

PROSPECTUS

NON-RENOUNCEABLE RIGHTS ISSUE

3 April 2006

Avexa Limited

ABN 53 108 150 750

Prospectus for non-renounceable rights issue of one New Share for every four ordinary shares at 24 cents per New Share to raise approximately \$9.5 million before costs and expenses.

The last date for applications and payment to be received is 5 May 2006 at 5pm AEST.

This is an important document and requires your immediate attention. It should be read in its entirety. If you are in doubt about what to do, you should consult your professional adviser without delay.

Joint underwriters: ABN AMRO Morgans Corporate Limited and Wilson HTM Corporate Finance Limited

Contents

Important Notice	2
Summary of the Offer	3
Key Offer Details	4
Letter From the Chairman	5
1. Details of this Rights Issue	6
2. Action Required by Shareholders	8
3. Overview of Avexa	9
4. Key Personnel at Avexa	12
5. Effect of this Offer on Avexa	13
6. Risk Factors	15
7. Additional Information	17
8. Definitions	24
9. Corporate Directory	25

Important Notice

This Prospectus is dated 3 April 2006 and was lodged with ASIC on that date. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No shares will be issued on the basis of this Prospectus more than 13 months after the date of this Prospectus.

The Prospectus sets out information in relation to the offer of New Shares in the share capital of Avexa Limited (Offer).

Avexa Limited (Avexa) will apply for admission of the New Shares to quotation on ASX within seven days after the date of this Prospectus. The fact that ASX may grant official quotation of the New Shares is not to be taken in any way as an indication of the merits of Avexa or the New Shares.

This is an important document

It is important that you carefully read this Prospectus in its entirety before deciding to invest in Avexa and, in particular, that you consider the risk factors that could affect the financial performance of Avexa. In addition to the general risks applicable to all investments in listed companies, there are specific risks associated with an investment in Avexa. These risks are discussed in section 6 of this Prospectus. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by Avexa in connection with the Offer. Neither Avexa nor any other person warrants the future performance of Avexa or any return on any investment made under this Prospectus, except as required by law and then only to the extent so required.

Ineligible shareholders

This Prospectus contains an Offer only to persons (including individuals and corporate entities) with registered addresses in Australia or New Zealand. Avexa may extend the Offer to Shareholders with registered addresses outside of Australia or New Zealand, subject to compliance with securities laws in those jurisdictions.

This Offer is not extended to, and no New Shares are offered or will be issued to, persons with registered addresses outside of Australia or New Zealand unless that person has been expressly invited in writing by Avexa to participate in the Offer. Avexa considers it unreasonable to extend the Offer to most Shareholders with registered addresses in jurisdictions outside Australia and New Zealand having regard to the small number and value of the New Shares that would be offered in such jurisdictions and the cost of complying with the legal and regulatory requirements in those jurisdictions.

Foreign jurisdictions and restrictions on the distribution of this Prospectus

This Prospectus has been prepared to comply with the requirements of the securities laws of Australia.

This Prospectus and accompanying Entitlement and Acceptance Form do not, and are not intended to, constitute an offer of New Shares in any place outside Australia or New Zealand unless the person to whom the Prospectus and the accompanying Entitlement and Acceptance Form has been sent and has been expressly and personally invited in writing by Avexa to participate in the Offer. The distribution of this Prospectus and the accompanying Entitlement and Acceptance Form outside of Australia or New Zealand may be restricted by law and persons who come into possession of this Prospectus and the accompanying Entitlement and Acceptance Form should seek advice on and observe those restrictions. Any failure to comply with those restrictions may constitute a violation of applicable securities laws. Without limitation, neither this Prospectus nor the accompanying Entitlement and Acceptance Form may be sent or passed to persons outside Australia or New Zealand or otherwise distributed outside Australia or New Zealand.

In particular, the Offer has not been, and will not be, registered under the United States *Securities Act* or the securities laws of any state of the United States and is not being made in the United States or to persons resident in the United States. Without limitation, neither this Prospectus nor the accompanying Entitlement and Acceptance Form may be sent to investors in the United States or otherwise distributed in the United States.

The New Shares being offered under this Prospectus are offered in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand). This Prospectus is not an investment statement or prospectus under New Zealand law and may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

This Prospectus complies with Australian disclosure requirements. These disclosure requirements may be different from those applicable in other jurisdictions. The financial information included in this Prospectus was prepared with a view towards compliance with Australian practice and not that of any other jurisdiction.

Electronic Prospectus

This Prospectus may be viewed online at www.avexa.com.au. The Offer is only available to Shareholders who receive a personalised Entitlement and Acceptance Form.

Defined terms and abbreviations

Terms and abbreviations used in this Prospectus are defined in section 8 of this Prospectus.

Application for New Shares

If you wish to apply for New Shares, you must complete and return the personalised Entitlement and Acceptance Form which accompanies this Prospectus by the Closing Date. If you have not received a personalised Entitlement and Acceptance Form, please contact Computershare Investor Services Pty Limited on 1300 783 058.

Summary of the Offer

The Offer

Avexa is offering a total of 39,530,102 New Shares at \$0.24 per Share to raise \$9,487,224 (before costs and expenses) under this Prospectus. The Offer comprises a pro rata offer of 39,530,102 New Shares to Shareholders on the basis of one New Share for every four Shares held on the Record Date (7pm AEST on Wednesday 12 April 2006).

The Offer is fully underwritten by ABN AMRO Morgans Corporate Limited and Wilson HTM Corporate Finance Limited (Underwriters).

Reasons for the Offer

The purpose of the Offer, and the intended use of the funds raised by the Offer and the Placement, is to:

- accelerate the preparations for the Phase III trials for AVX754;
- initiate a long term extension study for the current Phase IIIb trial for AVX754;
- fund a clinical pharmacology (cardiac) study for AVX754; and
- fund a tipranavir co-dosing study for AVX754.

The balance will be applied to the costs of the Rights Issue and the on-going working capital requirements of the Company.

Placement

Immediately prior to the Offer contained in this Prospectus, Avexa raised additional capital for the purposes described above. This additional capital has been raised through a placement to institutional and other sophisticated investors of 20,408,000 Shares at \$0.24 per share to raise \$4,897,920 (before costs and expenses).

Key Offer Details

Key financial data relating to the Offer

New Share issue price	\$0.24 per New Share
Number of New Shares to be issued	39,530,102
Amount to be raised under the Offer	\$9,487,224 (before costs and expenses of approximately \$661,000 excluding the Placement)
Underwriting	Underwritten by ABN AMRO Morgans Corporate Limited and Wilson HTM Corporate Finance Limited
Placement	20,408,000 Shares
Number of Shares on issue following the Offer and Placement	197,854,554

Key dates*

Announcement of Rights Issue and Lodgement of Prospectus with the ASIC	3 April 2006
Ex Date – The date on which Avexa Shares commence trading without the entitlement to participate in the Offer	6 April 2006
Record Date – The date for determining entitlements of Shareholders to participate in the Offer (7pm AEST)	12 April 2006
Prospectus sent to Shareholders – Anticipated despatch of Prospectus and Entitlement and Acceptance Forms	20 April 2006
Closing Date – The last day for receipt of Applications (5pm AEST)	5 May 2006
Despatch Date – Anticipated despatch of holding statements for New Shares	15 May 2006
First Trading Date – Trading of New Shares commences	16 May 2006

* These dates are subject to change and are indicative only. Avexa reserves the right to amend this indicative timetable without notice. In particular, Avexa reserves the right, subject to the Corporations Act, the ASX Listing Rules and, if necessary, the approval of the Underwriters, to close the Offer early, to extend the Closing Date or to withdraw the Offer without prior notice. Any extension of the Closing Date will have a consequential effect on the date for the issue of New Shares.

Letter From the Chairman

3 April 2006

Dear Shareholder,

On behalf of the Directors, I am pleased to offer you the opportunity to invest in Avexa through this pro rata Offer of New Shares.

The Offer provides shareholders with the right to subscribe for one New Share for every four Shares held at an issue price of \$0.24. The Offer will raise approximately \$9.5 million before costs and expenses, which are expected to be approximately \$661,000.

Since its formation in 2004, Avexa has made considerable progress. Most significantly, the Company has acquired licensing rights to develop a drug (code name AVX754 or apricitabine) for use in HIV/AIDS.

AVX754 had already been tested successfully in humans in several early phase clinical trials. Over the past six months we have initiated a Phase IIb clinical trial with AVX754. We have received encouraging feedback on our development plan for AVX754 (which includes the current Phase IIb trial) from the US Food and Drug Administration. Furthermore, an international panel of independent and world renowned experts in the clinical management of HIV has indicated that the Company would be well placed to move AVX754 further along the drug development pathway once the Phase IIb trial was completed. Finally, we recently announced that the first person in the Phase IIb trial had completed the first 24 weeks of dosing. Taken together, this shows that significant progress has been made to advance the AVX754 project.

