ACRUX 2007 ANNUAL GENERAL MEETING CHAIRMAN'S ADDRESS AND CEO PRESENTATION

CHAIRMAN'S ADDRESS

Boards are responsible for the strategy and resourcing of their companies.

Shareholders are aware that the Board initiated a number of changes in senior management prior to last year's AGM, and we believe that Richard's appointment as CEO and the subsequent senior management appointments he has been responsible for have been very positive for the Company. The Board has structured management remuneration with a significant equity component that aligns their remuneration with increased shareholder value, and these remuneration structures will be voted on during the formal business of this meeting.

I would also like to note that the Board members chose to participate in the recent share placement to fund the development of the male testosterone project. As shareholders have been advised, the most efficient way of structuring Directors' participation was to have the shareholders vote on the Directors' participation in the placement at this meeting. The Directors have elected to pay interest to the Company at the rate the Company would have earned on these funds in the intervening period. Although the Company's share price has dropped approximately 20% since the placement, the Directors have absolute confidence that their investment through the placement will be a successful one.

Many of our shareholders have supported the Company since its inception, and the Board believes that shareholders' loyalty and commitment will be rewarded in 2008 through Acrux making the transition from being a minor biotech to a pharmaceutical development company with an income stream from the first of a series of significant royalty revenues.

Acrux is one of a handful of Australian companies to gain approval from the US Food and Drug Administration for a pharmaceutical product invented and developed in Australia. The approval of EvaMist™ in the US and the imminent commercial release of the product in the US represent the culmination of over a decade of development work, which has de-risked the Company's technology platform. This will enable the Company to optimise the value of subsequent applications of the platform, notably with Testosterone MD-Lotion™. Since the last AGM the Board has ensured the Company has the cash reserves to realise the commercial potential of this and a range of other products. Some of these will be covered in detail by Richard in his presentation.

The Board has become more streamlined since the last AGM, reflecting the maturation of the Company's commercial prospects. During the year Nuno D'Aquino retired from the board. Nuno was Chairman during the Company's listing on the Australian Stock Exchange, and he made a valuable contribution to the Company's current robust structure. Peter Gillooly is not standing for re-election to the Company's Board today, as his recent appointment as the Chairman of Opes Prime Stockbroking precludes him from participation as a Board member of a listed company. Peter has made valuable contributions to the Company through his position as Chair of the Audit Committee, and in the development of the Company's commercial strategy, and the Board wishes him success in his exciting new role with Opes Prime. I would also like to take this opportunity to thank Professor Barrie Finnin for his continuing support for Acrux. Barrie was the key founder of the Company and his quiet determination has been invaluable in bringing the company to the point it has now reached.

Before passing the microphone over to Dr. Treagus, I would like to extend my appreciation to Richard for creating an exceptional corporate culture within Acrux. The Company began with a huge sense of anticipation and commitment from the founding staff, but after almost a decade this sense of excitement had flagged. Richard has led by example to instil a sense of purpose, professionalism and pride in the Company. The Board would like to extend its thanks to Richard, the senior management team and staff for their time, energy and commitment over the past year.

CEO & MANAGING DIRECTOR'S PRESENTATION

Good afternoon ladies and gentleman.

Introduction

This time last year when I addressed the AGM I made the statement that FY2007 would be a defining year for Acrux. The business was at a point, where despite good technical progress with our drug delivery technology, the commercialisation activity and the area of new product research, both needed to be significantly accelerated. Having identified these areas to be the challenges, we moved quickly to address the skills composition of the management team as well as some of our internal processes. Over the last 18 months we have worked hard at building a performance-based culture in the business that rewards real outcomes, not just individual activity.

I often describe the Acrux strategy in terms of, *"More Products and More Partners"*, and I am pleased to report today that the management team has pursued this strategy with real purpose and commitment over the last year, delivering outcomes that have had a material impact on our business and our share price. Having established a solid platform however, we recognise that there is still much more to be done.

In my presentation I will review what has been achieved in FY2007 and then equally importantly, I would like to leave you with a clear understanding of how we see Acrux continuing to grow and develop towards our goal of being a sustainable and profitable Australian drug delivery company.

This presentation includes forward-looking statements that are subject to risks and uncertainties. Such statements involve known and unknown risks and important factors that may cause the actual results, performance or achievements of Acrux to be materially different from the statements in this presentation.

Actual results could differ materially depending on factors such as the availability of resources, the results of clinical studies, the timing and effects of regulatory actions, the strength of competition and the effectiveness of patent protection

Commercialisation

In our view, a technology only becomes a product once it is in the hands of a consumer, or for that matter, the patient. For the marketing and distribution of our products we rely heavily on our commercial partners in the major markets. These partners frequently fund the late stage product development, and they bring expertise and a market position that is invaluable to our commercial success.

