

MBC Pharma, Inc.

Newsletter: January 2006

As we begin a new year, we at MBC Pharma have much to be excited about. Based on the strong results and tangible progress from both the scientific and business fronts in 2005, we have very high hopes for 2006.

Science and Intellectual Property

The results of a number of experiments critical to both our osteoporosis and cancer programs came in during the second half of 2005. To establish the development potential of our lead osteoporosis drug candidate MBC-31 (vitamin B6-Fosmax), we performed three important pharmacokinetic experiments: pilot toxicology, distribution to bone and oral absorption. In each of these experiments, MBC-31 was directly compared to the related and well established active ingredient of the number 1 selling osteoporosis drug Fosamax®. First, we needed to confirm that the vitamin B6 modification found in MBC-31 did not introduce any unanticipated toxicity or side effects. In an experiment conducted at Charles River Laboratories (CRL) in MA, we were pleased to observe no material changes in some basic biochemical, hematological and gross pathological indicators of toxicity compared to Fosamax®. Next, to support the proposed mechanism of action of MBC-31, we established comparable or improved distribution to bone in rats versus Fosamax®. Bisphosphonates exert their effects on bone metabolism in large part because they are attracted to bone physically and accumulate on the skeleton preferentially to anywhere else in the body. The positive outcome of this study showed that the vitamin B6 modification did not cause some unanticipated and deleterious influence on the biodistribution of the drug.

To support our theory that MBC-31 will offer a significant dosing convenience advantage over the established oral osteoporosis drugs, we conducted a third experiment wherein we studied the relative oral absorption versus Fosamax®. Patients and physicians alike lament the complicated and inconvenient dosing requirements associated with Fosamax®, Actonel® and other oral osteoporosis drugs and the resulting lack of patient compliance. At MBC, our product development objectives are to offer patients an alternative osteoporosis medication that can be taken daily, without concern of gastrointestinal side effects and that doesn't require a wait time after taking the pill before eating or lying down. In the experiment (also conducted at CRL), we were pleased to observe that, in rats, MBC-31 absorbed much more rapidly from the gut after oral administration and the implications are that we may very well be able to significantly reduce or even avoid the inconvenient wait times all together. Collectively, the results of these three preliminary experiments suggest our technology holds real promise as a potential new osteoporosis drug. As always, data brings new questions-not all of which are within our financial ability to answer yet- and we have triggered a new academic collaboration (Professor Priess at University of Colorado Health Sciences Center) and the critical in vivo efficacy experiment to provide us with additional key pieces of the puzzle.

MBC Pharma will present these results at the Eighth and Valedictory Conference on Bisphosphonates in Davos, Switzerland in late March.

Efforts from our cancer program also were encouraging. Our technology theoretically hinges on the ability of MBC's proprietary chemotherapy-bisphosphonate conjugates to increase levels of active drug in bone and thus enable site-specific treatment of cancers associated with the skeleton. The compounds have previously shown encouraging results in animal models of both breast cancer and multiple myeloma and, to further understand the mechanism of action of our drug candidates, we performed an experiment which evaluated the accumulation of a chemotherapeutic drug in bone. The results were significant and revealed a 4-5 fold increase of drug in bone when delivered as part of an MBC conjugate versus the drug itself. We have additionally entered into an

agreement with Prof. Harri Lönnberg at the University of Turku in Finland to study some physico-chemical properties of our cancer drug candidates. Prof. Lönnberg. is world-renowned in this area and results from his assays will guide future experimentation and preclinical testing.

People

We have added two new, high-profile advisors to the MBC leadership team. Dr. Nebojsa Janjic, Ph.D. is a co-founder and the Chief Scientific Officer of Replidyne, Inc., the Louisville, CO pharmaceutical company that discovers and develops new antibiotics. In this role, Dr. Janjic has been involved in all aspects of planning, raising money, establishing operations, licensing and directly interacting with the Food & Drug Administration. Prior to his time at Replidyne, Dr. Janjic was at Nexstar Pharmaceuticals and his contributions included the discovery and early development of Macugen, the first-in-class FDA-approved treatment for macular degeneration that was named Innovative Pharmaceutical Product of the Year in 2005. He is an author of 30 original research papers and an inventor on 10 issued patents. Dr. Janjic received his B.S. degree in Molecular Biology and Ph.D. in Physical Organic Chemistry from the University of Washington in Seattle and completed his postdoctoral training at the Scripps Research Institute in La Jolla as a Cancer Research Institute Fellow. Due to this track record of success, Dr. Janjic has clearly distinguished himself as a highly respected and key figure within the Colorado biopharma community and we're delighted to benefit from his experience and wisdom.

