9,264,522
Net Assets		(3,845,359)	(4,776,893)
Equity			
Issued Capital	7(a)	77,185,694	68,291,037
Reserves	7(b)	19,129,380	19,099,898
Accumulated Losses		(100,160,433)	(92,167,828)
Total Equity		(3,845,359)	(4,776,893)

The Statement of Financial Position is to be read in conjunction with the notes to the Financial Statements

CBIO LIMITED**Statement of Changes In Equity**

As at 31 December 2010

	Notes	December 2010 \$	December 2009 \$
SHARE CAPITAL			
Balance at 1 July		68,291,037	47,947,588
Issue of share capital		10,139,932	13,026,888
Cost of capital raising		(1,245,275)	(1,701,043)
Balance at 31 December	7(a)	<u>77,185,694</u>	<u>59,273,433</u>
RESERVES			
Balance at 1 July		19,099,898	16,628,240
Share-based payment		828	319,951
Equity-based compensation		-	35,700
Convertible note issuance & conversion		28,654	90,120
Balance at 31 December	7(b)	<u>19,129,380</u>	<u>17,074,011</u>
ACCUMULATED LOSSES			
Balance at 1 July		(92,167,828)	(75,380,639)
Loss for the period		(7,992,605)	(8,259,988)
Other comprehensive income		-	-
Total comprehensive income for the half-year		<u>(7,992,605)</u>	<u>(8,259,988)</u>
Balance at 31 December		<u>(100,160,433)</u>	<u>(83,640,627)</u>

The Statement of Changes in Equity is to be read in conjunction with the notes to the Financial Statements

CBIO LIMITED

Statement of Cash Flows

For the half-year ended 31 December 2010

	Notes	December 2010 \$	December 2009 \$
Cash flows from/(used in) operating activities			
Payments to suppliers and employees		(7,486,730)	(11,508,684)
Cash received in the course of operations		130,861	113,328
Interest received		24,330	16,530
Interest paid		(338,718)	(215,280)
Net cash used in operating activities		(7,670,257)	(11,594,106)
Cash flows from/(used in) investing activities			
Bank guarantee deposit		-	(2,703)
Purchase of Plant and equipment		(1,049)	(9,031)
Net cash (used in)/provided by investing activities		(1,049)	(11,734)
Cash flows from/(used in) financing activities			
Proceeds from issue of shares		9,326,185	7,563,000
Proceeds from shares not yet issued		-	1,794,817
Proceeds from issue of convertible note		900,000	5,200,000
Repayment of convertible note		(725,000)	-
Cost of capital raising		(748,552)	(1,119,547)
Proceeds from borrowings		300,000	356,115
Repayment of borrowings		(300,000)	(126,000)
Net cash provided by financing activities		8,752,633	13,668,385
Net increase/(decrease) in cash held		1,081,327	2,062,545
Cash at beginning of the financial period		3,433,448	40,335
Cash at the end of the financial period	8	4,514,775	2,102,880

The Statement of Cash Flows is to be read in conjunction with the notes to the Financial Statements

Notes to the Financial Statements

For the half-year ended 31 December 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of the Half-Year Financial Report

This general purpose condensed financial report for the half-year ended 31 December 2010 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual financial report of CBio Limited as at 30 June 2010 and considered together with any public announcements made by CBio Limited during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations arising under the ASX listing rules.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Changes in accounting policy

There has been a number of changes to new accounting standards and interpretations during the interim reporting period. These standards have been reviewed and an assessment has been made that no significant impact will result upon adoption or on the previously reported results.

The Company has not elected to early adopt any other new Standards or amendments that are issued but not yet effective.

(a) Basis of Accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Accounting Standards including AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements.

The half-year financial report has been prepared in accordance with the historical cost basis except for derivative instruments which are measured at fair value, and apply the same accounting policies as used in the 30 June 2010 financial report.