Avexa is sufficiently encouraged by this progress to commence preparatory activities for the Phase III trial for AVX754, to ensure that we can progress the development of AVX754 as rapidly and cost effectively as possible. The funding of these preparatory activities represents the major proposed use of funds to be raised under the Offer.

In addition, Avexa intends to continue to progress a number of earlier stage programs:

- an animal proof of concept study has commenced for our antibacterial project to overcome multidrug-resistance. Results are expected in the second half of 2006;
- we have entered into a collaboration with CSIRO, aimed at the discovery of new drugs for the treatment of serious human viral diseases; and
- we recently announced a collaboration with British company MNLPharma which allows Avexa to develop and commercialise a number of HIV integrase inhibitors identified from their library of novel plant derived compounds.

Avexa's primary focus is on completing the current Phase IIb trial for AVX754 and progressing the program into Phase III, with the ambition of commercialising the product in 2009. The preparatory activities that Avexa plans to commence in anticipation of moving into a Phase III trial for AVX754 are important if AVX754 is to be commercialised as early as possible, which will maximise shareholder returns. In addition, Avexa will simultaneously continue to progress its other programs with the intention of having at least one other program entering into development in 2007. Funds raised under the Offer, together with further capital raised under a recent placement, will allow Avexa to progress both AVX754 and its other programs as rapidly and efficiently as possible.

To apply for New Shares under the Offer, you must complete the Entitlement and Acceptance Form accompanying this Prospectus.

I invite you to read the Prospectus in its entirety and on behalf of the Board of Avexa I encourage you to participate in the Offer.

Yours faithfully



Dr Hugh Niall
Chairman

1. Details of this Rights Issue

1.1 This Rights Issue

Avexa is making a non-renounceable pro rata Offer of New Shares on the basis of one New Share for every four Shares held at a price of 24 cents per New Share to holders of Shares who were registered as at 7pm AEST on 12 April 2006 (Record Date).

In addition to the Offer, Avexa is raising capital through a placement of Shares to institutional and other sophisticated investors (Placement) (described in section 1.17).

1.2 Use of the proceeds of Offer

The purpose of the Offer, and the intended use of the funds raised by the Offer and the Placement, is to:

- accelerate the preparations for the Phase III trials for AVX754;
- initiate a long term extension study for the current Phase IIb trial for AVX754;
- fund a clinical pharmacology (cardiac) study for AVX754; and
- fund a tipranavir co-dosing study for AVX754.

The balance will be applied to the costs of the Rights Issue and the on-going working capital requirements of the Company.

The use of the proceeds of the Offer is set out in more detail in section 3.3.

1.3 Your entitlement

The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. Fractional entitlements to New Shares will be rounded up to the nearest whole number.

The Record Date for the purpose of the Offer is 7pm on 12 April 2006. Persons who, on the Record Date, are registered as the holders of Shares, will be entitled to participate in the Offer.

1.4 Closing date

The Company will accept applications from the date of this Prospectus until 5pm AEST on 5 May 2006 or such other date as the Directors in their absolute discretion may determine subject to the requirements of the ASX Listing Rules.

1.5 Total number of New Shares to be issued

The total number of New Shares to be issued pursuant to this Offer will be approximately 39,530,102 (the exact number depends on rounding-up of individual holdings). The gross proceeds (before costs) of this Offer will be approximately \$9.5 million. The expenses of the Offer and Placement are expected to be approximately \$800,000.

1.6 Underwriting

The Offer is fully underwritten by ABN AMRO Morgans Corporate Limited and Wilson HTM Corporate Finance Limited, on the terms of the Underwriting Agreement (see section 7.4).

Each of the Underwriters is severally responsible for underwriting 50 per cent of the Offer.

1.7 Issue of New Shares

Avexa expects to issue the New Shares on or before 15 May 2006. No issue of New Shares will be made until permission is granted for quotation of the New Shares on the ASX.

Application monies will be held in trust for applicants in a subscription account until New Shares are allotted to such applicants.

1.8 ASX quotation

Avexa will apply for admission of the New Shares to quotation on the ASX within seven days after the date of this Prospectus. If the ASX does not grant official quotation of the New Shares within three months after the date of this Prospectus, Avexa will not issue any New Shares and will repay all application money within the time prescribed under the *Corporations Act*, without interest.

1.9 Ranking and distributions

The New Shares will, from issue, rank equally with existing Shares from the time they are issued. A summary of the rights attaching to the New Shares is set out in section 7.3 of this Prospectus.

1.10 Checking your share holdings

Your current Avexa share holdings can be viewed by registering your details online at the Computershare website (www.computershare.com.au).

1.11 No rights trading

This Offer is non-renounceable, which means that rights cannot be transferred or traded on the ASX. Any portion of your entitlement that you decide not to accept will lapse and become part of the shortfall.

1.12 Market prices of shares

The lowest and highest market sale prices of Shares on the ASX during the three months immediately preceding the lodgement date of this Prospectus, and the respective dates of those sales, were:

- Highest Price was 33.5 cents on 10 January 2006 (and 6 January 2006); and
- Lowest Price was 25.5 cents on 28 March 2006.

The last sale price for Shares on the ASX on 29 March 2006, being the last day of trading of Shares prior to the date of this Prospectus, was 27 cents.

1.13 Ineligible shareholders

This Prospectus contains an Offer to Shareholders with a registered address in Australia or New Zealand.

Shareholders with a registered address in Australia or New Zealand who hold Shares on behalf of persons who are not resident in Australia or New Zealand are responsible for ensuring that taking up the New Shares under the Offer does not breach securities law in the relevant overseas jurisdictions. Return of a duly completed Entitlement and Acceptance Form will be taken by Avexa to constitute a representation that there has been no breach of such laws.

Avexa may extend the Offer to Shareholders with registered addresses outside of Australia or New Zealand, subject to compliance with securities law in those jurisdictions.

1.14 Taxation implications

The Board considers that it is not appropriate to provide advice regarding the taxation consequences of subscribing for New Shares under this Prospectus.

Avexa and its officers and advisers do not accept any responsibility or liability for any taxation consequences of qualifying Shareholders subscribing for and disposing of New Shares. As a result, qualifying Shareholders should consult their own professional tax advisers in connection with subscribing for New Shares under this Prospectus.

1.15 Professional fees

ABN AMRO Morgans Corporate Limited and Wilson HTM Corporate Finance Limited have been appointed as the Underwriters of the Offer.

In aggregate, the Company will pay ABN AMRO Morgans Corporate Limited and Wilson HTM Corporate Finance Limited an equity raising fee of 4.5 per cent (comprising a management fee of 2 per cent and a selling fee of 2.5 per cent), and an underwriting commission fee of 1.25 per cent. See section 7.4 for more details.

1.16 Brokerage

The Underwriters will pay brokerage fees to participating ASX brokers and licensed securities dealers, of 1.5 per cent of the total value of successful applications (which bear their stamp). The brokerage fees will be capped at \$300 per application, and are included in the equity raising fees of 4.5 per cent payable to the Underwriters.

1.17 Placement

Immediately prior to the issue of this Prospectus Avexa issued to institutional and sophisticated investors a total of 20.4 million Shares at a price of \$0.24 per Share by way of a Placement.

1.18 Entitlement and acceptance form is binding

A completed and lodged Entitlement and Acceptance Form, together with payment for the number of New Shares applied for, cannot be withdrawn and constitutes a binding application for the number of New Shares specified in the Entitlement and Acceptance Form on the terms set out in this Prospectus. The Entitlement and Acceptance Form does not need to be signed to be binding.

Avexa will not process applications until the expiry of the Offer Period. No preference will be conferred on applications on the basis of when those applications were received in the Offer Period.

If the Entitlement and Acceptance Form is not completed correctly, Avexa in its absolute discretion can reject it or treat it as valid. Avexa's decision as to whether to accept or reject an Entitlement and Acceptance Form or how to construe, amend or complete it is final.

1.19 Enquiries

Enquiries concerning the Entitlement and Acceptance Form should be directed to Computershare Investor Services Pty Limited on 1300 783 058 (within Australia).

Enquiries concerning this Prospectus should be directed to the Avexa Company Secretary, Ms Robyn Fry, on (03) 9208 4300.

2. Action Required by Shareholders

2.1 What you may do

The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form.

You may take up:

- all of your entitlement;
- part of your entitlement and allow the balance to lapse; or
- none of your entitlement.

If you wish to take up all of your entitlement:

- (1) Complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the Form.
- (2) Ensure your application is received by Computershare's office (at the address shown below) by 5pm AEST on the Closing Date. The Closing Date is currently 5 May 2006, but Avexa reserves the right to extend the Offer.

