March 11, 2008

Letter from the CEO

Dear Current and Future Shareholders,

Much has happened over the several months since May 2007 when I became CEO and especially over the past several weeks. Indeed February 2008 will be seen as a watershed month in the life of Anadis on its road to becoming a fully-fledged biopharmaceutical company.

An important event was the decision to divest the company of its third party contract manufacturing division. With a number of competing offers, the company opted for a sale option that not only infused the company with cash but also valued the goodwill and will provide a royalty on sales for the next 12 months, predicated on conservative targets. The operation, which had not been a main focus of our activities, had become an inhibiting factor to the growth and success of our R&D and commercialization programs.

The manufacturing business in earlier years had provided some cash flow to the Company supporting the R & D programme. However the recent increase in contract manufacturing business had soaked up much of the company's available capital and unfortunately this was compounded by one large customer who went into administration and defaulted on its debts to the company.

This situation created a cash flow difficulty and forced us to halt trading of the stock until we could determine the impact of these events and devise a way forward that would maintain value. I am glad to tell you that by reducing our spending and the risks from contract manufacturing, along with an infusion of cash from sale of raw materials and from existing receivables, the company is up for a fresh start.

The divestment has created a clear business case, which can now be evaluated on a far more comparable level to that of traditional biotechnology/biopharmaceutical companies in the market.

Henceforth we will focus exclusively on our main business driver – commercialization of colostrums-derived high value health products, such as antibodies and other bioactives, used to treat or prevent infectious and autoimmune diseases. Our value will be driven as well in large part by research and development, for which we now have excellent collaborations with a number of leading university based medical centers in Australia and around the world. This value proposition is the main reason most investors decided to invest in the company to begin with and given the breath of the biotechnology space today it is an opportune time to get back to our core technology roots.

To show my faith in both the company's future and potential, I shall be converting my own salary for the next months into company shares. The majority of senior staff have also committed to take a significant portion of their salary as equity.

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Anadis is now able to unlock enormous efficiencies for its core business. We shall continue to expand a flexible R&D and commercialization model, where Anadis is focused on innovation and intellectual property creation and partnering with providers of infrastructure (such as with hospital research labs, scientific teams at top universities and dairy farms). We also will continue to increase our efforts obtaining non-dilutive financing such as government grants and co-development agreements. Anadis has an excellent track record in obtaining such grants and we plan to use our collective expertise to obtain large grants and partnership funding from sources worldwide.

We are also focused on gaining attention from new potential investors to commercialize our technology better. To do this we have initiated an ADR listing in the US and have applied for cross listing on the international OTC/QX board, a new trading platform for qualified international securities such as Roche Holdings. We expect these to provide better liquidity and thereby help stimulate new investments from North America. We will also explore alternatives for additional cross listing, to broaden our investor base outside Australia.

Let me highlight as well the progress we are making in repositioning the company for growth and share value appreciation. The company continues to expand upon its all-natural technology platform - harvesting targeted antibodies and other bioactives from the first milking of cows (colostrum) that have been vaccinated with proprietary Anadis vaccines.

The main product applications of interest in the coming year are based on the expertise we have gained in developing the Travelan product although we recognize that it is the know-how and method we now have that will let us move directly into higher value and larger market-sized opportunities that can better position us for future growth. While each one of our top priorities offers a promising commercial target, we plan to address them in a prudent way, partnering with pharmaceutical companies, food manufacturers and research organizations.

Top Target Opportunities

- **Cancer Treatment Related Mucositis. We will be initiating important clinical studies to demonstrate that our antibodies and milk proteins can reduce the painful and serious intestinal damage from cancer treatment radiation and chemotherapy. We are working with world experts in this field to address a condition with no effective treatments at present. More detailed announcements in the coming weeks.**

- **Influenza. Our antibodies have been shown to neutralize the flu virus. We are working to demonstrate that Anadis antibodies can address both avian influenza (Bird Flu) and seasonal influenza virus strains. These antibodies may become a part of various consumer nasal or mouth sprays or be used in more medically supervised treatment programs.**

- **Travelan. We are expanding our premier application, which neutralizes** *E. coli* **bacteria, by licensing new complementary components and strengthening our intellectual property to broaden its practical use to: a) prevent diarrhoea among military personnel worldwide exposed in high risk areas; b) prevent diarrhoea-associated death and disease in children in developing countries exposed to contaminated foods and water.**

- **C. difficile Associated Disease (CDAD). Milk-derived antibodies have been shown to be effective in sufferers from this important gastrointestinal problem seen in hospitalized patients, and now even in patients in the community setting, who are taking various antibiotics. This can result in increased hospital stays and can lead to serious clinical conditions. A dairy-derived antibody that was effective would likely be widely and quickly adopted as an adjunctive therapy for this condition.**

- **Inflammatory Bowel Disease (IBD) and Irritable Bowel Syndrome (IBS). These two top gastrointestinal clinical syndromes are seen worldwide and affect around 10% of the population in the developed world. Both important and serious conditions, they are often refractory to standard treatments. Anadis has promising pilot data from clinical trials underway to demonstrate that our natural antibodies may provide a strong anti-inflammatory response in the gut, thereby providing relief to patients.**

We hope that you, as shareholders or potential investors, are as excited as we are about the prospects for Anadis during this next year of unsurpassed opportunities.

Sincerely,

Zeil Rosenberg, MD
Chief Executive Officer