

AVEXA

Highlights in this Issue:

- Avexa Gets 'Green Light' for ATC Phase III Program
- Over 80 Per Cent of Patients on ATC Achieve Undetectable HIV After 24 Weeks
- Conferences
- World AIDS Day



Chairman and CEO's Letter

Dear Shareholders,

As 2007 rapidly comes to a close we can look back on a year of considerable achievement for Avexa. In particular, we have made substantial progress with our lead project, the HIV treatment apricitibine or ATC. Highlights were outstanding 21 day and 24 week results from the Phase IIb trial for ATC, the acquisition of the North American marketing rights for ATC and the announcement that Avexa will shortly initiate a Phase III trial for ATC. In addition, we have concluded a collaboration agreement with TargetDrug of Shanghai that provides us with access to another prospective HIV treatment, advanced our integrase and antibacterial program and won a government research grant which recognises the quality of the Company's work and capabilities. These achievements were acknowledged by the sharemarket with a considerable re-rating of the Company's shares.

We now look forward to 2008 as the Phase III clinical trial for ATC gets underway and as we progress our early stage anti-bacterial and HIV Integrase projects towards IND filing. To reach this stage in the filing process is a major achievement that signals the transition of a drug from the discovery phase to clinical trials.

A comprehensive presentation was delivered to shareholders at the Company's recently held Annual General Meeting which covered the market for ATC, the Phase III program and some planning and development issues. An overview was also provided of the background and progress of the early stage programs. This presentation is available at our website: www.avexa.com.au

One of the key issues to be addressed is how most effectively to take ATC to market. In both the Chairman's address and the CEO's presentation, it was clearly signalled that the Company will be

pursuing partnering opportunities. An appropriate partner would provide Avexa with sales and marketing capabilities and could assist with funding for the Phase III trial, whilst potentially also accelerating the process of getting ATC to market.

A partnering arrangement could take a number of different forms, and may take some time to achieve. Avexa will, of course, only enter into a partnering arrangement that adds value for Avexa shareholders, whether through funding assistance, risk reduction or access to sales and marketing capability. Avexa may choose to retain the bulk of the funding commitment for ATC if that will deliver maximum value for shareholders. While exploring the options for partnering ATC, Avexa will continue to push ahead with the Phase III trials, recognising the importance of maintaining the momentum of our development program.

ATC is an important treatment that is expected to make a difference to peoples lives and we look forward not only to moving towards approval but also putting in place key elements that will drive the product's commercial success.

We all look forward to another exciting quarter and to positive news flow from our projects over the next few months.

Kindest regards,

Dr Hugh Niall
Chairman

Dr Julian Chick
Chief Executive Officer



Avexa Gets 'Green Light' for ATC Phase III Program

At this year's AGM, Dr Julian Chick announced that the Company had received very encouraging feedback from both North American and European regulatory authorities regarding the planned Phase III development program for ATC. This enables Avexa to move forward with its Phase III plans with confidence that the anticipated successful results will be well received by these important regulatory bodies. Of significance, the important contribution that ATC could play was highlighted by the recognition that accelerated approval based on data from 24 weeks (rather than the usual 48 weeks)

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would be possible. It will also benefit from 'fast-track' status for its regulatory review by the FDA.

Two pivotal Phase III clinical trials involving a total of 1,800 patients are planned. These are similar in design, patient characteristics and endpoints to the ongoing AVX-201 Phase IIb trial, which further strengthens the probability of Phase III success. The first trial will also examine two doses of ATC for an initial short period, followed by continuation of only the optimum dose. Such an adaptive design is a very efficient way of moving forward quickly. The second trial will examine only the optimum dose, and will therefore be staggered to start after the first trial is underway.

In parallel, as noted above, the Company will seek a partner to assist in the launch, marketing and sales of the final product. Such a partner could also provide other HIV products of their own which could be combined with ATC to produce a potent combination product, further enhancing the commercial opportunities for ATC.

Over 80 Per Cent of Patients on ATC Achieve Undetectable HIV After 24 Weeks

In September, Avexa received very encouraging data from patients in the AVX-201 Phase IIb trial who had completed 24 weeks of therapy. The results showed that more than 80 per cent of the patients treated with ATC were able to reduce the levels of virus in their blood to below the level that can be detected. This was markedly better than the patients who were treated with lamivudine, the currently used drug. This level of response was remarkable considering all the patients have previously failed at least one other HIV drug regimen, and in some cases, patients had failed many other HIV drug regimens before entering the ATC clinical trial.

Consistent with the potent suppression of the virus, the numbers of particular immune cells (CD4 cells) increased, showing that the immune system was recovering in these patients. No evidence of resistance to ATC was seen.