If you wish to take up part of your entitlement and allow the balance to lapse:

- (1) Complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the Form.
- (2) Ensure your application is received by Computershare's office (at the address shown below) by 5pm AEST on the Closing Date. The Closing Date is currently 5 May 2006, but Avexa reserves the right to extend the Offer.

Note: If you decide not to take up all or part of your entitlement to New Shares, the entitlement, to the extent not taken up, will lapse.

Computershare's address is:

Computershare Investor Services Pty Limited
GPO Box 505
Melbourne Victoria 8060
Facsimile: (+61 3) 9473 2500

If you wish to take up none of your entitlement and thus allow it to lapse you need do nothing.

2.2 Form of payment

Payments will only be accepted in Australian currency and as follows. Payment may be made by one of the following methods:

- BPAY. Those who use BPAY will not need to return the Entitlement and Acceptance Forms.
- Bank cheque drawn on and redeemable at any Australian bank.
- Personal cheque drawn on and redeemable at any Australian bank.

Cheques or bank cheques should be made payable to "Avexa Rights Issue Trust Account" and crossed "Not Negotiable". Shareholders are asked not to forward cash. Receipts for payment will not be provided.

3. Overview of Avexa

3.1 Introduction

Avexa was established in mid 2004 to focus on developing new treatments for serious infectious diseases such as HIV, Hepatitis and drug resistant bacterial infections.

In January 2005 the company in-licensed AVX754, a new anti-HIV drug in Phase II development, from Shire Pharmaceuticals Group Plc. AVX754, recently assigned the International Non-proprietary Name (INN) apricitabine, or ATC for short, is currently in Phase III trials. Avexa in-licensed the product for several reasons:

- Both the class of compounds to which AVX754 belongs (nucleoside reverse transcriptase inhibitors, or NRTI class), and the disease it is being developed to treat (HIV disease) are well-known, with clear, well-defined development and regulatory pathways.
- The NRTI class is the cornerstone of current anti-HIV therapy, even though several of the currently used NRTIs have known side effects which limit their use. The profile of AVX754 in both laboratory tests and in the clinical trials completed so far shows that AVX754 is unlikely to result in the side effects that some other NRTIs cause, giving AVX754 a significant advantage.
- AVX754 is active in vitro against virus which has become resistant to the currently used NRTIs. The indications are that it will also prove to be clinically effective against such virus. An increasing number of patients have virus which has become resistant to current NRTIs, and need a new treatment.
- AVX754 is already at an advanced stage of development. Based on the results to date, the safety and scientific characteristics of AVX754, and the historical success of late stage HIV drugs becoming commercialised, Avexa's board and management consider that there are strong prospects that AVX754 will be successfully commercialised.
- AVX754 complements Avexa's HIV integrase project. Drugs directed against the HIV integrase represent a new class of compounds being developed for treatment of HIV. Combining AVX754 (a new NRTI inhibitor) with a future new integrase inhibitor could provide an especially effective new combination treatment, thus building Avexa's HIV product portfolio.
- Avexa's key personnel have a track record in developing NRTIs, with Dr Jonathan Coates involved in the discovery and development of 3TC (lamivudine) while working for Glaxo and its successor Glaxo Wellcome. He is named on the 3TC patent. In 2005 3TC either alone or in combination generated over US\$1 billion in sales for Glaxo Wellcome's successor, GSK. Dr Susan Cox has also worked in a number of NRTI programs during her time at Medivir and Glaxo. This has given the senior

management team at Avexa invaluable experience in developing NRTIs and other anti-viral drugs which are currently on the market.

Given all these factors and the high success rates of HIV drugs in advanced development, Avexa is encouraged by the prospects of AVX754 being successful in both the Phase IIIb and Phase III trials, and then getting to market as a new treatment for patients with HIV.

3.2 Avexa's strategy

The overall strategy is focussed on generating products for the healthcare market. On the assumption that the Phase IIIb trials are successful, the Company intends to progress the AVX754 program into Phase III, with the ambition of bringing the product to market in 2009.

In addition to the lead AVX754 project, Avexa has other exciting projects which it aims to progress into clinical development. Whilst advancing AVX754 through Phase III development and towards market, Avexa also intends to progress these earlier stage projects into the clinic, building on the Company's expertise and establishing a focussed pipeline of projects in development.

The longer term strategy will be to continue to advance the Company's portfolio of anti-infective projects into clinical development as AVX754 progresses through late stage development and towards market.

3.3 Use of proceeds of Offer

Avexa intends to use the bulk of the net proceeds from this Offer and the Placement, to accelerate preparations for Phase III development of AVX754.

The remainder of the net proceeds from this Offer and the Placement, together with the existing cash reserves, will be used to assist in funding Avexa's operations, and to advance the rest of Avexa's portfolio towards clinical development and commercialisation outcomes. This may include future collaborations and/or in-licensing opportunities to complement the portfolio. No commitments or agreements have been entered into for any such potential future collaborations at this time.

In particular, Avexa is undertaking this Offer to:

(1) Accelerate the preparations for the Phase III trials

In anticipation of a positive result from the current Phase IIIb trial Avexa intends to make preparations for Phase III development, including appointing additional staff and making other preparations for the necessary clinical and regulatory activities.

3. Overview of Avexa continued

A key element of this preparation is manufacturing bulk stocks of AVX754 capsules ready for use in Phase III trials. Several hundreds of kilograms of AVX754 must be manufactured, a process which takes at least six to nine months in total. Consequently this must be initiated now to avoid delays in progressing to Phase III on completion of the current Phase IIb trial. In addition, bulk stocks of other drugs that will be used during the Phase III trial to provide comparative data, must also be acquired prior to commencement of the trials.

(2) Complete two ancillary studies for AVX754

To prevent avoidable additional work in the Phase III trials and to meet certain recent developments in regulatory requirements, Avexa will aim to complete two ancillary studies for AVX754 in the next six months. A portion of the funds raised will be used to complete the following studies.

(a) A clinical pharmacology (cardiac) study

Following the recent developments of cardiac side effects with some drugs marketed for other diseases/conditions, there has been a heightened awareness of the importance of establishing a thorough profile of cardiac safety for drugs earlier in the development process than has been the usual practice up to now. It is now recommended that all new pharmaceutical products undergo a thorough study of cardiac effects in human subjects – regardless of whether or not there is any indication of cardiac effects.

To date AVX754 has not been associated with any indications of adverse cardiac events. Nonetheless, Avexa complies with the highest standards of clinical drug development and as such, intends to allocate a portion of funds raised to conduct a clinical pharmacology (cardiac) study. Completing this trial prior to the Phase III program will simplify and expedite the transition into Phase III development.

(b) A tipranavir co-dosing study

The standard of care for people with HIV infection is to use a combination of at least three anti-HIV drugs. It is often referred to as HAART (Highly Active Anti-Retroviral Therapy).

Some anti-HIV drugs cause problems if they are taken at the same time as certain other drugs. The levels of the drug in the blood can be raised or lowered, which can increase the side effects or reduce the effectiveness. Tipranavir is one such anti-HIV drug which might be used in combination with AVX754. Tipranavir is an HIV protease inhibitor which has been shown to have significant interactions with some other drugs, including other anti-HIV drugs.

Although there is no data that suggests tipranavir will affect the levels of AVX754, it is likely that some patients in the AVX754 Phase III program will be co-dosed with both AVX754 and tipranavir. It is therefore important from a safety profile perspective that the combination of AVX754 and tipranavir is studied prior to the Phase III program.

Part of the proceeds of the capital raising will be dedicated to the completion of a tipranavir co-dosing study. Completing this trial prior to the conclusion of the ongoing Phase IIb study will simplify and expedite the transition into Phase III development.

(3) Initiate a long term extension study for the current Phase IIb trial

The current Phase IIb trial will study patients during 48 weeks of therapy. When patients reach 48 weeks, they will be offered continued participation in a follow-on extension study. This extension study will ensure that those patients can continue to be treated with AVX754, which could be a life-saving drug for many of them. The study will also provide continued long term information on the safety of long term treatment with AVX754. This data will be used as part of the longer term safety data package provided to regulatory authorities.

Part of the proceeds of the capital raising will be dedicated to preparing and implementing an extension study after the Phase IIb, which will need to be in place as soon as the first patients enrolled conclude their 48 weeks of therapy.

(4) Working capital

Avexa intends to use the balance of the net proceeds of the Offer and the Placement, together with current cash reserves, to fund the ongoing working capital requirements of the Company, comprising the day to day operations and the advancement of the Company's other portfolio projects towards key milestones and project decision points.