On the partnership front this year, we announced two licensing deals with Organon, a large multi-national pharma company, that is currently number three in the nearly US$7 billion global contraceptive market. Organon is in the process of merging with Schering Plough, which we see as a positive development, making them an even more powerful strategic partner.

In the first deal, Acrux is tasked with developing spray formulations of their contraceptives, using the Acrux transdermal technology. In the second deal, Acrux will develop a spray formulation of an undisclosed patented Organon drug, which when commercialised, will sell in a large global womens' health market. Organon will fund all of the subsequent development costs and commercialise these products globally.

Under these two agreements, Acrux will receive milestone payments of up to US$16m for each product that is commercialised, as well as earn royalties on worldwide net sales.

Since the conclusion of this deal in February, Acrux has made very good progress with the initial formulation work on the Organon compounds and it is our expectation that Organon will proceed into Phase 1 clinical trials in the first half of 2008.

In a further licensing deal in July of this year, Acrux licensed its Estradiol MDTS® spray to Aspen Pharmacare for the Australian and New Zealand markets. Earlier this week we announced that the marketing application for this product, which is branded

Ellavie™, has now been filed with the TGA and that we anticipate product launch in Australia in 2009.

EvaMist

Let me talk briefly about Acrux's first transdermal spray product, EvaMist™, which was approved by the FDA in July of this year.

The FDA approval provided strong independent validation of our technology platform, removing the final regulatory risk around the components that are common to all of our products. Importantly, this milestone translates directly into a strengthened ability to progress more of our own products through the development process, secondly, a greater ability to engage other global partners and finally, a greater value attributable to the products in our pipeline and the technology platform as a whole.

In May, Vivus sub-licensed its EvaMist™ rights in the US to KV Pharmaceutical for US$150million cash, plus an additional US$30million payable on achieving certain sales levels. It is important to note that the royalties on net sales that are payable to Acrux were not altered, or impacted as a result of this transaction.

KV Pharmaceutical is a capable and committed marketing partner and we are very pleased with the preparations they have made to date for the upcoming launch of our first product. We expect EvaMist™ to be a significant new entrant in the estrogen replacement market in the US, with the product being commercially available by the end of 2007.

Testosterone MD-Lotion

In July we announced positive results from the Phase 2 clinical trial with our unique Testosterone MD-Lotion®. The lotion was successful in elevating testosterone levels back into the normal range and these results are strongly indicative of success in a Phase 3 trial. Based on the strength of these results we moved quickly to raise $23million for the specific purpose of completing the final stage in the development of this product. By all analyses, this product represents a compelling investment case for Acrux and an opportunity for us to retain a far greater proportion of the product's overall value for our shareholders.

By way of a more recent update, we have just completed a supplementary clinical trial with the testosterone lotion, specifically to assess the impact of washing of the armpit, the degree of patient-to-person transfer and most importantly, the interaction of the lotion with anti-perspirants and deodorants.

The results of this trial demonstrated that both the washing and transfer effects were broadly in line with what we have seen with other Acrux products, but of far greater importance was the finding that commonly marketed deodorants and anti-perspirants

did not interfere with the absorption of the testosterone lotion from the armpit, regardless of whether it was applied before, or afterwards. From the outset we recognised that defining these specific attributes was going to be important in differentiating the lotion from other marketed products and at the same time determining the value that our partners ascribe to this product.

Finally, I can report that the balance of the testosterone lotion development programme is progressing well and is on track with respect to our previously stated costs and timelines. We have our end of phase 2 meeting with the FDA scheduled for early 2008 and the commencement of the international Phase 3 trial scheduled for the second quarter in 2008.

Contraceptive Sprays

During the year we completed two phase 1 trials with combination contraceptive products, the results of which were announced in July.

In the first trial we demonstrated that we could successfully deliver a combination of nestorone and ethinyl estradiol. This was the first time that we had delivered ethinyl estradiol in therapeutic quantities using the spray system, and also the first time that we had successfully delivered a formulation containing two active drugs.

In the second contraceptive trial we were successful in delivering nestorone, however we were unable to confirm the precise delivery of estradiol due to background levels of this hormone in the trial subjects. We have subsequently corrected this in our study design and we remain confident that the nestorone and estradiol combination will prove successful in our spray format.

Recently we commenced multi-dose clinical trials with both of these contraceptive formulations, and the results will be available in 1Q2008. It is our intention to then license these contraceptive spray products to global partners based on the strength of these results.

Fentanyl Spray

A few words on our Fentanyl spray.

