

## **NEWSLETTER TO SHAREHOLDERS**

**April 2006**

**Dear Shareholder,**

Welcome to the latest edition of CBio's shareholder newsletter. This edition provides you, our shareholders, with an update on our clinical trial programs, capital raising initiatives, commercialisation plans for the Company and a general update on the company's operations. An update on BresaGen's business successes since November 2005 has also been outlined.

### **Clinical Trials**

We are pleased to advise that the three Phase IIa clinical trials CBio is undertaking in Multiple Sclerosis, Psoriasis and Rheumatoid Arthritis are progressing as scheduled and are due for completion from April 2006. The clinical trial reports will be available in May and June.

We have started a Phase I subcutaneous clinical trial in healthy subjects. This clinical trial is planned for completion in the coming months. This trial will help with decisions on more convenient mode of delivery by injection under the skin rather than into the veins.

### **Capital Raising**

CBio has raised \$7,235,643 since 30 June 2005 through private placements of 2,411,881 ordinary shares to sophisticated investors at \$3 per share. After placement costs the amount of capital raised was \$6,997,301. The company will be conducting a further capital raising round after the clinical trial reports have been released. The price per share is yet to be determined. Funds raised from this capital raising round will be used to continue the company's clinical trial program, including the preparation for and start of a Phase IIb clinical trial in Rheumatoid Arthritis.

In November 2005 CBio paid \$375,000 to Uniquist as part repayment of funds received under the convertible note facility. Uniquist provided to CBio in December 2005 a notice to convert to equity all remaining funds outstanding under this facility

and subsequently was issued 636,661 ordinary shares on conversion of its convertible note facility.

## **Commercialisation**

The company continues confidential discussions with a number of multinational pharma and biotech drug companies in relation to commercialisation plans for Cpn10. Detailed work plans on our scientific research activities continue to be provided to and discussed with these drug companies.

## **BresaGen Limited**

BresaGen has experienced a significant increase in revenue and markedly improved performance during the half-year ended 31<sup>st</sup> December 2005. There have been strong performances achieved by both the ProtEcol and Active Pharmaceutical Ingredients (API) divisions. Sales revenue for the half-year was \$2,238,000, an increase of 187% on the same period the previous year, driven by increases in both ProtEcol and Active Pharmaceutical Ingredient (API) sale contracts. BresaGen's result for the half-year ended 31<sup>st</sup> December 2005 was a \$107,000 net loss, an improvement of 98.3% on the corresponding period in 2004, reflecting the significant revenue growth in all departments and the reduced corporate and administration expenditure.

At the date of writing CBio holds a 38.9% shareholding in BresaGen Ltd. BresaGen continues to provide CBio further process development and manufacturing services for Cpn10 and other compounds. CBio's investment in BresaGen will grow as the BresaGen's business moves towards profitability.

## **People**

As the company moves towards commercialising of Cpn10 the Board has addressed the need to increase the depth of commercial experience on the Board to assist with strategic direction by appointing Mr Stephen Streeter and Dr Andrew Gearing as non-executive directors.

Mr Streeter is an Institutional Stockbroker with seventeen years of experience. He has been a Director of a number of Broking firms over this period and has had extensive exposure to Equity Capital markets.

Dr Gearing has been involved with the European biotechnology industry throughout his career. Dr Gearing has a successful track record in research management in the government and in the commercial sector. He has managed research and development projects in cytokine biology, immunology, inflammation and neurobiology. Dr Gearing has vast business development experience and has been responsible for in-licensing and

out-licensing compounds in his previous roles. Dr Gearing holds the position of CEO of Biocomm, Australia's pre-eminent international life sciences technology management and commercial development company.

The workload continues to increase with the increased amount of clinical trial activity and the research being undertaken on the mechanism of action of Cpn10. To address this increased workload a further 17 employees have been hired since 30 June 2005. This brings the total number of employees at CBio to 38.

With the significant advances we have made on the mode of action of Cpn10 and its sustained release formulations, as well as the completion of three Phase IIa trials due from April, CBio is ideally positioned to take advantage of any commercialisation opportunities. With further Phase IIa and Phase IIb clinical trials planned, there is tremendous potential to add further value to the company's IP. I am very excited about the future of the company and I look forward to the next opportunity to update you on its successes.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'S. Jones', with a large, stylized initial 'S' at the beginning.

Stephen Jones  
Chairman