29 September 2006

Dear Shareholder,

We are very pleased to invite you to attend Acrux's Annual General Meeting, for which the following documents are enclosed:

- Notice of the meeting, including notes and explanatory statement
- A shareholder questions form
- a personalised proxy form and return envelope

Unless you have elected not to receive it in printed form, also enclosed is our Annual Report for the year ended 30 June 2006, which we trust you will find useful and informative. An electronic copy of the report can be viewed on our website (www.acrux.com.au).

The Annual General Meeting will be held at the offices of Pitcher Partners, Level 19, 15 William Street, Melbourne, on Tuesday 31 October 2006, commencing at 10.00 am.

If you are unable to attend, but wish to appoint a proxy, please complete the proxy form and return it to our Registrar in the envelope provided.

If you are able to attend, we look forward to welcoming you and ask you please to bring the personalised proxy form with you to assist registration and admission to the meeting.

Yours sincerely,

Ross Dobinson	Richard Treagus
Chairman	Chief Executive Officer

ABN 72 082 001 152

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that that the Annual General Meeting of the members of the Company will be held at the offices of Pitcher Partners, Level 19, 15 William Street, Melbourne, Victoria, Australia on 31 October 2006 at 10.00am.

AGENDA

Financial Statements and Reports

To receive and consider the financial report of the Company and the reports of the directors and auditor for the year ended 30 June 2006.

Remuneration Report

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

1. *That the Company's remuneration report for the year ended 30 June 2006 be adopted.*

Directors

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

2. *That Mr Ross Dobinson, who in accordance with clause 58 of the Company's constitution retires by rotation and being eligible offers himself for re-election as a director, be re-elected as a director of the Company.*
3. *That Mr Ken Windle, who in accordance with clause 58 of the Company's constitution retires by rotation and being eligible offers himself for re-election as a director, be re-elected as a director of the Company.*
4. *That Dr Igor Gonda be removed as a director of the Company with immediate effect.*

By order of the Board

Jon Pilcher
CFO & Company Secretary
Date: 29 September 2006

NOTES

Entitlement to Vote and Proxies

Only registered holders of the Company's shares as at 10.00am on 29 October 2006 are eligible to attend and vote at the Annual General Meeting.

If you do not plan to attend the Annual General Meeting you are encouraged to complete and return the proxy form that accompanies this Notice. A member entitled to attend and vote at this Annual General Meeting is entitled to appoint not more than two proxies. A proxy need not be a member of the Company. The proxy may be an individual or a body corporate. Your proxy's authority to speak and vote for you at the meeting is suspended if you are present at the meeting.

If you appoint one proxy, that proxy may vote on a show of hands. Where two proxies are appointed, each proxy may be appointed to represent a specific proportion of your voting rights on a poll but neither proxy has a vote on a show of hands. If you appoint two proxies and the appointment does not specify the proportion or number of your votes each proxy may exercise, section 249X of the *Corporations Act 2001* provides that each proxy may exercise half of the votes (ignoring fractions). If you appoint another member as your proxy, that person will have only one vote on a show of hands and does not have to vote on a show of hands in accordance with any direction by you.

You may direct your proxy how to vote by marking **X** in one of the three boxes opposite each item of business. All your votes will be cast in accordance with your direction, unless you indicate only a portion of votes are to be cast on any item by inserting the percentage of your voting rights applicable to the proxy appointed by the proxy form in the appropriate box. If you do not mark any of the boxes relating to the items of business, your proxy may vote as he or she chooses. If you mark more than one box relating to the same item of business any vote by your proxy on that item will be invalid.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms. Proxy forms and the original or a certified copy of the power of attorney (if the proxy form is signed by an attorney) must be received **not later than 10.00am on Sunday 29 October 2006**:

- by post in the reply paid envelope provided addressed to Link Market Services Limited;
- on-line at www.linkmarketservices.com.au showing your Security Reference Number (SRN) or Holder Identification Number (HIN);
- by facsimile to Link Market Services Limited on fax number (02) 9287 0309;

- by hand delivery to Link Market Services Limited, Level 4, 333 Collins Street, Melbourne, Victoria, Australia;
- by hand delivery or facsimile to Acrux Limited, 103-113 Stanley Street, West Melbourne, Victoria, Australia, 3003 Fax (03) 8379 0101.

Documents received after that time will not be valid for the scheduled meeting.

Bodies Corporate

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at meetings of the Company's shareholders. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution. The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

EXPLANATORY STATEMENT

Receipt of Financial Statements and Reports

The Company's financial report and the reports of the directors and auditor for the year ended 30 June 2006 are placed before the meeting giving shareholders the opportunity to discuss these documents and to ask questions. No resolution is required in respect of these documents.

Remuneration Report

The *Corporations Act* requires the directors' report to include certain information relating to director and executive remuneration in a "Remuneration Report". The *Corporations Act* further requires that each Australian listed public company put to a vote at its annual general meeting a resolution that the Remuneration Report be adopted. The vote is advisory only and does not bind the directors of the Company. The Remuneration Report can be found at pages 45 to 49 of the Company's 2006 Annual Report.