(5) Summary table

Intended use of the gross proceeds of the Offer and the Placement is summarised in the table below:

Activity	Cost (AUS\$ million)
Accelerate the preparations for the Phase III trials for AVX754	8.5
Clinical pharmacology (cardiac) study	2.5
Tipranavir co-dosing study	0.8
Initiate a long term extension study for the current Phase IIb trial for AVX754	0.5
Working capital	1.3
Cost of raising	0.8
Total	14.4

The actual amount of expenditure may vary significantly from the table above, depending on a number of factors, including (but not limited to) regulatory requirements, the actual amount of proceeds received and developments in the project portfolio, in particular the AVX754 project. The ultimate use of funds may vary from the activities in the above table at the discretion of the Board, depending on future developments and in order to maximise the commercial value of the portfolio.

The net proceeds of this Offer (together with the current cash reserves of AUS\$11.6 million at 31 December 2005 and the proceeds of the Placement) are expected to be sufficient to ensure that:

- (1) Appropriate preparation work for Phase III is undertaken and the AVX754 project is ready for the start of the Phase III development as expeditiously as possible, thus accelerating the product's progress towards the market. The Directors anticipate that further capital will be required within a 6-12 month time frame to conduct the Phase III trials themselves upon successful completion of the primary endpoint of the current Phase IIb trial and following the preparations described above.
- (2) The Company has sufficient funds to grow and mature Avexa's project portfolio, and to progress existing projects, and to facilitate the possible future addition of new opportunities.

4. Key Personnel at Avexa

Dr Julian Chick (CEO and Executive Director)

Dr Chick graduated with a PhD in Muscle Physiology from La Trobe University in 1998 followed by five years of experience as an investment advisor and financial consultant with Prudential-Bache Securities, BNP Paribas and Salomon Smith Barney. Dr Chick also spent time as an analyst for Foursight Associates, a consultancy to private equity and venture capitalists in the life sciences area. Dr Chick joined Amrad as Senior Business Development Manager in April 2002, where he was actively involved in the formation of Avexa. Dr Chick was appointed CEO and Executive Director of Avexa in August of 2004.

Dr Jonathan Coates (Chief Scientific Officer)

Dr Coates obtained his PhD from Glasgow University and has more than twenty years experience in antiviral drug discovery in the pharmaceutical industry. He spent 15 years in the United Kingdom at Glaxo Group Research and later Glaxo-Wellcome, where he filled various senior research roles and was one of the inventors of the anti-viral drug 3TC (Epivir® for HIV and Zeffix® for HBV). He has extensive experience in leading program teams towards successful milestones, including clinical trials and three marketed drugs. Dr Coates joined Amrad in 1996 and rose to Chief Scientific Officer in 2004. He has been a member of the Company's senior management team since its inception.

Dr Susan Cox (Head of Development)

Dr Susan Cox graduated with a PhD in Virology from the Karolinska Institute in 1991, and became an associate professor in 1994. She has fifteen years experience in antiviral drug discovery. Dr Cox worked on the anti-CMV

drug Foscavir® at Astra, and was previously Program Director at Medivir, where she led antiviral research programs from discovery up to and including Phase II studies. Dr Cox joined Amrad in 1998, becoming the Head of Development at Avexa in 2004. She has been a member of the Company's senior management team since its inception. Dr Cox is a member of the Committee of the International Society for Antiviral Research (ISAR) and a graduate of the Australian Institute of Company Directors.

Dr John Deadman (Head of Chemistry)

Dr Deadman obtained his PhD in 1989 from the Institute of Cancer Research, London. Dr Deadman has more than 12 years experience in medicinal chemistry, drug design, and formulation/manufacturing aspects, first at the Thrombosis Research Institute and then as Head of Chemistry at Trigen (UK), where he directed a program from discovery through to Phase II clinical trials. He is the author of more than 30 research papers and five patents. He has been a member of the Company's senior management team since its inception.

Dr David Rhodes (Head of Discovery)

Dr David Rhodes graduated with a PhD in Biochemistry from La Trobe University in 1994. He was a Senior Research Officer at the Macfarlane Burnet Centre for Medical Research. He has extensive experience in HIV virology research. Dr Rhodes joined Amrad as a senior scientist in 2000 and became Head of Discovery at Avexa in 2005.

5. Effect of this Offer on Avexa

5.1 Structure of capital raising

The Offer contained in this Prospectus is part of a \$14.4 million capital raising (before costs and expenses) undertaken by Avexa. The capital raising will consist of the following:

- (1) A placement of 20,408,000 Shares at \$0.24 per Share under the Placement for a total cash consideration of approximately \$4.9 million (completed with institutional and other sophisticated investors and outside of this Prospectus).

- (2) The Offer of 39,530,102 New Shares under this Prospectus at \$0.24 per Share for a total cash consideration of approximately \$9.5 million.

As at 31 December 2005, Avexa had 137,916,452 Shares on issue. After the successful conclusion of the Placement and the Offer, Avexa will have approximately 197,854,554 Shares on issue.

The following table shows the proposed capital structure of Avexa on completion of the above transactions.

	Number of Shares	Options Over Unissued Shares	Issued Share Capital in \$000s
As at 31 December 2005	137,916,452	7,210,000 ⁽¹⁾	34,648
Issued in Placement	20,408,000	-	4,898
Issued in Offer	39,530,102	-	9,487
Transaction costs estimate ⁽²⁾	-	-	(800)
Total	197,854,554	7,210,000	48,233

(1) Options on issue as at the date of this Prospectus.

(2) Transaction costs: Transaction costs are accounted for as a deduction from equity such that shareholders' funds are increased by the amount of the net proceeds of the capital raising. Total transaction costs are currently estimated at \$800,000.

A total of 7,210,000 unlisted options are on issue as at the date of this Prospectus. Each option is non-transferable and converts to one fully paid, ordinary share in Avexa. The options are detailed in the following table:

Issued as at 3 April 2006	Exercise Price	Vesting
2,050,000 to CEO, Senior Management Team (SMT) and staff	\$0.40	Between now and October 2008.
1,160,000 to CEO, SMT and staff	\$0.19	Between now and September 2007.
4,000,000 to Shire	Pricing of the option is set by reference to the Avexa Share price 30 Business Days either side of the ASX announcement of the Phase IIb study results relating to the AVX754 compound.	Shire may exercise the option at any time between 17 January 2008 and 17 January 2012. The Option terminates if the licence agreement between the Company and Shire is terminated.

5.2 Pro forma Balance Sheet

Set out below is a Pro forma Balance Sheet of Avexa on successful completion of the Placement and the Offer. It is based on Avexa's Balance Sheet as at 31 December 2005 contained in Avexa's statutory financial report for the half year ended 31 December 2005, as lodged with the ASX on 13 February 2006, and which has been independently reviewed by Avexa's auditor, KPMG. The Company's statutory

financial report has been prepared in accordance with *Corporations Act*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

The Pro forma Balance Sheet reflects the impact of the Placement (completed with institutional and other sophisticated investors and outside of this Prospectus),

5. Effect of this Offer on Avexa continued

the Offer and all transaction costs as if they had all occurred on 31 December 2005. It:

- includes gross proceeds of the capital raisings from which the current estimate of total transaction costs of \$800,000 is deducted to derive an amount for net proceeds raised;
- allows for the issue of 20.4 million Shares by way of Placement at an issue price of \$0.24 per Share; and
- allows for the issue of 39.5 million New Shares under the Offer at an issue price of \$0.24 per Share.

5.3 Historical financial information

The full financial report, including the Income Statement, Balance Sheet, Statement of Cash flows, Directors' Report, Lead Auditor's Independence Declaration, notes to the financial report including accounting policies adopted, Directors' Declaration and Independent Auditor's Review Report, is available on Avexa's website (www.avexa.com.au). Investors who wish to obtain a free paper copy of the full financial report may contact the Avexa Secretary, Ms Robyn Fry, during the Offer Period on (03) 9208 4300.

	Balances Lodged at 31 December 2005 \$'000	Placement \$'000	Rights Issue \$'000	Capital Raising Costs \$'000	Proforma Position \$'000
Current assets					
Cash and cash equivalents	11,637	4,898	9,487	(800)	25,222
Trade and other receivables	33	-	-	-	33
Other	142	-	-	-	142
Total current assets	11,812	4,898	9,487	(800)	25,397
Non-current assets					
Property, plant and equipment	233	-	-	-	233
Intangible assets	3,000	-	-	-	3,000
Total non-current assets	3,233	-	-	-	3,233
Total assets	15,045	4,898	9,487	(800)	28,630
Current liabilities					
Trade and other payables	1,065	-	-	-	1,065
Employee benefits	192	-	-	-	192
Total current liabilities	1,257	-	-	-	1,257
Non-current liabilities					
Employee benefits	25	-	-	-	25
Total non-current liabilities	25	-	-	-	25
Total liabilities	1,282	-	-	-	1,282
Net assets	13,763	4,898	9,487	(800)	27,348
Issued capital					
Contributed equity	34,648	4,898	9,487	(800)	48,233
Accumulated losses	(20,885)	-	-	-	(20,885)
Total equity attributable to the members of Avexa Limited	13,763	4,898	9,487	(800)	27,348
Number of Shares on issue	137,916,452	20,408,000	39,530,102	-	197,854,554

6. Risk Factors

There are a number of risk factors which could adversely impact Avexa's performance and the value of the Shares. Qualifying Shareholders should consider these risk factors before deciding whether to subscribe for New Shares under the Offer. These risk factors include:

6.1 General risk factors

Economic conditions – The performance of Avexa may be significantly affected by changes in economic conditions, and particularly conditions which affect the biotechnology industry. Profitability of the business may be affected by factors such as market conditions, interest rates, inflation and consumer demand.

