



ASX Release

Chairman's Speech

Dr Hugh Niall

Avexa Annual General Meeting

4 October 2005

This is my first Annual General Meeting as Chairman of Avexa Limited and I am pleased to be part of such an exciting and promising Company.

Avexa became a listed public company in September last year, with our listing on the Australian Stock Exchange.

The Company focus is on treatments for HIV, other viruses and antibiotic-resistant bacteria.

You might think that there are already enough drugs to treat patients with HIV. The fact is that the virus mutates continually and becomes resistant to existing drugs, creating a need for new ones. Also, many existing HIV/AIDS treatments have serious side-effects which impair the quality of life for those suffering from this debilitating disease. It is therefore the aim of Avexa to develop new treatments to benefit the lives of people infected with HIV.

In the case of drug-resistant bacteria, we have almost come to the end of the line in terms of what we use to fight these microbes. There is a new race of "superbugs" that infect patients in our hospital wards and intensive care facilities, and there are virtually no effective drugs to combat them.

Avexa is well positioned to serve the growing demand for new, safe and effective antiviral and antibacterial drugs, and over time to build a successful and profitable company operating in this space.

Earlier this year, Avexa in-licensed a Phase II HIV drug – AVX754 – from global pharmaceutical company Shire Pharmaceuticals Group. This was a transforming opportunity for your Company.

We chose to in-license a later stage product because of the potential to generate significant revenues and to reduce the overall risk to shareholders associated with drug development.

Statistically, late stage HIV projects, such as AVX754, have a high rate of success. According to a US Bureau of Economics 2004 paper, all HIV drugs that entered Phase III studies between 1989 and 2002 were successfully commercialised and have received Government reimbursement.



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AVX754 represents an excellent opportunity for Avexa to progress into the ranks of Australia's more advanced biotechnology companies. Avexa in-licensed AVX754 in the face of strong international competition because of the depth of experience of its management team in the development of drugs for infectious diseases, in particular HIV therapies.

In our view AVX754 has real potential to extend the life of patients with HIV. Our Chief Executive, Dr Julian Chick, will tell you a little later why we think this could happen and, importantly, why the added years for these patients may well be healthy ones.

In March this year, Avexa raised \$11.5 million through an offer to new and existing retail and institutional shareholders. The offer was over-subscribed, an endorsement by the market of Avexa's combination of good science with commercial promise. The majority of these funds will go towards the cost of our Phase IIb trial of AVX754. Assuming success, we will be well positioned to move into a Phase III trial.

AVX754 is also now under Investigational New Drug status in the US and has received fast-track approval from the US Food and Drug Administration. These are significant, positive endorsements of AVX754's potential.

It is a characteristic of medical research that not everything works out as planned. Our Hepatitis B drug candidate did not achieve high enough blood levels in animal tests of efficacy. As not enough of the oral dosage was absorbed, the results were inconclusive. We feel it may still be possible to create value from this project, but for the present we have focused our resources on other projects.

The past nine months have seen Avexa continue to look for opportunities internationally where we can complement other projects with our existing skill base. For example, last year we partnered with the renowned Rega Institute – part of the University of Leuven, in Belgium – on a research program aimed at developing HIV integrase inhibitors.

In October, Avexa formed a collaboration with Melbourne's St Vincent's Institute of Medical Research, known for its expertise in computer based chemistry. We also partnered with the Shanghai Institute for Organic Chemistry in China and were delighted to have Victorian Premier Steve Bracks officially open the new Shanghai facilities.

Antibiotic resistance is a global problem. Vancomycin is generally used as the antibiotic of last resort. In January this year, we announced positive findings of activity against vancomycin-resistant enterococci with our lead antibacterial compound. Our results also showed significant activity against other antibiotic-resistant bacteria. We are on track to reach the milestones for this project as outlined in the July 2004 Information Memorandum.



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I would like to thank my fellow Board members, Ms Helen Cameron and Dr Chick for their major contributions to the Company in this first and most crucial year of its existence. It has been a great pleasure for me to work with such dedicated and professional colleagues. I particularly want to acknowledge Helen's efforts as Chair of our Audit Committee.

As the Company grows and looks at international activities such as Phase III clinical trials involving other countries, the need for an even stronger Board becomes paramount. Avexa is poised to grow internationally and will need expertise in accessing capital markets and in many aspects of drug development. We will need a spread of skills on the Board to provide advice on research and development strategies, to complement our current skills and to maintain a focus on corporate governance

In this context I am very pleased to announce that Dr Errol Malta has agreed to join the Board as a Non-Executive Director effective November the 1st.

Dr Malta was a former executive with world leading US-based biotechnology company Amgen Inc. and has many years' experience in drug development. He is currently a director of the Australian biotechnology companies Alchemia Ltd and Promics Pty Ltd and consults to a number of other Australian biotechnology companies. Dr Malta has a track record of drug development in the US, Europe, Japan, Canada and Australia.

In addition we expect to appoint at least one other new Director to the Board in the near future. To enlarge the Board in the short term and to provide for future additions over the next several years, it is necessary to allocate further funds and one of the motions to be put later in the meeting addresses this need.

Let me say a word about our people. Our senior management group includes Dr Jonathan Coates, Dr Susan Cox and Dr John Deadman who collectively have many years' experience in international pharmaceutical companies. They are most ably led by our Chief Executive, Dr Julian Chick. Our Company has an aggregation of talent competitive with any in the world in the field of antiviral drugs.



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Speaking for a moment not as Chairman but as a shareholder, you and I have invested financially in Avexa. Our staff, including but not limited to the senior team, are investing even more valuable commodities – their enthusiasm, their skills and their hard work and dedication to building a successful Company. I can assure you that we shareholders are being well served.

2004/2005 has been a significant year for Avexa. We are becoming known on the international stage. We have met significant milestones and are making good progress toward others.

2005/2006 looks to be an even busier and more exciting time, one of expanding opportunities that will move Avexa into the next phase of its growth.

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About Avexa

Avexa Limited is an ASX-listed 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 is focused on developing therapies for the treatment of HIV/AIDS and other viral infections, and an antibiotic alternative for antibiotic-resistant bacterial infections. The company recently in-licensed the Phase II stage drug, AVX754, from the global specialty pharmaceutical company Shire Pharmaceuticals Group. Avexa is currently undertaking Phase IIb trials on AVX754 with results expected in the first quarter of 2006. Avexa has followed the ASX Code of Best Practice for Biotechnology Companies in preparing this announcement.