In June we filed an IND application for our strong pain product, Fentanyl. This allowed Acrux to proceed with a phase 1 clinical trial, using a revised formulation in conjunction with our metered dose spray applicator. The results from this clinical trial will be available towards the end of 2007.

Female Testosterone Spray

At this stage, let me move on to discuss our testosterone spray for women.

We have been encouraged by a series of recent developments. Firstly, the fact that Procter and Gamble launched their Intrinsa® testosterone patch in Europe earlier this year, and secondly, that BioSante in the USA recently reached agreement with the FDA on the design and scope of their Phase 3 safety and efficacy trials for their testosterone gel.

Market research that was conducted this year in Europe has confirmed beyond doubt that the Acrux spray format is preferred by most women when compared to the patches. Given that the global market for the treatment of low libido in women is widely considered to be greater than US$1billion, we remain strongly committed to introducing our product into all major markets as quickly as possible.

To this end, Acrux has evaluated the merits of different development strategies and we have decided to proceed with a direct comparative clinical trial against Procter and Gamble's Intrinsa® patch. This study is scheduled to commence in 1H2008.

Unfortunately our licensee in the USA, Vivus has failed to make any material progress with the development of our testosterone spray product in the US and we now have cause to hold Vivus in breach of its contractual obligations. Under the terms of the agreement, Acrux will be seeking to enforce its rights in arbitration, including, but not limited to a reversion of all rights assigned to Vivus under the original license agreement.

New Products

I have spoken in some detail about our commercial partnerships and progress with our major development projects to date. The other key emphasis in our business, and where I firmly believe incremental value is created, is that of new product development. We are proud to have a very skilled and energetic research team, who collectively boast a world-class understanding of transdermal drug delivery and formulation development.

Last week we were pleased to announce successful phase 1 clinical trial results, and the formal inclusion of a nicotine spray into our product development pipeline.

The development of a nicotine spray formulation has enabled Acrux to file a new international patent application, which when granted, will protect Nicotine MDTS® until 2028, materially enhancing its commercial prospects.

Worldwide annual sales of smoking cessation therapies are approximately US$1 billion, dominated by nicotine patches, lozenges and gums, marketed by three of the largest global pharmaceutical companies. The current nicotine therapies have limitations and smokers often use them in combination. Nicotine MDTS® is designed to overcome those limitations and provide multiple benefits in a single product presentation. Acrux expects the spray to provide the prolonged effect of patches, but with no significant skin

irritation and with active and flexible dosing that provides smokers with greater influence and control over their treatment.

Over and above Nicotine, I am happy to report that the research team is making good progress with additional new products in the therapeutic areas of hormone replacement therapy, Parkinsons disease and muskulo-skeletal disorders. We anticipate providing further details of our progress on these products over the upcoming months.

Veterinary Health

We have an important and potentially very valuable partnership with Elanco Animal Health, a division of the global pharmaceutical group, Eli Lilly and Company. Elanco is developing a range of veterinary products for global markets, using Acrux's technology to deliver drugs across the skin of animals.

Today we are pleased to announce that Elanco has now formally commenced a pivotal Phase 3 clinical trial with their lead investigational drug. This is an international study that comprises investigational sites in both the USA and Europe and it is anticipated to run for approximately 12 months. If successful, Elanco could have their first Acrux product launched in early 2010.

This is the first product that has been developed under the Elanco Licence Agreement, and we can confirm that they have an active pipeline with several other additional drug candidates currently under evaluation.

It is worth reminding shareholders, that in terms of the partnership, Acrux may receive milestone payments of up to $8.25 million and receive royalties on global sales of the products if regulatory authorities approve a number of products for marketing.

Financials

I will now turn to the FY07 financial performance and current cash position of the company.

Our net loss for the FY2007 reduced by $2m, or 21%, over the previous financial period. This was primarily driven by a growth in licensing revenue, which included a US$1 million milestone from VIVUS as well as initial payments under the Organon agreements. It was also our stated objective to increase our commercialisation and new product research activities without necessarily increasing our cost base and in line with this; we were able to achieve a modest reduction in our fixed overheads of 12%.

As at 31 October 2007, Acrux had cash reserves of $37m. Our operating cash outflow for FY2008 will be higher than last year's $8m due to the investment in Testosterone MD-Lotion Phase 3 development. However, we expect to continue growing our licensing revenue and controlling our cost base, so that when that investment is complete in the 2009/2010 financial year the business achieves sustainable profitability.

Strategy

I would like to make a few remarks about our strategy and how we see the business developing over the next few years.