For the purposes of preparing the half-year financial report, the half-year has been treated as a discrete reporting period. The financial report is presented in Australian Dollars.

b) Statement of Compliance

The half-year financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board. There are no Australian Accounting Standards issued but not yet effective that are expected to impact the position and performance of the company.

CBIO LIMITED

Notes to the Financial Statements

For the half-year ended 31 December 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

c) Going Concern

The financial report for the half-year ended 31 December 2010 is prepared on a going concern basis. The Company incurred an operating loss after income tax of \$7,992,605 (2009: \$8,259,988) for the half year. At 31 December 2010 the Company has net current liabilities of \$4,207,106 and an excess of total liabilities over total assets of \$3,845,359. These conditions give rise to significant uncertainty as to whether the Company will be able to continue as a going concern and be able to pay its debts as and when they fall due.

The directors believe that the going concern basis is appropriate due to a strong history of capital raising, current market conditions and positive clinical trial results to date. The success of future capital raisings for CBio Limited, as has been the case in the past, will depend on the Company achieving positive results in current and future clinical trials.

The Company listed on the Australian Securities Exchange (ASX) in February 2010. This listing provides CBio with access to capital in a more timely manner from a wide pool of potential retail and institutional investors.

CBio's ongoing research & development program will require additional funding to be raised over the next 12 months. During the period, the Company raised \$9.3 million from a Rights Issue. Further, the Company has access to a \$12.45 million funding facility through to May 2013. The Company received \$1,250,000 via this facility since May, with a potential \$9.8 million available over the remainder of the facility term as at 31 December 2010. The Company has received a further \$300k under this facility subsequent to the review date, and as at the date of signing this report a further \$9.1 million is available over the remaining facility term. In addition, the Directors will continue to consider and pursue all appropriate funding opportunities to meet its working capital needs over the next 12 months.

Additionally CBio has signed an agreement with Novo Nordisk A/S in connection with its Cpn10 asset. USD\$3 million has been received by the company in relation to this agreement during prior periods. This amount remains recorded as unearned income at 31 December 2010. This agreement also provides for the receipt of future funds on the achievement of set milestones.

Should CBio not be successful and repeat its strong history of raising capital it may not be able to continue as a going concern and pay its debts as and when they fall due. Accordingly, the Company may be required to realise assets and extinguish liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report. This report does not include any adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should CBio not be able to continue as a going concern.

CBIO LIMITED

Notes to the Financial Statements

For the half-year ended 31 December 2010

	December 2010 \$	December 2009 \$
2. BORROWING COSTS		
Interest expense on Convertible notes- cash	338,767	226,754
Interest expense on Convertible notes- non-cash	725,027	1,327,893
Other interest	84,487	29,544
	<u>1,148,281</u>	<u>1,584,191</u>
3. RESEARCH AND DEVELOPMENT COSTS		
Clinical trial costs	2,045,302	1,185,950
Drug production and supply	1,338,477	1,068,068
Other research and development costs	181,204	373,843
	<u>3,564,983</u>	<u>2,627,861</u>
4. Other income		
Unrealised foreign exchange gain	161,327	-
Other	1,703	15,762
	<u>163,030</u>	<u>15,762</u>
5. TRADE AND OTHER PAYABLES		
Trade payables	684,549	1,123,605
Accrued expenses	805,542	996,735
Director & Director related payables	146,522	74,965
	<u>1,636,613</u>	<u>2,195,305</u>
6. FINANCIAL LIABILITIES		
Convertible notes (i)	3,860,205	3,227,740
Accrued interest payable on convertible notes	33,972	50,343
Embedded derivative in convertible note (i)	315,897	338,838
	<u>4,210,074</u>	<u>3,616,921</u>

Notes to the Financial Statements

For the half-year ended 31 December 2010

6. FINANCIAL LIABILITIES (continued)

(i) SpringTree Notes

During the period the Company issued 6 Convertible Notes (SpringTree Notes) under a Convertible Loan Agreement dated 17 May 2010, raising a total of \$900,000. These notes have a face value of \$150,000 and if converted to equity are non-interest bearing. The notes are repayable on the following terms:

- On maturity, the Note shall convert into new Ordinary Shares of the Company determined by dividing the Principal Amount to be converted by the lesser of:
 - 140% of the average of the daily VWAPs per Share for the twenty (20) consecutive Trading Days immediately prior to 16 May 2010; and
 - 90% of the lowest daily VWAP per Share during the twenty (20) Trading Days immediately prior to the Repayment Date of that Repayment, (the Conversion Price)

Under certain conditions, the Note is also repayable in cash. The penalty for repaying the note in cash is equal to 5% of the Note face value.

