

## Chembio Completes \$1 Million Financing

**On March 30, 2006**, Chembio Diagnostics, Inc. (the Company) issued to Crestview Capital Master, LLC (Crestview) 20 shares (face amount \$1,000,000) of the Companys 9% Series B Convertible Preferred Stock (the Series B Preferred) together with warrants to purchase a total of 1,557,377 shares of Companys common stock (Common Stock) at an exercise price of \$0.61 per share for a period of five years. The Company agreed to issue, and Crestview agreed to purchase for \$1,000,000, the securities described above pursuant to the terms of a Securities Purchase Agreement dated January 26, 2005 (the Agreement) by and among the Company, Crestview, and various purchasers. This transaction represents the second closing under the Agreement, and was triggered upon the Companys achieving, as of the fourth fiscal quarter of 2005, certain financial milestones.

Pursuant to the terms of the Agreement, the Company agreed to sell a maximum of \$6,000,000 of its Series B Preferred together with warrants to purchase 9,344,337 shares of the Common Stock in two closings (the Series B Offering). At the first closing, which occurred on January 28, 2005, the Company received \$5,047,500 from the purchasers and issued to the purchasers a total of 100.95 shares of its Series B Preferred together with warrants to purchase 7,860,860 shares of Common Stock. The Agreement also provided that, upon the Companys achievement of certain financial milestones as of any fiscal quarter of 2005, the Company would be obligated to sell to Crestview, and Crestview would be obligated to purchase, a total of 20 shares of the Series P Preferred and warrants to purchase 1,557,377 shares of the Companys common stock at a second closing.

The Company agreed to include (piggyback) the resale of the Common Stock underlying the Series B Preferred and warrants purchased by Crestview in the second closing in its next registration statement and Crestview agreed to waive any other registration rights associated with these securities.

The proceeds from the sale of the securities at the second closing will be used primarily for general corporate purposes including for sales and marketing, research and development, and intellectual property, and also for working capital, investor relations, and capital expenditures.

Midtown Partners & Co., LLC (Midtown) acted as the placement agent for the Series B Offering. As compensation for services rendered to the Company by Midtown for the second closing, the Company agreed to issued to Midtown two shares (face amount \$100,000) of its Series B Preferred and warrants to purchase a total of 155,738 shares of its Common Stock at an exercise price of \$.061 per share for a period of five years.

The Company relied on Section 4(2) of the Securities Act of 1933 and Rule 506 promulgated thereunder as the basis for its exemption from registration of this issuance. It is the Companys understanding that each of Crestview and Midtown is an accredited investor as defined under Rule 501 promulgated under the Securities Act of 1933. The Company did not engage in any public advertising or general solicitation in connection with the issuances of these securities.