Re-election of Ross Dobinson as a Director

Ross Dobinson has been a Director since 1998 and was appointed Chairman in January 2006. He is also a member of the Human Capital Committee. Ross is a founder and former CEO of Acrux and has a substantial shareholding in the Company. Ross has a background in investment banking and stockbroking. He is currently Managing Director of TSL Group Ltd, a corporate advisory company specialising in establishing and advising life sciences companies. He is a Director of Starpharma Holdings Limited since May 1997 9ASX: SPL) and Roc Oil Company Limited since June 1997 (ASX: ROC), and is also a director of a number of unlisted companies.

Re-election of Ken Windle as a Director

Ken Windle has been a Director since 2001. He was appointed Deputy Chairman and Lead Independent Director in January 2006. He is also a member of the Audit and Risk Committee and the Scientific Committee. Ken held a series of global commercialisation and senior management positions in Glaxo and Glaxo Wellcome PLC, serving as a member of the Group Executive and Commercial & Operations Committees. From 1980 he headed Glaxo's UK subsidiary and was CEO of Glaxo Australia from 1986-95. In 1995, he was appointed Regional Director, Asia Pacific. Ken is Chairman and CEO of Advent Pharmaceuticals Pty Ltd, was a director of Sigma Company Limited (ASX: SIP) from 2000 to December 2005 and is a director of Aus Bio Limited and Cerylid Limited. Ken has served as Consultant to the Prime Minister's Science Council on Industry Development and was a Director of the Economic Development Board in Singapore. He was Chairman of the APMA (now known as Medicines Australia) and has been twice a winner of the Governor of Victoria Export Prize.

Removal of Igor Gonda as a Director

Igor Gonda was appointed Chief Executive Officer in December 2001 and joined the Board as Managing Director in January 2002. Dr Gonda's employment as Chief Executive Officer of the Company has ended in circumstances that are currently the subject of a legal proceeding brought by Dr Gonda against the Company. The Company is defending that proceeding. As Dr Gonda's employment has ended, the Board has requested that Dr Gonda resign from the Board and he has not responded to those requests.

In August 2006, Dr Gonda was appointed President and Chief Executive Officer of Aradigm Corporation, a NASDAQ-listed drug delivery company based in California. As Dr Gonda is no longer the CEO of the Company and has now assumed the position of President and CEO of Aradigm Corporation (which position the Board believes gives rise to an unremediable conflict of interest), the Board believes that it is not appropriate for him to remain a director of the Company and recommends that members resolve that he be removed from office with immediate effect.

Please return your Proxy forms to:
Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000
Locked Bag A14, Sydney South NSW 1235 Australia
Telephone: 1300 554 474
(02) 8280 7761
Facsimile: (02) 9287 0309
ASX Code: ACR
Website: www.linkmarketservices.com.au

ACRUX LIMITED

ABN 72 082 001 152

ACRUX
DRUG DELIVERY SOLUTIONS

APPOINTMENT OF PROXY

If you would like to attend and vote at the Annual General Meeting, please bring this form with you. This will assist in registering your attendance.

I/We being a member(s) of Acrux Limited and entitled to attend and vote hereby appoint

A the **Chairman of the Meeting (mark box)** ☐ **OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following instructions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of the Company to be held at 10:00am on Tuesday, 31 October 2006 and at any adjournment of that meeting.

Where more than one proxy is to be appointed or where voting intentions cannot be adequately expressed using this form an additional form of proxy is available on request from the share registry. Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting. The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

B **To direct your proxy how to vote on any resolution please insert** ☒ **in the appropriate box below.**

Resolution	For	Against	Abstain*
Resolution 1 To adopt the Remuneration Report (non-binding advisory vote)	☐	☐	☐
Resolution 2 To re-elect Mr Ross Dobinson as a Director of the Company	☐	☐	☐
Resolution 3 To re-elect Mr Ken Windle as a Director of the Company	☐	☐	☐
Resolution 4 To remove Dr Igor Gonda as a Director of the Company with immediate effect	☐	☐	☐

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

C **SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED**

Securityholder 1 (Individual)	Joint Securityholder 2 (Individual)	Joint Securityholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the securityholder's constitution and the *Corporations Act 2001* (Cwlth).

Link Market Services Limited advises that Chapter 2C of the *Corporations Act 2001* requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Information is collected to administer your securityholding and if some or all of the information is not collected then it might not be possible to administer your securityholding. Your personal information may be disclosed to the entity in which you hold securities. You can obtain access to your personal information by contacting us at the address or telephone number shown on this form. Our privacy policy is available on our website (www.linkmarketservices.com.au).

ACR PRX641

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SHAREHOLDER QUESTIONS

The board of Acrux Limited welcomes your questions regarding the Company, the annual report or any matters relating to the Notice of Annual General Meeting.

If you want to have a question answered at the Annual General Meeting please complete this shareholder question form and return to the Company in the same manner as you would return a proxy form.

We will try to address as many as possible of the more frequently asked questions at the Annual General Meeting. However time may not permit all questions to be answered. Please note that we may not be able to reply individually.

Please complete the following details:

Shareholder

Name:……………………………………………………………………………………

Address:…………………………………………………………………………………

Shareholder Number (SRN or HIN)………………………………………………………

Questions:………………………………………………………………………………

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