

Notice of Annual General Meeting

10.00am
Tuesday 24 October 2006

Avexa Limited
ACN 108 150 750

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A V E X A

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Avexa Limited (Avexa) will be held at Computershare Conference Centre, Yarra Falls, 452 Johnston Street, Abbotsford, Victoria, Australia on Tuesday, 24 October 2006 at 10.00am.

Capitalised terms used in this notice of meeting and the Explanatory Notes are defined in the body of this document or in the Definitions section at the end of this document.

Ordinary Business

1. Financial Statements and Reports

To receive and consider the Financial Report, the Directors' Report and the Auditor's Report, each for the financial year ended 30 June 2006.

2. Remuneration Report

To adopt the Remuneration Report for the financial year ended 30 June 2006.

3. Election of Directors

(a) Dr E Malta retires in accordance with rule 8.2 of the Constitution and, being eligible, offers himself for election.

(b) Mr S Cooper retires in accordance with rule 8.2 of the Constitution and, being eligible, offers himself for election.

Special Business

4. Issue of Options to Chief Executive Officer

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

"That, for the purpose of Listing Rule 10.14, the Members approve the issue of a total of 300,000 Options under the Avexa Limited Employee Share Option Plan (the ESOP) to Dr Julian Chick, the Chief Executive Officer and Executive Director of Avexa, in consideration of his appointment as Chief Executive Officer of Avexa in accordance with the terms and conditions of his executive service agreement and on the other terms described in the Explanatory Notes."

5. Ratification of Prior Issues of Securities

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

"That, in accordance with Listing Rule 7.4, approval is given to the issues during the previous 12 months of 20,408,000 securities of the Company on the terms, and to the subscribers, described in the Explanatory Notes."

Voting Exclusion Statement

Pursuant to Listing Rule 14.11, Avexa will disregard any votes cast on Resolution 4 by Dr Julian Chick, or an associate of Dr Chick. Similarly Avexa will disregard any votes cast on Resolution 5 by Passport Master Fund LP or Franklin Advisors Inc or any associates of Passport Master Fund LP or Franklin Advisors Inc.

However Avexa need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Entitlement

The Board has determined in accordance with regulation 7.11.37 of the Corporations Regulations that for the purpose of voting at the Annual General Meeting, shares will be taken to be held by those who hold them at 7.00pm (Melbourne time) on Friday 20 October 2006. This means that if you are not the registered holder of a relevant share at that time you will not be entitled to vote in respect of that share.

Voting by Proxy

Each Member who is entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote on behalf of that Member. The proxy need not be a Member.

A Member who is entitled to cast two or more votes may appoint one or two proxies and may specify the proportion or number of votes that each proxy is appointed to exercise. If a Member appoints two proxies and the appointment does not specify the proportion, or number, of the Member's votes, each proxy may exercise half the votes (disregarding fractions). Neither proxy may vote on a show of hands.

A proxy appointment form is enclosed with this notice of meeting. For the appointment of a proxy to be effective for a meeting, the following documents must be received by Avexa or Computershare Investor Services Pty Limited at least 24 hours before the meeting:

- (a) the proxy's appointment; and
- (b) if the appointment is signed by the appointor's attorney – the authority under which the appointment was signed or a certified copy of the authority.

Documents may be lodged using the reply paid envelope provided or:

- by posting, delivery or facsimile to the Company's share registry at:

Avexa Limited Share Registry
Computershare Investor Services Pty Limited
GPO Box 242
Melbourne Victoria 3001
Australia
Facsimile: 61 3 9473 2555, or

- by posting, delivery or facsimile to the registered office of Avexa at:

Avexa Limited
576 Swan Street
Richmond Victoria 3121
Facsimile: 61 3 9208 4004.

If posting, please allow sufficient time for your form to be received at least 24 hours before the meeting.

Bodies Corporate

A body corporate may appoint an individual as a representative to exercise all or any of the powers the body corporate may exercise at meetings of Members. The appointment may be a standing one. Unless otherwise specified in the appointment, the representative may exercise, on the body corporate's behalf, all of the powers that the body corporate could exercise at a meeting or in voting on a resolution.

By order of the Board



Alan Boyd
Company Secretary
Avexa Limited

Dated 20 September 2006

EXPLANATORY NOTES

1. Financial Statements and Reports

The Corporations Act requires the following reports in respect of the financial year ended 30 June 2006 to be laid before the Annual General Meeting:

- Financial Report (which includes financial statements and Directors' declaration); and
- The Directors' Report (which includes the Remuneration Report) and the Auditor's Report.