On each repayment date, the Company shall grant the Investor, Options in the number equal to 20% of the number of the new Ordinary Shares issued or issuable on that repayment date, exercisable at a price equal to 130% of the Conversion Price applicable to the repayment.

During the period, two SpringTree Notes were converted to equity, and four SpringTree Notes were repaid in cash. One SpringTree Note with a face value of \$150,000 remained outstanding at the review date. The facility has mandatory monthly draw down amounts of \$150,000 to be converted/repaid in one month. A liability of \$250,000 has been recorded to represent the fair value of this obligation.

Other Notes

At 1 July 2010, 5 Convertible Note ("Other Notes"), issued under a Convertible Note Deed dated 30 August 2007 were outstanding. The notes have varying face values, with a combined face value of \$4,125,000. Interest of between 10% and 20% per annum is payable monthly on each note. In addition, notes may be converted to shares and options in CBio Limited in accordance with the terms of each note.

Notes have a life of no greater than six months unless extended for a further period if agreed by CBio and the Note holder. 1 of the Notes on issue, with a face value of \$125,000 was repaid in cash during the period. 4 Other Notes, with a combined face value of \$4,000,000, remain outstanding at the review date.

A reconciliation of the movement in convertible notes, embedded derivative in convertible notes and interest accrual on convertible notes is contained on the following page.

CBIO LIMITED

Notes to the Financial Statements

For the half-year ended 31 December 2010

6. FINANCIAL LIABILITIES (continued)

	Convertible Note	Embedded Derivative	Interest Accrual
Opening balance at 1 July 2009	2,456,714	658,422	84,441
Issue of convertible notes	3,556,128	698,842	-
Interest accretion	2,459,008	-	-
Conversion of convertible notes	(3,700,300)	(863,020)	(198,790)
Repayment of convertible notes	(91,394)	(13,084)	-
Fair value of options	-	(213,512)	-
Adjustment to convertible notes on modification of	(1,452,416)	(178,810)	-
Termination fee	-	250,000	-
Interest charge on convertible notes	-	-	615,633
Interest paid on convertible notes	-	-	(450,941)
Opening balance at 1 July 2010	3,227,740	338,838	50,343
Accretion of convertible notes	725,027	-	-
Fair value adjustment to convertible note	32,438	-	-
Issue of convertible notes	900,000	-	-
Conversion of convertible notes	(300,000)	(22,941)	-
Repayment of convertible notes	(725,000)	-	-
Interest charge on convertible notes	-	-	338,767
Interest paid on convertible notes	-	-	(355,138)
Closing balance at 31 December 2010	3,860,205	315,897	33,972

As at 31 December 2010, the notes outstanding are as follows:

Face Value \$	Conversion Rate \$	Shares issued on conversion #	Options issued if converted #	Option exercise price \$	Note expiry
2,000,000	0.286	7,000,000	2,500,000	1.00	31/12/11
2,000,000	0.50	4,000,000	2,500,000	1.00	30/06/11
150,000	(i)	(i)	(i)	(i)	17/01/11
4,150,000	-	11,000,000	5,000,000	-	-

(i) Refer Note 6 for further details

Refer to Note 12 regarding changes in the position of convertible notes subsequent to period end.

