

**A V E X A**

Avexa Limited
ABN 53 108 150 750
576 Swan Street Richmond
Victoria Australia 3121

Telephone 61 3 9208 4300
Facsimile 61 3 9208 4004
Website www.avexa.com.au

ASX Release

Tuesday 8 August 2006

Avexa's strong financial position provides foundation for promising year ahead

Avexa Limited (ASX: AVX) announced today its full year financial result for 2006. The Company reported a closing cash balance of \$20.2 million based on an operating cash flow consumption for the year of approximately \$9 million.

CEO Dr Julian Chick said "The 2006 financial year saw a significant increase in the level of activity associated with the commencement of the current Phase IIb trial for apricitabine, which is a pivotal study for the Company moving forward. The results to date are encouraging. The first five patients have successfully completed the 24 week blinded stage of treatment and are now in the open label part of the trial. As we expected, the therapy appears to be well tolerated and the continuation of treatment beyond the initial 24 week trial period suggests that the patients' viral loads are under control."

The Company remains in a strong financial position at year end, with sufficient cash reserves to complete the current Phase IIb and the two Phase I clinical trials for apricitabine. The Company continues to progress the development of apricitabine and the preparations for the Phase III trials.

Over the past 12 months the Avexa has generated several other major highlights including:

- Entering into collaborations with the CSIRO and MNL Pharma (UK) to strengthen Avexa's drug discovery capabilities for finding new treatments for HIV;
- Progressing the antibacterial drug discovery project to a stage of commencement of animal studies for a new anti-bacterial treatment targeting drug resistant bacterial infections, such as those that have been responsible for the closure of several Australian hospital wards;
- Continuing to improve the lead compounds for its HIV Integrase program which is expected to see a lead compound progress into animal studies by the end of the year.

In May of this year and through the support of shareholders, Avexa concluded a successful placement and rights issue, raising net proceeds of approximately \$13.5 million to fund ongoing working capital requirements and two further Phase I trials and preparation activities for the Phase III trials for apricitabine.

"This past year has been one in which we have made substantial investments in our portfolio projects and we should start to see the returns on this investment over the coming year as key milestones are reached" said CEO Dr Julian Chick.

**A V E X A**

Avexa Limited
ABN 53 108 150 750
576 Swan Street Richmond
Victoria Australia 3121

Telephone 61 3 9208 4300
Facsimile 61 3 9208 4004
Website www.avexa.com.au

Financial highlights

The operating result for the year ended 30 June 2006 was a loss before amortisation of \$11.8 million. A \$6 million amortisation charge for the year against the Company's intellectual property has also been brought to account resulting in an overall operating loss of \$17.8 million. The intellectual property of \$12 million acquired at the commencement of the Company's operations on 1 July 2004 has now been fully amortised as at 30 June 2006.

Operating cash flows of just under \$9 million for the year are within internal forecasts and include over \$6.5 million of external project commitments. Net proceeds of approximately \$13.5 million from the second half year capital raising have contributed to a closing cash position of \$20.2 million.

For more information:

Dr. Julian Chick
Chief Executive Officer
+61 3 9208 4300

Mr Rod North
Bourse Communications
+ 61 (03) 9510-8309

www.avexa.com.au

Avexa Limited is a Melbourne-based biotechnology company with a focus on research and development of anti-infectives. The company is developing drugs for the treatment of infectious diseases which have a significant unmet medical need. Avexa has dedicated resources and funding for key projects including antiviral drugs for HIV/AIDS and an antibiotic alternative for antibiotic-resistant bacterial infections. The company's lead program is Apricitabine which is currently in Phase IIb clinical trials