Geo-political factors – Avexa may be affected by the impact that geo-political factors have on the various world economies or the Australian economy or on financial markets and investments generally or specifically.

Australian and foreign government policies and legislation – Avexa may be affected by changes to government policies and legislation, including those relating to the biopharmaceutical and pharmaceutical industry, property, the environment, taxation and the regulation of trade practices and competition, government grants and incentive schemes.

Sharemarket conditions – Avexa, being a company listed on the ASX, is subject to the market forces that influence the broad sharemarket trends and the price of securities of individual companies. Accordingly, assuming that the New Shares are granted official quotation on the ASX, they may trade on the ASX at higher or lower prices than the issue price.

Each qualifying Shareholder should consider whether shares are a suitable investment before deciding to invest in the New Shares. Any qualifying Shareholder in doubt about investing in shares should consult their stockbroker, accountant, lawyer or other professional adviser immediately.

Other – Other risk factors include those normally found in conducting business, including litigation resulting from the breach of agreements or in relation to employees (through personal injuries, industrial matters or otherwise) or any other cause, strikes, lockouts, loss of service of key management or operational personnel, non-insurable risks, delay in resumption of activities after reinstatement following the occurrence of an insurable risk and other matters that may interfere with the business or trade of Avexa.

6.2 Specific risk factors

In addition to the above, there are a number of specific risks concerning Avexa of which potential investors should be aware. The following is not an exhaustive summary, but points to some of the risks that are peculiar to a biotechnology company. Any one or a combination of such risks could affect Avexa adversely and thus the value of any investment in Avexa. The Board is unable to speculate as to the extent of such adversity, and thus an investment in Avexa should be regarded as speculative.

Like other biotechnology companies at a similar stage of development, Avexa faces a number of risks, both general and project-specific, including but not limited to the following:

Technical risks – Avexa has a number of projects that could give rise to products. No assurances can be given that Avexa's research will give rise to any development of a commercially successful product.

Competitor risks – No assurances can be given that any products that Avexa does produce will successfully compete with other products either currently on the market or expected to enter the market in the future.

Financial risks – The ability of Avexa to implement its business strategy may depend in part on its ability to continue to raise additional funds and/or to secure appropriate partnering or out-licensing arrangements. No assurances can be given that such funding will be available, or that it will be available on terms attractive to Avexa.

Key employee risks – The future success of Avexa may depend in part on its continued access to highly qualified scientific, technical and managerial personnel. Competition for such staff is intense. Further, much of the intellectual property and developed know-how resides in Avexa's scientific staff or those under contract. The loss of key staff could have a material adverse effect on Avexa. While Avexa seeks to ensure that the services of key personnel are retained, no assurances can be given that Avexa will continue to retain and attract key staff as required by the business.

6. Risk Factors continued

Intellectual property risks – Avexa's prospects rely fundamentally on its intellectual property portfolio. Any restrictions on Avexa's rights to use the technology contained in its patents in any jurisdiction will impede, or prevent, Avexa's ability to achieve the commercialisation of the relevant technology in those jurisdictions. No assurances can be given that existing or future patents or patent applications which Avexa relies upon will not be challenged in the Courts, nor that any patents granted will withstand any subsequent legal challenge.

Regulatory risks – Major changes in regulatory legislation or policy could affect the timing and costs of clinical trials. Although Avexa continues to discuss its clinical development program with appropriate regulatory bodies, no assurances can be given that significant unexpected changes in regulatory legislation or policy will not occur in the future.

6.3 AVX754 Project-specific risks

Required primary endpoint is not met – The primary clinical endpoint for the AVX754 Phase IIb trial is a mean decrease in the level of virus in the blood of 0.6 log after 21 days treatment. If this primary endpoint is not met, the future development of AVX754 may need to be re-assessed.

Unexpected severe adverse effects – Although no serious adverse effects associated with AVX754 have occurred to date, the occurrence of severe unexpected adverse effects could have a significant impact upon the future clinical development of AVX754.

Supply of material – Clinical development of AVX754 requires a continued supply of material from external manufacturers. Although some stocks of AVX754 are already in place, and Avexa continues to work to secure an ongoing supply, unexpected events may interrupt the supply of material and affect the timing and/or cost of the clinical trials.

7. Additional Information

7.1 Disclosing entity

Avexa is a disclosing entity for the purposes of the *Corporations Act* and, as such, is subject to regular reporting and disclosure obligations. These obligations include compliance with the requirements of the ASX Listing Rules and the *Corporations Act* concerning notification of information to the ASX. Copies of documents lodged at the ASIC in relation to Avexa may be obtained

from, or inspected at, an office of the ASIC. Copies of announcements made to the ASX may be viewed at the ASX's website at www.asx.com.au

The following table provides a list of all of Avexa's announcements in the six months prior to the date of this Prospectus, other than announcements relating to substantial shareholders and Directors' interests:

List of ASX Announcements – 1 August 2005 to 31 March 2006

9 August 2005	Annual Financial Report
9 August 2005	Preliminary Final Report
9 August 2005	Full Year Accounts
9 August 2005	Concise Financial Report
12 August 2005	Notice of Annual General Meeting Date
29 August 2005	Proposed Offer of Option to Avexa employees
1 September 2005	Notice of Annual General Meeting
1 September 2005	Annual Report
22 September 2005	Non-Executive Director appointment
4 October 2005	FDA feedback and expert panel review positive
4 October 2005	Chairman's address to shareholders
4 October 2005	AGM Presentation
4 October 2005	Results of Meeting
6 October 2005	Appendix 3B
6 October 2005	Appendix 3B
28 October 2005	Commitments Test Entity – First Quarter Report
9 November 2005	Avexa and CSIRO collaborate on treatments
11 November 2005	United States investors CEO presentation
18 November 2005	New Director joins Board
21 November 2005	Australian road show
16 December 2005	Quarterly newsletter – December 2005
20 December 2005	Non-Executive Director resignation
25 January 2006	Commitments Test Entity – Second Quarter Report
8 February 2006	Signs exclusive licence agreement to develop new compounds
13 February 2006	Half Yearly Report
13 February 2006	Half Yearly Report Phase IIb spearheads dynamic half-year
13 February 2006	Half Year Accounts
15 March 2006	Ramps up Phase III preparations for AVX754
30 March 2006	Request for Trading Halt
30 March 2006	Trading Halt

7. Additional Information continued

7.2 Continuous disclosure prospectus

This Prospectus contains information required under the special prospectus content rules for continuously quoted securities pursuant to section 713 of the *Corporations Act*. This section enables disclosing entities to issue a special prospectus in relation to securities in a class of securities that have been quoted by the ASX at all times in the 12 months before the issue of the Prospectus.

Apart from formal matters, a continuous disclosure prospectus need only contain information relating to the terms and conditions of the Offer, the effect of the Offer on Avexa and the rights attaching to the New Shares. Other general information is not required to be included by a disclosing entity as the periodic reporting and continuous disclosure requirements applicable to disclosing entities mean that all this information should have previously been released to the market.

7.3 Rights and liabilities attaching to New Shares

The New Shares will rank equally with and have the same rights and liabilities as the existing Shares.

The rights attaching to Avexa Shares are set out in the Constitution of Avexa and are affected by the *Corporations Act* and the ASX Listing Rules. The following is a summary of key rules in the Constitution of Avexa.

(1) Voting

Subject to any restriction on voting imposed by the ASX Listing Rules or any restriction agreement entered into between Avexa and an Avexa Shareholder, every Avexa Shareholder present in person or by proxy, attorney or representative at a meeting of shareholders has one vote on a show of hands and one vote on a poll for every Avexa Share held. A poll may be demanded by the Chairman of the meeting, an Avexa Shareholder or shareholders who together hold at least 5 per cent of the votes that may be cast on the resolution on a poll, or who together hold voting shares paid up to a value of not less than 5 per cent of the total sum paid up on all voting Avexa Shares.

