ACRUX (ACR) - ASX ANNOUNCEMENT **31 AUGUST 2006**

ACRUX REPORTS JUNE 2006 RESULTS

- **Cash reserves $19.7 million**
- **Net loss $9.9 million (2005: $7.3 million)**
- **Revenue $2.9 million (2005: $4.8 million)**
- **Technology validated in successful Phase 3 clinical trial**
- **Well placed to accelerate commercialisation and expand applications**

Summary of financial results:

	Year ended 30 June 2006 $m	**Year ended 30 June 2005 $m**
Licensing revenues	0.5	2.7
Grant income	1.0	0.8
Interest and other income	1.3	1.3
Total revenue	**2.8**	**4.8**
Expenditure excluding share options	**(12.1)**	**(10.8)**
Net loss before share options expense	**(9.3)**	**(6.0)**
Share options expense	(0.6)	(1.3)
Net loss	**(9.9)**	**(7.3)**
Net cash outflow before new capital	**(8.8)**	**(6.4)**
New share capital net proceeds	0.5	27.9
Net cash inflow/(outflow)	**8.3**	**21.5**
Net cash at 30 June	**19.7**	**28.1**

Total revenue was $2.9 million, compared with $4.8 million in the previous year, due to lower licensing revenue, the timing of which is driven by milestones. A milestone payment of $0.5 million was earned during the year from Eli Lilly and Company, triggered by the grant of our core patent by the European Patent Office. Revenue in the previous year included a licence fee and milestone payments from VIVUS under its US licences of Evamist™ and Testosterone MDTS®. The next milestone payment from VIVUS is expected to be received in the second half of 2006 following the filing with the US Food and Drug Administration of a marketing application for Evamist™.

The net loss increased from $7.3 million to $9.9 million, due to the lower milestone revenue and an increase in total expenditure from $12.1 million to $12.7 million. Excluding the impact of share options amortisation, which is a non-cash expense, expenditure increased from $10.8 million to $12.1 million. During the year we increased staff numbers from 36 to 43, providing additional resources to accelerate the evaluation of new drug candidates for our technology and to expand our business deal activity. We do not expect to add to this staff number in the 2006/2007 financial year. Our external clinical and regulatory expenditure also increased as we progressed clinical development of Testosterone MD-Lotion®, Nestorone® MDTS® and Fentanyl UDTS™.

Net cash outflow before new capital was $8.8 million, reduced to $8.3 million by the proceeds of share options exercised during the year. Cash reserves at 30 June 2006 remained strong, at $19.7 million. A reduction in net cash outflow is expected in the 2006/2007 financial year, driven by higher licensing revenue.

For further details, please refer to the full Financial Report, lodged with ASX today.

Key business milestones achieved since June 2005:

- October 2005 – 12% stake in Acrux acquired by the Bermuda-based Orbis Mutual Funds, lifting institutional holdings to 37%
- February 2006 – Licence agreement with New York-based Population Council, enabling Acrux to develop and commercialise contraceptive spray containing the new-generation contraceptive drug Nestorone®
- March 2006 – new patent for MDTS® spray applicator granted in USA, extending protection out five more years to 2022
- April 2006 – core patent protecting Acrux's delivery system granted in Europe, expiring 2017, triggering $0.5 million milestone payment from Eli Lilly and Company
- May 2006 – Positive results in final US trial (Phase 3) with first product Evamist™ – pivotal milestone for Acrux's delivery system
- May 2006 – New CEO appointed to lead commercialisation activities; two business development directors appointed to pursue licensing prospects in all major territories
- August 2006 – Licence agreement with Population Council amended to enable Acrux to apply delivery system to other contraceptive hormones, addressing broader contraceptive market

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About Acrux www.acrux.com.au

- Acrux is an Australian drug delivery company, developing and commercialising a range of patient-preferred, patented pharmaceutical products for global markets, using its innovative technology to administer drugs through the skin.
- Fast-drying, invisible sprays or liquids provide a delivery platform with low or no skin irritation, superior cosmetic acceptability and simple, accurate and flexible dosing. The technology platform is covered by broad and well-differentiated, issued patents.
- Acrux has 7 products in clinical development, including:
  - **Evamist™** to treat menopause symptoms
  - **Testosterone MDTS®** to treat decreased libido in women
  - **Nestorone® MDTS®** contraceptive spray for women
  - **Fentanyl UDTS™** to treat chronic pain
  - **Testosterone MD-Lotion®** to treat testosterone deficiency in men
- Acrux has licensed USA rights for Evamist™ (Estradiol MDTS®) and Testosterone MDTS® to VIVUS and AUS/NZ distribution rights for Testosterone MDTS® and Fentanyl UDTS™ to CSL Limited. Acrux has also licensed its technology to Eli Lilly and Company for veterinary healthcare products.