We are also pleased to now include Dr. Michael T. McDermott, MD as an MBC Advisor. Dr. McDermott joined the University of Colorado Endocrinology Division in 1997 as Director of the Clinical Endocrinology Practice. Prior to this prestigious appointment, he spent 20 years in the U.S. Army serving as a general endocrinologist and later as the Chief of the Endocrine Service and Endocrine Fellowship program at Fitzsimons Army Medical Center and as the Endocrine consultant to the Surgeon General. His clinical research interests include the pathophysiology and treatment of osteoporosis and related metabolic diseases and the pathophysiology of diseases of the thyroid gland. His basic research interests involved studying the molecular events underlying the development of thyroid and pituitary tumors.

We are proud to have recruited two such impressive advisors to our company and anticipate that each of their contributions will significantly improve our chances for long-term success.

Business Development

Some very significant events transpired during the second half of 2005 in the area of business development. First, MBC was selected, through a competitive process, as one of ten companies to present at the Biowest 2005 Venture Showcase on November 8 for an audience of hundreds of Western US investors and bioscience industry leaders. The Showcase is an annual event organized by the Colorado BioScience Association and others to provide exposure for promising Colorado start-up companies and we were privileged to be included in the line-up. The simple honor of being selected created many opportunities for us to meet and initiate relationships with the right kinds of people. The MBC presentation at the event was well received and as a result we have had a number of follow up meetings with potential investors, with more scheduled in the near future. The overall experience continues to reinforce our confidence that our deal is being taken seriously.

Shortly after the Biowest line-up was announced, MBC was also selected as the initial client of the newly established Fitzsimmons BioBusiness Incubator (FBBi; www.colobio.com/fbbi). While their website has a much more thorough explanation of their mission, FBBi was established by Mr. David Drake, the former licensing director at the University of Colorado, to serve and strengthen the Colorado biotechnology industry by supporting the flow of information between new companies, the university, the investment community, the state and anyone

else with the ability to help get entrepreneurial bioventures off the ground. As they say, FBBi “..connects ideas, technology and people...to deliver targeted assistance to help move discoveries from the lab to the commercial marketplace.” As for MBC Pharma, FBBi provided our management team with seasoned insights and guidance as we prepared for the important Biowest presentation and as we continue to ramp up to readiness to test the venture capital markets with our story. FBBi’s impressive advisory board is a collection of Colorado luminaries that includes venture capitalists, industry executives and university licensing professionals and the access to these advisors we enjoy as an FBBi client is simply invaluable.

We have additionally received some interest in our technology from a large, European pharmaceutical company and we are in the process of finalizing our schedules for a trip to Europe to meet with technical and licensing representatives there to establish whether we should strike a deal.

MBC will participate in two international pharmaceutical industry partnering conferences in the near future. The Biosquare 2006 Partnering Conference will take place in Geneva this March and, at the beginning of April, the BIO 2006 Conference happens in Chicago. These are conferences where biotech and pharmaceutical company executives and licensing representatives conduct structured and focused face-to-face meetings with the goal of efficiently identifying opportunities and creating licensing interest.

The year of 2006 is a pivotal one for MBC and we have ambitious plans for fund raising and realizing the necessary critical mass that will be required to ultimately commercialize our technology. We are ready for the considerable challenges and hard work required so please wish us luck!

David P. Sebesta, Ph.D.
Chief Executive Officer

The statements in this letter that are not historical facts are forward-looking statements that represent management’s beliefs and assumptions based on currently available information. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it cannot assure that these expectations will prove to be correct and actual results could differ materially from those forecasted or expected. This letter does not constitute offers or solicitations to purchase or sell securities of the company and any decision to invest in the company or other financial decisions should not be made based upon the information provided herein.