(2) General meetings

Each Avexa Shareholder is entitled to receive notice of and to attend general meetings of Avexa and to receive all notices, accounts and other documents required to be sent to Avexa shareholders under the Constitution of Avexa, the *Corporations Act* or the ASX Listing Rules.

(3) Dividends

Where dividends are payable out of Avexa's profits they will be declared by the Avexa Board. Dividends declared will (subject to any special rights or restrictions attaching

to a class of Avexa Shares created under any arrangement as to dividend) be payable on Avexa Shares in accordance with the *Corporations Act*.

(4) Transfer of Avexa shares

An Avexa Shareholder may transfer Avexa Shares by a proper transfer effected in accordance with any computerised or electronic system established or recognised by the ASX or the *Corporations Act* for the purpose of facilitating transfers in shares or by an instrument in writing in a form approved by the ASX or in any other usual form or in any form approved by the Avexa Board. The Avexa Board may refuse to register a transfer of Avexa Shares where the refusal to register the transfer is permitted under the Constitution of Avexa and the ASX Listing Rules.

(5) Issue of shares

The Avexa Board may (subject to the restrictions on the issue of Avexa Shares imposed by the Constitution of Avexa, the ASX Listing Rules or the *Corporations Act*) issue, grant options in respect of, or otherwise dispose of further Avexa Shares as they see fit.

(6) Winding up

Subject to any special or preferential rights attaching to any class or classes of Avexa Shares, on a winding up of Avexa a liquidator may, with the authority of a special resolution of the Avexa Shareholders, divide among the Avexa Shareholders in kind the whole or any part of the property of Avexa in proportion to the Avexa Shares held by them respectively. The liquidator may for that purpose set the value he or she considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Avexa Shareholders. The liquidator may, with the sanction of a special resolution of the Avexa Shareholders, vest the whole or any part of the assets in trust for the benefit of Avexa Shareholders as the liquidator thinks fit, but so that no Avexa Shareholder is compelled to accept any Avexa Shares or other securities in respect of which there is any liability.

(7) Shareholder liability

As the Avexa Shares are fully paid shares, they are not subject to any call for money by the Avexa Board and will therefore not become liable for forfeiture.

(8) Alteration to the constitution

The Constitution of Avexa can only be amended by a special resolution passed by at least three quarters of the votes of the Avexa Shareholders present and voting at a general meeting. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

(9) ASX Listing Rules

Because Avexa is listed on the ASX official list, notwithstanding anything in the Constitution of Avexa, if the Listing Rules prohibit an act being done, the act must not be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done, and if a provision is required in the Constitution of Avexa by the Listing Rules, the Constitution will be treated as containing that provision. If any provision of the Constitution of Avexa becomes inconsistent with the Listing Rules, the Constitution will be treated as not containing that provision to the extent of the inconsistency.

7.4 Underwriting Agreement

The Company has entered into an Underwriting Agreement with ABN AMRO Morgans Corporate Limited and Wilson HTM Corporate Finance Limited.

Each of the Underwriters is severally responsible for underwriting 50 per cent of the Offer (Respective Proportions).

Under the terms of the Underwriting Agreement, each Underwriter is entitled to an underwriting commission of 1.25 per cent of their Respective Proportion of the total funds raised by the Offer. Each Underwriter is also entitled to an equity raising fee which:

- (1) in the case of ABN AMRO Morgans Corporate Limited comprises a management fee of 1.5 per cent and a selling fee of 1.25 per cent of the total funds raised by the Offer; and
- (2) in the case of Wilson HTM Corporate Finance Limited comprises a management fee of 0.5 per cent and a selling fee of 1.25 per cent of the total funds raised by the Offer.

The Underwriters may appoint sub-underwriters to sub-underwrite the Offer.

The Underwriters are responsible for paying all sub-underwriting fees, handling fees, brokerage and other charges incurred by them in procuring valid applications.

If there is a shortfall in acceptances, each of the Underwriters must, subject to the Underwriting Agreement, within 10 business days after the closing date (being 5 May 2006), lodge or cause to be lodged with the Company applications in their Respective Proportions to subscribe for the underwritten shares comprising the shortfall (including the application money).

The Company has made a number of representations and warranties under the Underwriting Agreement, including that this Prospectus complies with the requirements of the

Corporations Act and that the Company has complied with its continuous disclosure requirements. The Company has indemnified the Underwriters and their Directors, officers, employees and advisers against losses arising if these representations and warranties are wrong, and claims in relation to the issue of this Prospectus.

The Underwriters may terminate the Underwriting Agreement and be released from their obligations on the happening of any of the events listed below. With regard to events (5) to (21) that follow, the Underwriters must first determine reasonably and in good faith that the event has or would have a material adverse effect on the Offer, or could create a potential liability for the Underwriters under the *Corporations Act*.

- (1) **(ASX Indices Fall)** The All Ordinaries Index is, for three consecutive Business Days, at a level which is 90 per cent or less than the level at the close of trading on the date of this agreement.
- (2) **(Change in Law)** Any of the following occurs which does or is likely to prohibit, restrict or regulate the Issue or materially reduces the level or likely level of valid applications:
 - (a) the introduction of legislation into the parliament of the Commonwealth of Australia or of any State or Territory of Australia;
 - (b) the public announcement of prospective legislation or policy by the Federal Government or the Government of any State or Territory; or
 - (c) the adoption by ASIC or its delegates or the Reserve Bank of Australia of any regulations or policy.
- (3) **(Quotation)**
 - (a) ASX makes an official statement to any person, or indicates to the Company or the Underwriters, that an ASX approval will not be given.
 - (b) An ASX approval has not been given before the Closing Date.
- (4) **(Insolvency Event)** An insolvency event occurs with respect to the Company or a Related Body Corporate.
- (5) **(Supplementary Prospectus)** A Supplementary Prospectus is required under section 719(1) of the *Corporations Act* to be lodged with ASIC and the Company is required to comply with section 724(2) of the *Corporations Act*.

7. Additional Information continued

- (6) **(Breach of Significant Contracts)** A significant or material contract referred to in the Prospectus is, without the prior written consent of the Underwriters:
- (a) breached by the Company or a Related Body Corporate;
 - (b) terminated (whether by breach or otherwise);
 - (c) altered or amended in any way; or
 - (d) found to be void or voidable.
- (7) **(Default)** The Company is in default of any terms and conditions of this agreement or breaches any warranty or covenant given or made by it under this agreement and that default or breach is either incapable of remedy or is not remedied within five Business Days after it occurs.
- (8) **(Fails to Comply)** The Company or any Related Body Corporate fails to comply with any of the following:
- (a) a clause of its constitution;
 - (b) a statute; or
 - (c) any agreement entered into by it.
- (9) **(Capital Structure)** The Company or a Related Body Corporate alters its capital structure without the prior written consent of the Underwriters.
- (10) **(Constitution Altered)** The constitution or any other constituent document of the Company or a Related Body Corporate is amended without the prior written consent of the Underwriters, which consent must not be unreasonably withheld.
- (11) **(Financial Assistance)** The Company or a Related Body Corporate seeks the approval of shareholders under section 260B of the *Corporations Act*, without the prior written consent of the Underwriters.
- (12) **(Business)** The Company or a Related Body Corporate:
- (a) disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property; or
 - (b) ceases or threatens to cease to carry on business, in either case without the prior written consent of the Underwriters.
- (13) **(Hostilities)** There is an outbreak of hostilities (whether or not war has been declared) not presently existing, or a major escalation in existing hostilities occurs, involving any one or more of the following:
- (a) Australia;
 - (b) the United Kingdom;
 - (c) the United States of America;
 - (d) the Peoples Republic of China;
 - (e) Japan;
 - (f) Indonesia; or
 - (g) any member country of the Organisation of Petrol Exporting Countries.
- (14) **(Financial Position)** A materially adverse change, or development involving a prospective materially adverse change, occurs in the financial or trading position of the Company or a Related Body Corporate.
- (15) **(Prospectus)** Without limiting any other paragraph of this schedule:
- (a) there is a material omission from the Prospectus;
 - (b) the Prospectus contains a misleading or deceptive statement;
 - (c) a statement in the Prospectus becomes misleading or deceptive;
 - (d) a forecast in the Prospectus becomes incapable of being met or unlikely to be met in the projected time;
 - (e) the Prospectus does not comply with section 710(1) of the *Corporations Act*, the ASX Listing Rules or any other applicable laws or regulations; or
 - (f) a matter referred to in section 719(1) of the *Corporations Act* occurs in respect of the Prospectus.
- (16) **(Corporations Act)** Without limiting any other paragraph of this schedule:
- (a) ASIC applies for an order under section 1324B of the *Corporations Act* in relation to the Prospectus and the application is not dismissed or withdrawn before the Closing Date;
 - (b) a person gives a notice under section 730 of the *Corporations Act* in relation to the Prospectus;
 - (c) ASIC gives notice of intention to hold a hearing in relation to the Prospectus under section 739(2) of the *Corporations Act*; or
 - (d) any person (other than the Underwriters) who consented to being named in the Prospectus withdraws that consent.