Members will be given a reasonable opportunity as a whole at the Annual General Meeting to ask questions and make comments on these reports, and on the business, operations and management of Avexa.

There is no requirement either in the Corporations Act or the Constitution for Members to approve the Financial Report, the Directors' Report (other than the Remuneration Report) or the Auditor's Report.

2. Remuneration Report

By way of summary, the Remuneration Report:

- (a) explains Avexa's policy and the process for determining the remuneration of its executive officers and employees;
- (b) addresses the relationship between the remuneration of Avexa's executive officers and Avexa's performance; and
- (c) sets out remuneration details for each Director and each of the executive officers of Avexa named in the Remuneration Report for the financial year ended 30 June 2006.

The Directors recommend that shareholders vote in favour of Resolution 2. Section 250R(2) of the Corporations Act requires companies to put a resolution to their members that the Remuneration Report be adopted. The vote on this resolution is advisory only, however, and does not bind the Board or Avexa.

3. Election of Directors

Dr Malta was appointed a Director on 1 November 2005. Mr Cooper was appointed a Director on 18 November 2005. In accordance with rule 8.2 of the Constitution, which provides that a Director who was appointed by the Directors will hold office only until the next Annual General Meeting:

- (a) Dr E Malta retires and, being eligible, offers himself for election; and
- (b) Mr S Cooper retires and, being eligible, offers himself for election.

Profiles of the candidates offering themselves for election to the office of director are set out below.

Dr E Malta

Non-Executive Director PhD, FAICD

Dr Malta is currently a Director of Australian biotechnology company Alchemia Ltd and has held previous directorships in two small unlisted Australian biotechnology companies. Over the last 17 years Dr Malta has been employed in the pharmaceutical/biotechnology industry in drug development. In eight of his 10 years with Amgen at their head office in the United States he was Product Development Team Leader responsible for global drug development and commercialisation for a number of different molecules. During that time Dr Malta was responsible for five successful new-molecule IND submissions to FDA and other regulatory agencies, subsequent Phase I/II programs and a number of Phase III and IV trials.

Dr Malta holds a PhD from the University of Melbourne and is a fellow of the Australian Institute of Company Directors. Prior to his industry experience, Dr Malta spent 13 years in academia as Senior Lecturer and Researcher in Pharmacology at the Victorian College of Pharmacy where he published over 50 scientific papers.

Mr S Cooper

Non-Executive Director B Com (Hons), CA

Mr Cooper is a Director of Grant Samuel, a leading independent Australasian investment house, where he provides corporate finance advice to small and large companies across a range of industry sectors. Prior to that, he was Senior Manager for KPMG Peat Marwick, Melbourne, in the area of strategic planning and business development.

Mr Cooper holds a Bachelor of Commerce (Hons) from the University of Cape Town and is an Associate of the Institute of Chartered Accountants (Aust) and Associate of the Chartered Institute of Management Accountants (UK).

4. Issue of Options to Chief Executive Officer

The Executive Service Agreement that has been entered into by the Company and Dr Chick includes short and long term incentives designed to align the Chief Executive Officer's interests with those of the Company. The long term incentives proposed by the Board involve the issue of Options under the terms and conditions of the ESOP.

Pursuant to Listing Rule 10.14, shareholders are required to approve the issue of securities to a Director under an employee incentive plan. Accordingly, Resolution 4 provides for the Members to approve the proposed issue of a total of 300,000 Options to Dr Julian Chick under the ESOP. The price payable to Avexa by Dr Chick for the issue of these Options will be nil. If the Members do not approve the issue of these Options to Dr Chick, Avexa is required to ensure that Dr Chick is provided with alternative benefits of an equivalent after-tax value to him.

Each Option will confer a right upon Dr Chick to subscribe for one fully paid ordinary share in Avexa. The exercise price for these Options will be \$0.30, which represents a premium 20% above the weighted average trading price of an Avexa share on the first five business days of the financial year ending 30 June 2007. 50% of the Options will vest on 1 July 2007, while the remaining 50% will vest on 1 July 2008. These Options will expire on 30 June 2011. The other terms of these Options are the standard terms of the ESOP approved at Avexa's 2005 AGM on 4 October 2005 and described in the Explanatory Notes of the 2005 AGM Notice of Meeting. Members may inspect a copy of the ESOP rules at Computershare Investor Services Pty Ltd during normal business hours or on Avexa's website (<http://www.avexa.com.au>).