Our strategic focus in the near term remains a clear commitment to deliver maximum value from the transdermal platform that has already been established, proven and now commercialised. More specifically, we will continue to make some technical enhancements, file additional patents, add more products to our pipeline, and conclude additional licensing and collaboration partnerships. This approach will ensure that we continue to build and diversify our sources of revenue, which over time will aggregate. We are furthermore of the view that this revenue growth can be achieved without any significant changes to our current overhead structure.

It is worth mentioning that Acrux is one of only a handful of Australian biotech companies that has successfully reached the position of having a product approved for sale in the US market. At this point in time, with Eli Lilly having commenced Phase 3 with their lead product and our own male testosterone lotion moving into phase 3 next year, the business is making real progress towards our objective of building a sustainable and mature drug delivery company.

Broadly speaking then, the business is well funded, and I am very proud to say that we have a talented, engaged and incentivised management team. This places us in a very strong position to execute on the core elements of our strategy.

Last year I made the comment that as part of our longer term growth prospects, we would be initiating a process of reviewing and evaluating other possibly complimentary transdermal technologies. This process is now well underway and to the extent that we are able to access a novel technology, we believe that this could potentially expand our list of target drug candidates, and effectively leverage our established competencies and infrastructure within the business. This aspect of our strategy then, remains an active and open brief at this stage.

Share Price

Whilst our share price has responded positively over the last 12 months, in particular to the announcement of our new licensing deals and the positive male testosterone phase 2 results, we maintain the view that the market continues to undervalue the Acrux business. Although concern around the cost of credit has caused some volatility in the equity markets of late, we believe that investors will continue to seek out and support well managed, late-stage companies, in particular those with approved products and tangible revenue streams.

We are confident that with our combined objectives of building a strong product pipeline, ensuring optimum performance of existing partners, as well achieving

commercial validation of our technology through additional licensing deals, the true value of the business will start to be more appropriately recognised by the markets.

Objectives

Finally, I wish to outline for you the specific objectives that we set ourselves for the current financial year, ending June 2008, as detailed in our Annual Report.

1. Firstly, at any point in time we are in discussions with a variety of licensing partners and it remains our objective to secure two significant new **Licensing deals** during the course of this financial year.
2. Secondly, we anticipate that KV Pharmaceuticals will **launch our Estradiol MDTS® (Evamist™)** in the USA, before the end of this calendar year.
3. Next, we expect Organon to commence a **Phase 1 clinical trial** with at least one of their licensed spray formulations by 2Q2008,
4. And regarding our global veterinary partnership, Eli Lilly has already commenced a pivotal **Phase 3 clinical trial** on their lead product.
5. With regards to our own development projects, we expect to:
    a. complete the multiple-dose clinical trials on our two **contraceptive spray combinations** by 1Q2008;
    b. initiate the pivotal **Phase 3 clinical trial on Testosterone MD-Lotion®** by 2Q2008;
    c. complete a Phase 1 clinical trial with the **Fentanyl MDTS®** product, with results available before the end of this calendar year.
6. Our original objective with new products was to announce **one successful proof of concept trial** for a new pharmaceutical compound. However, having already announced the inclusion of Nicotine MDTS® this month, we now anticipate providing additional updates in this particular area in the months ahead.
7. And finally, our cash objective for the business is to maintain a **cash position above $25 million** at all times.

In concluding, I would like to thank the Acrux team for their commitment to these business objectives and for the terrific contribution, that individually and collectively, they have made over the last 12 months.

I specifically wish to thank the Chairman and the Acrux Directors for their support and guidance, which has proven invaluable to myself and the rest of the Acrux management team.

Finally, to our many shareholders, we thank you for your ongoing support and for sharing our vision of what this business is capable of achieving, for both patients and investors alike.

Thank you for your attention, we are happy to answer any questions that you may have.

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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 one product, Estradiol MDTS® (EvaMist™) to treat menopause symptoms, approved by the US FDA and has the following products in clinical development:
    - Testosterone MDTS® to treat decreased libido in women
    - Testosterone MD-Lotion® to treat testosterone deficiency in men
    - Nestorone® MDTS® contraceptive sprays for women
    - An undisclosed companion animal health product
    - Fentanyl MDTS® to treat chronic pain
    - Nicotine MDTS® for smoking cessation
- Acrux has licensed worldwide rights to its technology for selected contraceptives and for an undisclosed proprietary drug to ORGANON, USA rights for Estradiol MDTS® to KV Pharmaceutical and for Testosterone MDTS® to VIVUS, and AUS/NZ distribution rights for Estradiol MDTS® to Aspen Pharmacare and for Testosterone MDTS® and Fentanyl MDTS® to CSL Limited. Acrux has also licensed its technology to Eli Lilly and Company for veterinary healthcare products.