CBIO LIMITED

Notes to the Financial Statements

For the half-year ended 31 December 2010

	2010 Number	2010 \$
7. ISSUED CAPITAL		
(a) Ordinary shares issued and fully paid	142,718,879	77,185,694
(b) Equity reserve	34,027,107	19,129,380
(a) Movements in ordinary shares on issue		
Ordinary shares issued at the beginning of the half-year	80,104,905	68,291,037
- Shares issued via Rights Issue	58,288,658	9,326,185
- Shares issued on conversion of convertible notes to equity	1,470,546	353,178
- Shares issued as commission on capital raising	2,854,770	460,567
Share issue costs	-	(1,245,273)
Ordinary shares at the end of the half-year	142,718,879	77,185,694

Movements in equity reserve

Balance at beginning of the half-year	32,732,997	19,099,898
- Conversion of convertible note to equity	294,110	28,654
- Options issued to pursuant to director appointment*	1,000,000	828
Balance at end of the half-year	34,027,107	19,129,380

* 1,000,000 options were issued prior to appointment as director. The options vest immediately; have an exercise price of \$1.00 with an expiry date of 31/12/2012.

	December 2010 \$	December 2009 \$
8. CASH AND CASH EQUIVALENTS		
For the purpose of the half-year statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand (i)	2,084,789	1,960,226
Short-term deposits	2,429,986	142,654
	4,514,775	2,102,880

(i) Cash at bank includes USD\$1,468,733 and £230,043 held at call.

CBIO LIMITED

Notes to the Financial Statements

For the half-year ended 31 December 2010

9. SEGMENT INFORMATION

The company operates solely as a research & development company in the biotechnology and pharmaceutical industry in Australia.

10. RELATED PARTY TRANSACTIONS

During the period, entities associated with Dr Michael Monsour provided a loan of \$300,000 to the company (2009: \$256,115). The loan was unsecured, non-interest bearing, and repayable on demand. The loan was repaid in full during the period. The balance outstanding at the review date was \$nil (2009: \$nil).

Dr Michael Monsour (and associated entities) received a commission payment of \$24,000 in connection with the provision of a firm commitment to subscribe for up to \$400,000 in new shares under a Rights Issue conducted by the Company (2009: nil). In addition, Dr Monsour is entitled, subject to shareholder approval, to 100,000 shares in CBio Limited as part of the commission on his firm commitment under the Rights Issue. This commission was provided on the same commercial terms and conditions as the commissions paid to non-related parties. The balance outstanding at the review date in relation to the cash commission paid was \$nil. The balance outstanding, subject to future shareholder approval, at the review date in relation to the share commission payable was 100,000 shares. (2009: nil)

Consulting fees of \$212,400 were paid or payable to SGB Jones Pty Ltd during the period in connection with the provision of consulting services by Mr Stephen Jones (2009: \$240,099). SGB Jones Pty Ltd is a company associated with Mr Jones. The balance outstanding at the review date was \$nil

11. COMMITMENTS

As at the review date, the Company had unfinalised contracts involving clinical studies and the production and supply of Cpn10 for use in research and development and clinical studies. The estimated remaining contracted costs to finalise these contracts amount to approximately \$2.25 million. It is expected that these contracts will be finalised by 31 December 2011.

In 2005, the Company entered into a long-term property lease for purpose built facilities which will expire in March 2012. Current lease payments are approximately \$538,000 per annum. A portion of these facilities has been sub-leased until March 2012 at current lease payments of approximately \$140,000 per annum. The net cash flows in 2011 are expected to be \$398,000 and \$298,000 between 30 June 2011 and 31 March 2012, with associated overheads.

On 30 March 2001, the company entered into a Royalty Agreement with CSL Limited (CSL). This agreement was entered into contemporaneously with the Deed of Assignment, an agreement which assigned CSL's rights to its Research Agreement with Uniquist Pty Ltd to CSL for payment of \$125,000. The Royalty Agreements stipulates that CBio is to pay royalties to CSL after commercialisation of products developed under the Research Agreement.

As detailed in Note 10, the Company has a commitment, subject to future shareholder approval, to issue 100,000 shares to entities associated with Dr Michael Monsour in relation to commission payable under the Rights Issue conducted during the period.