As the only Director who is also an employee of Avexa, Dr Chick is the only Director who is entitled to participate in the ESOP. The proposed issue of Options to Dr Chick pursuant to this Resolution will be the second issue of Options to Dr Chick under the ESOP. Pursuant to the resolutions passed by shareholders at the 2005 AGM, on 5 October 2005, Dr Chick was issued:

Number of Options	Exercise Price	Expiry Date	Vesting Period
600,000	\$0.40	30 June 2010	40% now vested; 20% vest on 5 October 2007, 20% vest on 5 October 2008 and 20% vest on 5 October 2009.
500,000	\$0.19	30 June 2010	50% now vested and 50% vest on 1 July 2007.

If the Members approve this Resolution 4, Avexa will offer these Options to Dr Chick (and, if the offer is accepted, issue them to him) as soon as practicable after the Annual General Meeting, but in any event no later than 12 months after the Annual General Meeting.

EXPLANATORY NOTES CONTINUED

5. Ratification of Prior Issues of Securities

Avexa is restricted under the ASX Listing Rules from issuing equity securities (which include shares and options over shares) of a number greater than 15% of its issued capital in a 12 month period.

Resolution 5 provides for ratification of the issue of 20,408,000 securities since 4 October 2005, comprising of 20,408,000 fully paid ordinary shares.

The purpose of issuing these securities was to raise funds to enable a prudent level of working capital so that the Company's operational activities can be maintained. These activities included the further development and advancement of AVX754. The placement was made to two institutional investors in the USA: Passport Master Fund LP (14,500,000 shares at \$0.24 each) and Franklin Advisors Inc – FFS FR BIO Discovery Fund (5,908,000 shares at \$0.24 each).

The issues of these securities were made out of the Company's 15% capacity. By obtaining shareholder approval of the issue of the securities noted above, such securities will be excluded from the 15% calculation under ASX Listing Rule 7.1 in the future.

The shares issued to the subscribers set out above were ordinary shares on the same terms as existing ordinary shares.

ASX Listing Rule 7.4 provides that the holders of ordinary securities may approve prior issues of securities in order to maintain flexibility for subsequent issues of securities without the need for shareholder approval, provided that the prior issues have not breached the 15% in each 12 month period limit in Listing Rule 7.1. The above issues did not breach the 15% limit – i.e. after taking into account issues which do not require approval or which have already been ratified for the purposes of this Rule, did not exceed 15% of the capital of the Company.

Resolution 5 is being put to the Annual General Meeting to obtain ratification of the issues outlined above, so that those issues will be excluded from the calculation of the 15% of equity securities that the Company can issue without the need to obtain shareholder approval. The Directors consider that the Company will benefit from maintaining maximum flexibility in relation to future issues of securities. Without ratification of these issues, it is possible that similar actions to further the development and advancement of the Company could not be taken by Directors without first obtaining shareholder approval.

DEFINITIONS

Associated Company means:

- (a) a company which is a related body corporate (as defined in the Corporations Act) of Avexa;
- (b) a company which has voting power (as defined in the Corporations Act) in Avexa of not less than 20%; or
- (c) a company in which Avexa has voting power (as defined in the Corporations Act) of not less than 20%.

ASX means Australian Stock Exchange Limited.

Auditor's Report means the auditor's report required to be prepared and laid before the Annual General Meeting in accordance with s317 of the Corporations Act.

Avexa means Avexa Limited (ACN 108 150 750).

Board means the Board of Directors of Avexa.

Company means Avexa.

Constitution means Avexa's Constitution.

Corporations Act means the *Corporations Act 2001 (Cth)*.

Corporations Regulations means the *Corporations Regulations 2001 (Cth)*.

Director means a director of Avexa.

Directors' Report means the directors' report required to be prepared and laid before the Annual General Meeting in accordance with s317 of the Corporations Act.

ESOP means the Avexa Limited Employee Share Option Plan.

ESOP Rules means the Plan Rules of the ESOP.

Executive Director means a director who is also an employee of Avexa.

Explanatory Notes means the explanatory notes attached to the Notice of Annual General Meeting.

Financial Report means the financial report required to be prepared and laid before the Annual General Meeting in accordance with s317 of the Corporations Act.

Listing Rules means the listing rules of the ASX.

Member means a member of Avexa.

Option means an option issued under the ESOP to subscribe for a fully paid ordinary share in Avexa.

Remuneration Report means the remuneration report required to be prepared in accordance with s300A of the Corporations Act.



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