- (17) **(Indictable Offence)** A Director of the Company or a Related Body Corporate is charged with an indictable offence relating to a financial or corporate matter.
- (18) **(Charge)** The Company or a Related Body Corporate charges or agrees to charge, the whole, or a substantial part of its business or property other than as disclosed in the Prospectus.
- (19) **(Listing Rules)** The Company commits a material breach of the ASX Listing Rules.
- (20) **(Withdrawal of Applications)** Any circumstance arises after lodgement of the Prospectus that results in the Company being required to offer the applicants an opportunity to withdraw their applications for Shares and be repaid their applications moneys.
- (21) **(Repayment)** Any circumstance arises after lodgement of the Prospectus that results in the Company being required to repay the money received from applicants.

A copy of the Underwriting Agreement may be inspected at Avexa's office at 576 Swan Street, Richmond Victoria 3121.

7.5 Availability of documents

During the Offer Period, Avexa will provide, on request by any person, a copy free of charge of any continuous disclosure notices lodged by Avexa with the ASX before the date of this Prospectus.

7.6 Privacy

Avexa collects information about each qualifying Shareholder provided on the Entitlement and Acceptance Form for the purpose of processing Entitlement and Acceptance Forms, and to administer the qualifying Shareholder's security holding in Avexa.

By submitting an Entitlement and Acceptance Form, each qualifying Shareholder agrees that Avexa may use the information provided on an Entitlement and Acceptance Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to Avexa's share registry, related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to the ASX and other regulatory authorities.

The *Corporations Act* requires Avexa to include information about the security holder (including name, address and details of the securities held) in its public register. The information contained in Avexa's public registers must remain there even if that person ceases to be a security holder of Avexa. Information contained in Avexa's register

is also used to facilitate distribution payments and corporate communications (including Avexa's financial results, annual reports and other information that Avexa may wish to communicate to its security holders) and compliance by Avexa with legal and regulatory requirements.

If the information required on an Entitlement and Acceptance Form is not provided, Avexa may not be able to accept or process the Entitlement and Acceptance Form.

A qualifying Shareholder has a right to gain access to the information that Avexa holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to Avexa's registered office.

7.7 Disclaimer

The information contained in sections 3 and 5 of this Prospectus does not represent any forecast or projection as to the future revenue or profitability of Avexa. See section 6 regarding risk factors generally in respect of your decision on whether to apply for New Shares under the Offer.

7.8 CHESS and issuer sponsorship

Avexa participates in CHESS. All trading on the ASX in Shares is, and in New Shares will be, settled through CHESS. ASTC, a wholly-owned subsidiary of the ASX, operates CHESS in accordance with the ASX Listing Rules and the ASTC Settlement Rules. Computershare Investor Services Pty Limited operates an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. Both these sub-registers constitute Avexa's principal register of Shareholders.

Holders of New Shares will not receive a share certificate but will receive a statement of their holding. If a qualifying Shareholder is sponsored by a broker or other participant in CHESS, that person will receive a CHESS statement which will set out the number of New Shares issued to them under this Prospectus, provide details of their HIN (holder identification number), and provide the participant identification number of the sponsor.

If applicants are registered on the issuer-sponsored sub-register, their holding statement will contain the number of New Shares issued to them under this Prospectus and their SRN (security-holder reference number).

A CHESS statement or issuer-sponsored statement will be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

7. Additional Information continued

7.9 Remuneration

The Constitution contains provisions as to remuneration of Directors. Provided that the aggregate remuneration paid to the non-executive Directors does not exceed the aggregate fixed sum determined within these provisions, the Board will determine the amount of remuneration to be paid or applied for the benefit of each non-executive Director, and the proportions and the manner in which such remuneration will be paid or applied, or until so determined, the aggregate fixed sum will be paid to the non-executive Directors equally. Annual remuneration of \$80,000 and \$40,000 is paid by Avexa to the Chairman and non-executive Directors respectively, inclusive of superannuation.

Each non-executive Director is also entitled to fees for performance of additional services and to reimbursement of reasonable out-of-pocket expenses. The remuneration of non-executive Directors does not include payments made in connection with the provision of superannuation benefits, the payment of superannuation benefits or any other payments made as a consequence of and in accordance with the provisions for retirement, loss of office, death of Director, extra services and interests in staff funds.

The remuneration of the sole executive Director (Dr Julian Chick) has been fixed by the Directors and consists of a fixed salary with a performance-based component.

Dr Julian Chick is employed under an executive service agreement which continues until terminated by either party in accordance with a six month reciprocal notice period. Under this agreement Dr Chick will receive a base remuneration package of \$260,000 which is inclusive of superannuation contributions and the cost of various non-cash benefits but exclusive of performance incentives. In addition to the base remuneration, Dr Chick will be entitled to a bonus each year the nature and form of which, including any cash consideration, will be determined by the Board in its sole discretion dependent upon the Board's assessment of whether, and to what extent, Dr Chick has met his performance targets.

The total remuneration payable to Dr Chick under the agreement is reviewed annually by the Board in good faith to determine, at its sole discretion, whether any variation should be made to the base remuneration package. The base remuneration package will not be reduced during the term of the agreement.

Dr Chick must not, without the prior written consent of the Avexa Board, engage in restricted activities throughout

the geographic region of Australia either during the period of employment or within a period of 12 months after termination.

7.10 Directors' participation in option plans

To provide long term incentives, the executive Director is entitled to participate in the Avexa Limited Employee Share Option Plan. Chief Executive Officer Dr Julian Chick currently holds 600,000 options at an exercise price of \$0.40 per Share plus 500,000 options at an exercise price of \$0.19 per Share.

The issue of any options to Directors requires approval by shareholders at a general meeting of Shareholders.

7.11 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director or proposed Director of Avexa, and no firm in which a Director or proposed Director of Avexa is a partner, holds, or held at any time during the last two years before the date of this Prospectus, any interest in the formation or promotion of Avexa, any property acquired or proposed to be acquired by Avexa in connection with its formation or promotion or in connection with the Offer.

Other than as set out below no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director or proposed Director of Avexa in the last two years:

- (1) to induce them to become, or to qualify them as, a Director; or
- (2) for services rendered by them in connection with the formation or promotion of Avexa or in connection with the Offer.

Directors are not required under Avexa's Constitution to hold any Shares in Avexa.

The Directors disclose their relevant interests (whether the shareholding is held in their personal name or otherwise) in Shares and in options over unissued Shares, as at the date of this Prospectus as follows:

Name	Shares	Options Over Unissued Shares	Entitlement to New Shares Under the Offer
Dr Hugh Niall	900,000	-	225,000
Dr Julian Chick	420,000	1,100,000	105,000
Dr Errol Malta	50,000	-	12,500
Mr Stephen Cooper	50,000	-	12,500

7.12 Interests of other persons

Avexa has paid or agreed to pay the following amounts to the following persons in connection with the Offer:

Underwriters: An equity raising fee of approximately \$427,000 comprising in aggregate a management fee of 2 per cent and a selling fee of 2.5 per cent payable on the total funds raised under the Offer. In addition, an underwriting fee of approximately \$119,000, being 1.25 per cent of total funds raised under the Offer is payable to the Underwriters. ABN AMRO Morgans Corporate Limited is also to be paid a retainer of \$40,000 and fees of approximately \$99,000 in respect of the Placement.

Deacons: Fees for professional services undertaken as Australian legal advisers to Avexa in connection with the Offer and the Placement of approximately \$65,000 as at the date of this Prospectus, plus disbursements (estimated to be no more than \$1,000).

Various suppliers: Fees for other services provided including the Share Registry, printing and mailing, ASIC fees, and ASX fees of approximately \$50,000 in total.

Members and staff of the above companies, firms or their associates may be qualifying Shareholders.

Other than as set out above or elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, and no promoter of Avexa or the Underwriters involved in the Offer holds, or held at any time during the last two years before the date of this Prospectus, any interest in the formation or promotion of Avexa, any property acquired or proposed to be acquired by Avexa in connection with its formation or promotion or in connection with the Offer, and no amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given to any of these persons for services rendered by them in connection with the formation or promotion of Avexa or in connection with the Offer.

7.13 Consents and disclaimers

The following persons have given and not withdrawn their written consents to be named in the Prospectus in the form and context in which they are named:

- (1) ABN AMRO Morgans Corporate Limited (as an Underwriter);
- (2) Wilson HTM Corporate Finance Limited (as an Underwriter);

- (3) Deacons (Australian legal advisers to Avexa in relation to the Offer); and
- (4) Computershare Investor Services Pty Limited (share registry).