Notes to the Financial Statements

For the half-year ended 31 December 2010

12. SUBSEQUENT EVENTS

The Company appointed Dr Thömas Lönngren to the Board on 24 January. Dr Lönngren is the recently retired Executive Director of the European Medicines Agency (EMA), the peak pharmaceutical regulatory body in Europe. The Company also appointed Mr James Greig to the Board on 31 January. Mr Greig has served as the Company's Chief Financial Officer since 2006.

On 27 January, the Company issued 1,000,000 share options to Dr Thomas Lönngren prior to his appointment to the Board. The Options have an exercise price of \$1 and an expiry date of 31 December 2012.

CBio has continued to issue convertible notes under the SpringTree facility subsequent to the review date. On 18 January, the Company issued 845,547 shares and 169,109 share options as repayment of the \$150,000 Convertible Note issued on 16 December. On January 24, the Company issued a \$150,000 convertible note which matured on 18 February. At maturity this note was repaid in cash. On 25 February the Company issued a request to SpringTree for the next monthly tranche of \$150,000 available under the facility. A convertible note, which will mature in March, will be issued on receipt of these funds.

13. CORPORATE INFORMATION

CBio Limited is a company incorporated in Australia and limited by shares. The nature of the operations and principal activities of the group are contained in Note 9.

CBIO LIMITED

Directors' Declaration

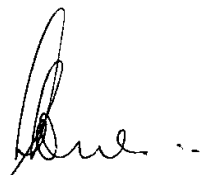
For the half-year ended 31 December 2010

In accordance with a resolution of the directors of CBio Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) Subject to the inherent uncertainty regarding the continuation as a going concern as expressed in Note 1 to the financial report, that is, the ability of the company to pay its debts as and when they fall due, and based on the statements contained therein relating to funding initiatives currently underway and the possibility of commercial negotiations with major companies, the Board is of the opinion that there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Stephen Jones
Executive Chairman

Date: 25 February 2011



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Auditor's Independence Declaration to the Directors of CBio Limited

In relation to our review of the financial report of CBio Limited for the half-year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in cursive script that reads "Ernst & Young".

Ernst & Young

A handwritten signature in cursive script that reads "Brad Tozer".

Brad Tozer
Partner
25 February 2011

To the members of CBio Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of CBio Limited, which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of CBio Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

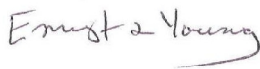
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of CBio Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the company's financial position as at 31 December and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1(c) "Going Concern" in the financial report which indicates that the company incurred a net loss of \$7,992,605 during the half-year ended 31 December 2010 (2009: \$8,259,988) and has a deficiency in current assets of \$4,207,106 (31 December 2009: \$7,694,959) and a deficiency of net assets of \$3,845,359 (31 December 2009: \$7,293,183) at that date. As described in Note 1(c) "Going Concern", the company will require additional working capital from capital raisings or funding arrangements to continue its operations and pay its debts as and when due. As a result of these matters, there is significant uncertainty whether the company will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability or classification of the recorded asset amounts or the amounts or classification of liabilities that might be necessary should the company not continue as a going concern.

A handwritten signature in cursive script that reads "Ernst & Young".

Ernst & Young

A handwritten signature in cursive script that reads "Brad Tozer".

Brad Tozer
Partner
Brisbane
25 February 2011

CBIO LIMITED

Corporate Directory

Directors

Mr. Stephen Jones (Executive Chairman)
Mr. Jason Yeates (Managing Director & CEO)
Dr. Peter Corr
Dr. Göran Ando
Prof. John Funder, AO
Dr. Michael Monsour
Dr Terje Kalland
Mr. Stephen Streeter
Dr Thomas Lönngren
Mr James Greig

Company Secretary

Mr. Ben Graham

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Auditors

Ernst & Young
Brisbane
Australia

Securities Exchange Listing

Australian Securities Exchange
ASX Code: CBZ

Share Register

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