In addition, ATC was very well tolerated, with very few side effects attributed to the drug.

The results show that ATC can provide a potent, durable and safe therapy for patients who have previously failed treatment with currently used drugs.



Conferences

The Company is an active participant at investment, HIV and biotechnology conferences to promote the Company's work and to keep abreast of industry development.

In October, Dr Chick and the Company's Chief Scientific Officer, Dr Jonathan Coates, presented at the Wilson HTM Life Sciences Investor Conference in Sydney. In December they will be attending the RBC Investor Healthcare Conference in New York. These conferences provide the opportunity to meet fund managers and capital providers and to observe the progress of other biotechnology technologies as well as comparing relative investment propositions. In October, our Head of Development, Dr Susan Cox, presented a poster with comprehensive analysis of the Company's work with ATC at the 11th European Aids Conference/EACS Conference in Madrid. The European AIDS Clinical Society (EACS) is a not-for-profit

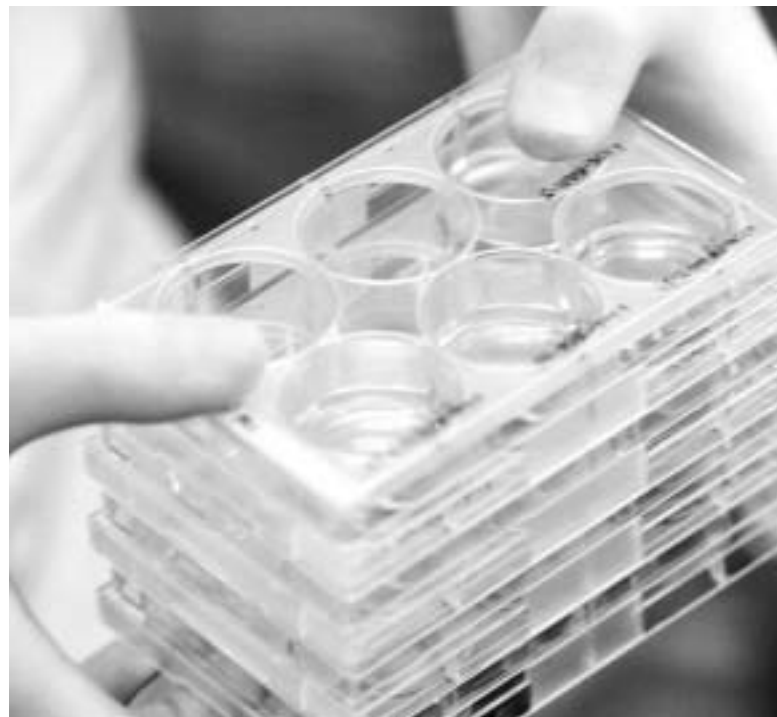
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scientific society of European clinicians and researchers, active in the field of HIV/AIDS. It was established in 1991 by Prof. Nathan Clumeck and Prof. Christine Katlama and has around 600 members. One of the main purposes of the EACS is to stimulate research interest and to provide network opportunities.

World AIDS Day

To promote AIDS/HIV awareness to the community at large, 1 December is recognised internationally as World Aids Day. It is now an established feature of the Company's annual calendar that staff hold a fund raising event for those suffering from this disease. Funds raised from the event are donated to a local AIDS charity.

HIV is now the fourth largest cause of death globally with 40 million people in the world infected with the deadly disease. While the greatest incidence of HIV is in developing countries, HIV still represents a significant health problem in the western world.



Financials

Avexa Limited cash flow report for the quarter ended 30 September 2007

	Current quarter (30/09/07) \$A'000
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Operating cash flows	
Payments for:	
Staff costs	(1,272)
Advertising and marketing	(35)
Research and development	(4,443)
Leased assets	(61)
Laboratory consumables	(100)
Occupancy	(350)
Consulting	(129)
Legal and professional	(40)
Corporate administration	(162)
Travel and entertainment	(238)
Insurance	(235)
Intellectual property	(126)
Other working capital	(103)
Interest and other items of a similar nature received	1,206
Other – GST refunds	
– Property sub-rental proceeds	133
	16
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Net operating cash flows	(5,939)
Cash flows related to investing and financing activities:	
Physical non-current assets	(165)
Other – Proceeds from issues of shares, options, etc. net of raising costs	39
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Net investing and financing cash flows	(126)
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Net decrease in cash held	(6,065)
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Cash at beginning of quarter/year to date	76,873
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Cash at end of quarter	70,808

Timetable for the next 12 months

Quarterly *Avexa News*

March 2008

Annual Report

September 2008

Quarterly *Avexa News*

June 2008

Quarterly *Avexa News*

December 2008



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Editor's Note

We value shareholder feedback.
Your comments can be emailed to:
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