

27 December 2006

Dear Shareholder,

Commercialisation

In my AGM address to Shareholders in Sydney on the 28 November 2006, I advised that negotiations with a major international pharma were in progress.

I now report that those negotiations have concluded and that the forecast transaction with this party will now **not** proceed.

I also advise that there are another 2 parties in early discussions with CBio that are about to commence due diligence under confidentiality agreements.

The first has indicated that they wish to commence due diligence on or about the 2nd January 2007.

Notwithstanding, the above, it is not certain that a deal with a big pharma will be concluded by April 2007.

This situation has arisen because of uncertainties generated in assessing the time required to remedy apparent failings in past research and development planning and its effectuation. Which failings (exposed by due diligences) have resulted in an incorrect assessment of CPN 10's progress along the drug development pathway.

The Board is confident, in light of the promising clinical performance of the drug as reported in the British Journal, Lancet in August 2007 that on rectification of these failings (which are considered resolvable) that the prospects of a big pharma alliance and deal are bright.

Yours faithfully,

Stephen Jones
Chairman

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