

CHONDROGENE ANNOUNCES COMPLETION OF \$25 MILLION PRIVATE PLACEMENT FINANCING

TORONTO, CANADA (May 26, 2006): ChondroGene Limited (TSX Venture: CDG) is pleased to announce that it has completed the \$20 million bought deal private placement financing originally announced on May 12, 2006. Westwind Partners Inc. acted as lead underwriter for a syndicate which included PowerOne Capital Markets Limited, Canaccord Capital Corporation, Loewen, Ondaatje, McCutcheon Limited and Paradigm Capital Inc., to purchase 12,500,000 common shares of the Company at a price of \$1.60 per share, for aggregate gross proceeds of \$20.0 million. The Company also issued an additional 3,125,000 common shares at a price of \$1.60 per share on a non-brokered basis for additional gross proceeds of \$5.0 million, resulting in total net proceeds of \$24 million after commissions. The financing was placed with institutional and accredited Canadian, US, Asian and other offshore investors.

As part of the financing, the Company also issued 625,000 broker warrants to the underwriting syndicate, exercisable at a price of \$2.25 per share for a period of 24 months from the closing date. The securities issued under the private placement are subject to a four month hold period from the closing date.

The Company plans to use the net proceeds of this offering to fund development and commercialization of its lead product, ColonSentry™, a blood test for the detection of precancerous polyps and colon cancer. The net proceeds will also be used to develop additional products in other disease areas and for general corporate purposes.

About ChondroGene

ChondroGene is focussed on the application of functional genomics to enable early diagnosis and personalized therapeutic intervention based on disease-specific biomarkers. The Company has developed a novel approach, the *Sentinel Principle*, to detect and stage virtually any disease or medical condition from a simple blood sample. ChondroGene is currently applying the *Sentinel Principle* in major areas with unmet clinical needs such as cancer, arthritis, cardiovascular disease and neurological disorders. For more information on ChondroGene, visit www.chondrogene.com.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. The Company's securities have not been registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements.

This press release contains forward-looking statements which reflect the Company's current expectations regarding future events. The forward-looking statements involve risks and uncertainties. Actual events could differ materially from those projected herein. Investors should consult the Company's ongoing quarterly filings and annual reports for additional information on risks and uncertainties relating to these forward-looking statements. The reader is cautioned not to rely on these forward-looking statements. The Company disclaims any obligation to update these forward-looking statements.

The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this news release.

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