

22 December 2006

Dr Bronte Douglass
Cosmedics Australia Limited
Level 1
213 Blaxland Road
Ryde NSW 2112

By facsimile: (02) 9807 3000

Email: <mailto:brontedouglass@hotmail.com>

Dear Dr Douglass,

Cosmedics Australia Limited (the "Company")

Re: Price Query

We have noted a change in price of the Company's securities from the issue price of:

Cosmedics Australia Limited	CMA	Traded at 0.045 on 22 November 2006 Traded at 0.005 on 29 November 2006 Traded at 0.04 & 0.05 on 5 December 2006 Traded at 0.005 on 20 December 2006
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In light of this market activity please respond to the following questions.

1. Is the Company aware of any price information concerning it that has not been announced, which, if known, could be an explanation for recent trading in the securities of the Company?
2. If the answer to 1. is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

Please note, if an answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

3. Please confirm that the company is in compliance with the listing rules and, in particular, listing rule 6.4.

Your response should be directed to Scott Evans, General Manager, no later than 4pm on Friday 22 December 2006. Your response will be released to the market along with a copy of this letter. If you wish to discuss the content of your response, please do not hesitate to contact me as soon as possible.

Listing Rule 6.4

The NSX continuous disclosure rule states:

Generally, and apart from compliance with all the specific requirements, the *issuer* shall keep the Exchange informed without delay, for dissemination of any information relating to the *group* of which it is aware that:

- (1) is necessary to enable the Exchange and the public to appraise the financial position of the *issuer* and the *group*;
- (2) is necessary to avoid the establishment of a false market in its *securities*; or
- (3) a reasonable *person* would expect to have a material effect on the price or value of its *securities*.

Such information must be made available to the Exchange before the time at which any other public announcement of the information is made.

These provisions will be breached by an *issuer* who intentionally, recklessly or negligently fails to notify the Exchange of information that:

- (a) is not generally available; and
- (b) a reasonable person would expect, if it were generally available, to have a material effect on the price or value of its *securities*.

Trading Halts

If the Company is unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, the Company should consider a request for a trading halt in the Company's securities. The request may be writing. The NSX is not bound to act upon the request.

In your request please include the following information:

- a. The reasons for the trading halt
- b. How long you want the halt to last
- c. The event you expect to happen that will end the trading halt
- d. That you are not aware of any reason why the trading halt should not be granted
- e. Any other information necessary to support your request.

Conditions for the trading halt:

87.1 A trading halt may be imposed by the Exchange if:

- (a) the Exchange releases an announcement in relation to an Issuer which, in the opinion of the Exchange, is market sensitive; or
- (b) an Issuer requests a trading halt and the Exchange agrees to impose a trading halt.

87.2 Securities subject to a trading halt will be placed into Pre-Opening Phase. However, if the trading halt is imposed after the end of Closing Phase, the Securities subject to a trading halt will be placed into Pre-Opening Phase the next Trading Day.

- 87.3 Securities subject to a trading halt must not be traded (including by way of Crossings and Special Crossings) during the period of the trading halt, regardless of whether the Securities have been placed into Pre-Opening Phase.
- 87.4 A trading halt will end at the earlier of:
- (a) the time announced by the Exchange that the trading halt will end (and the Exchange will provide at least ten minutes notice before the end of the trading halt); or
 - (b) the commencement of Normal Trading on the second Trading Day after the day the trading halt is imposed.
- 87.5 When a trading halt ends, the Securities will be placed in the phase applying to the market as a whole unless the Exchange decides otherwise.

If a trading halt is requested and granted and the Company is still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by the NSX from the commencement of trading if not previously requested by the Company. The same applies if the Company has requested a trading halt because the Company is unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any questions regarding any of the above please do not hesitate to contact me.

Yours Sincerely

Scott Evans
General Manager

23 December 2006

By email

To Mr Scott Evans
General Manager
NSX Newcastle

Dear Mr Evans,

We refer to your enquiry of 22 December, regarding trading in our Company's securities. We advise that we are not aware of any information concerning the Company that has not been announced, that would explain the trading.

The trades of 20 December and 29 November were evidently each of 1000 shares at a price of \$0.005 per share. We question the significance of these trades, each of which had a total value of \$5.

Our specific responses to your numbered questions are as follows

Question 1, No

Question 2, Not applicable

Question 3, We maintain that our Company is in compliance with the listing rules and in particular listing rule 6.4

Please note that our address is 219 Blaxland Rd, (not 213 as in your letter). Your email arrived at 2.45pm yesterday and requested a response by 4.00 pm. We apologize for the delay in response, but our office was unattended due to a staff Christmas function.

Yours Sincerely

A handwritten signature in dark ink, appearing to be 'DL' followed by a horizontal line and a small dot.

Dr Bronte Douglass
Chairman