Each of the persons named in this section 7.13 has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus or on which a statement in this Prospectus is said to be based, except to the extent set out in that person's consent above, and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus except to the extent set out in that person's consent above.

7.14 Costs and expenses of the Offer and Placement

The total costs and expenses of the Offer and Placement payable by Avexa are estimated as follows:

Underwriters fees and expenses	\$685,000
Legal fees and expenses	\$65,000
Other costs including share registry services, printing and mailing, ASIC fees, and ASX quotation fees	\$50,000
Total	\$800,000

7.15 Governing law

This Prospectus and the contracts which arise on acceptance of Entitlement and Acceptance Forms are governed by the law applicable in the State of Victoria, Australia and each applicant submits to the non-exclusive jurisdiction of the courts of the State of Victoria, Australia.

7.16 Consents to lodgement

Each Director of Avexa has given, and has not withdrawn, his consent to the lodgement of this Prospectus with the ASIC.

7.17 Directors' consent

This Prospectus is signed on 3 April 2006 by Dr Hugh Niall on behalf of the Directors, each of whom has consented to the signature, lodgement and issue of this Prospectus.



Dr Hugh Niall
Chairman

8. Definitions

\$ Australian dollars (and references to cents are to Australian cents) unless otherwise indicated.	GST Goods and services or similar tax.
AEST Australian Eastern Standard Time (unless a date falls during the period in which daylight savings applies in Victoria, in which case AEST will mean Australian Eastern Daylight Savings Time).	New Share or New Shares The Shares to be issued pursuant to this Prospectus at \$0.24 per Share.
ASIC Australian Securities and Investments Commission.	Offer Offer of New Shares under this Prospectus.
ASX Australian Stock Exchange Limited ABN 98 008 624 691.	Offer period The period from 3 April 2006 until the Closing Date.
ASX Listing Rules The official listing rules of ASX.	Placement The placement of Shares described in section 1.17.
Avexa or Company Avexa Limited ABN 53 108 150 750.	Prospectus This prospectus dated 3 April 2006.
Board of Directors The Board of Directors of Avexa.	Record date 12 April 2006.
Business Day An Australian business day that is not a Saturday, Sunday, or any other day which is a public holiday or bank holiday in the place where an act is to be performed or a payment is to be made.	Related Body Corporate Has the meaning ascribed to it in section 9 of the <i>Corporations Act</i> .
Closing Date 5 May 2006 (unless extended).	Shareholder A person who holds Shares.
Constitution The constitution of Avexa as amended from time to time.	Shares Ordinary Shares in the capital of Avexa.
<i>Corporations Act</i> <i>Corporations Act 2001 (Cth)</i> .	Shire Shire Pharmaceuticals Group Plc.
Director A director of the Company.	Shortfall or shortfall Shares Those New Shares not subscribed for by way of an application pursuant to this Prospectus by 5pm (AEST) on the Closing Date.
Entitlement and Acceptance Form The Entitlement and Acceptance Form that is attached to this Prospectus.	Underwriters ABN AMRO Morgans Corporate Limited and Wilson HTM Corporate Finance Limited.
Excluded Shareholders Shareholders of Avexa with registered addresses in places outside Australia and New Zealand.	Underwriting Agreement The underwriting agreement described in section 7.4.

9. Corporate Directory

Directors of Avexa

Dr Hugh Niall
Chairman

Dr Julian Chick
Executive Director and Chief Executive Officer

Dr Errol Malta
Non-Executive Director

Mr Stephen Cooper
Non-Executive Director

Company Secretary

Ms Robyn Fry

Registered Office

576 Swan Street
Richmond, Victoria 3121 Australia
Telephone: (03) 9208 4300
Facsimile: (03) 9208 4004
www.avexa.com.au

Underwriters

ABN AMRO Morgans Corporate Limited
Melbourne Office
Level 27, 367 Collins Street
Melbourne, Victoria 3000 Australia
Telephone: (03) 9947 4112
Facsimile: (03) 9038 1973
<https://www.abnamromorgans.com.au/>

Wilson HTM Corporate Finance Limited
Brisbane Office
Level 38, 71 Eagle Street
Brisbane, Queensland 4000 Australia
Telephone: (07) 3212 1333
Facsimile: (07) 3212 1399
<https://www.wilsonhtm.com.au/>

Solicitors

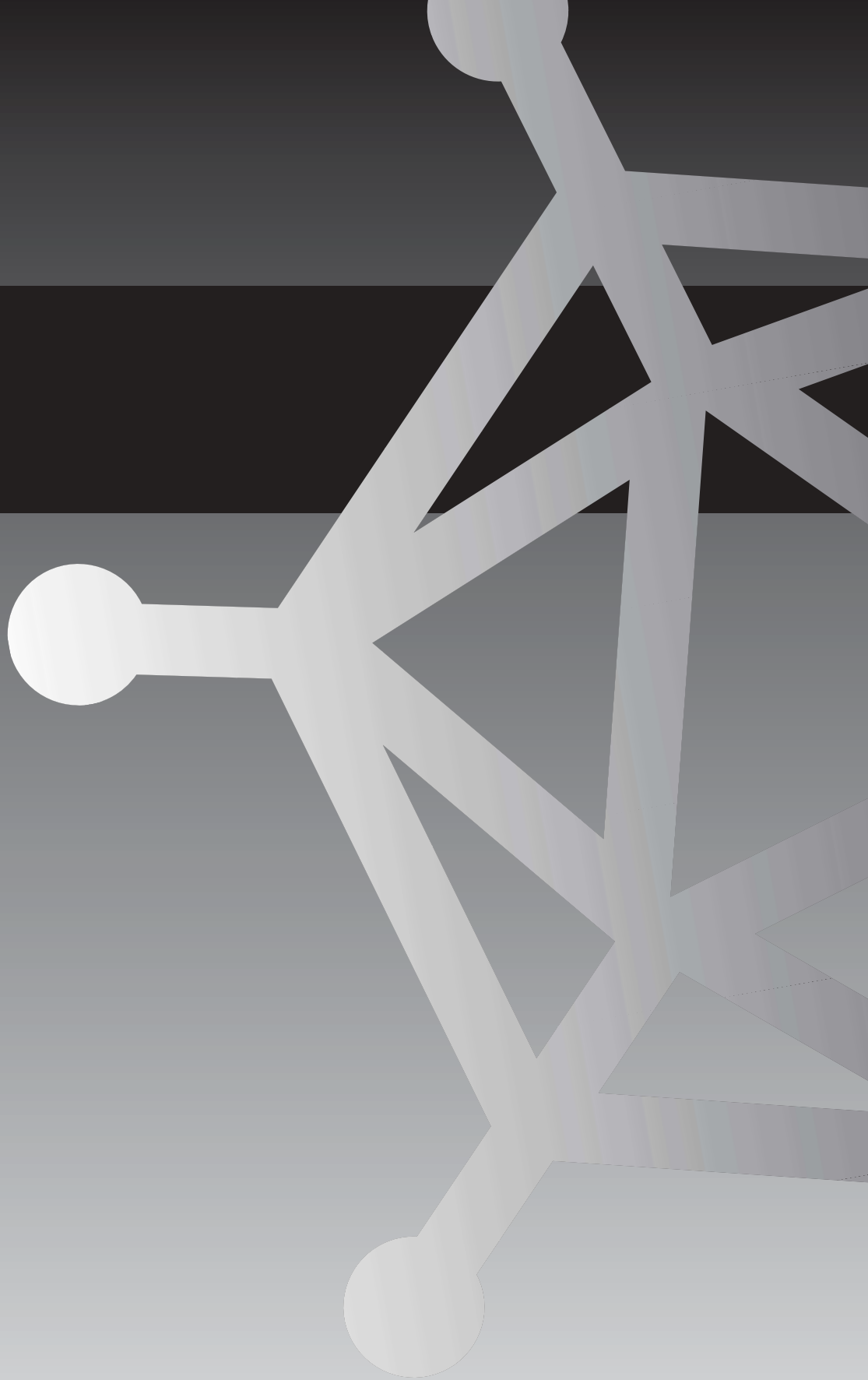
Deacons
RACV Tower
485 Bourke Street
Melbourne, Victoria 3000 Australia
Telephone: (03) 8686 6000
Facsimile: (03) 8686 6505
www.deacons.com.au

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford, Victoria 3067 Australia

Mail Entitlement and Acceptance Forms to:

Computershare Investor Services Pty Limited
GPO Box 505
Melbourne, Victoria 8060 Australia
Telephone:
Within Australia: 1300 783 058
Outside Australia: +61 3 9415 3414
Facsimile: +61 3 9473 2500
www.computershare.com.au



A V E X A

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