

**A V E X A**

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

25 March 2009

Dear Shareholder

Avexa Limited: Renounceable Rights Issue

We are pleased to advise that today, 25 March 2009, Avexa Limited (**Avexa or Company**) announced a pro-rata renounceable rights issue to raise up to approximately \$14.8 million (before costs and expenses) through the issue of up to 212,337,507 fully paid ordinary shares to existing shareholders at an issue price of \$0.07 per new share, on the basis of one (1) new share for every two (2) ordinary shares held (**Rights Issue**).

Avexa's board and management retain a resolute belief in the underlying value of apricitabine (ATC). This has recently been supported by the Lonergan Edwards Independent Expert Report, a copy of which is available on the Company's website at www.avexa.com.au. The highlights of this independent report were:

- Currently the independently assessed value of ATC alone is between \$150M and \$225M.
- The forecast peak market potential for ATC is US\$588M in annual sales.
- The current market perception that Avexa needs to raise more funds is creating downward selling pressure on the stock.

Therefore the purpose of this Offer is to strengthen the balance sheet of the Company and relieve the market perception of the capital risk in Avexa. It also strengthens the overall capital within the Company, and places the Company in a stronger position of financial leverage in partnering discussions.

Offer Document

The Company will not prepare a prospectus or other disclosure document for the Rights Issue as the offer will be made under section 708AA of the Corporations Act.

However, the Company will send an Offer Document and personalised Entitlement and Application Form to eligible shareholders on 6 April 2009.

A copy of the Offer Document will also be available on the ASX website at www.asx.com.au and the Company's website at www.avexa.com.au

Proposed Rights Issue Timetable

Avexa expects the Rights Issue to be conducted according to the following timetable:

Key Dates*

Announcement	Lodgement of Offer Document with the ASIC	25 March 2009
Ex Date	The date on which Avexa shares commence trading without the entitlement to participate in the Offer	30 March 2009
Rights Trading Opens	The day when eligible shareholders are entitled to trade their rights	30 March 2009
Record Date	The date for determining entitlements of shareholders to participate in the Offer (at 7:00pm AEST)	3 April 2009
Offer Document Sent to Shareholders	Anticipated despatch of Offer Document and Entitlement and Acceptance Forms	6 April 2009
Rights Trading Ceases	The day on which eligible shareholders will no longer be able to trade their rights	20 April 2009
New Shares Quoted on Deferred Settlement Basis	The day on which new shares commence trading on a deferred settlement basis	21 April 2009
Closing Date	The last day for receipt of applications (at 5:00pm AEST)	27 April 2009
Allotment/Issue Date	Anticipated date for the issue of new shares	1 May 2009
Despatch Date	Anticipated despatch of holding statements for new shares	5 May 2009
First Trading Date	Anticipated date for commencement of trading of new shares	8 May 2009

* 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 and the ASX Listing Rules, to close the Rights Issue early, to extend the Closing Date or to withdraw the Rights Issue without prior notice. Any extension of the Closing Date will have a consequential effect on the date for the issue of new shares.

Eligible Shareholders

The Rights Issue will be open to existing shareholders of Avexa with registered addresses in Australia and New Zealand, and may be extended to shareholders outside of Australia and New Zealand at the discretion of the Company, subject to compliance with securities laws in those jurisdictions. Accordingly, unless the Company determines otherwise, the offer under the Rights Issue will only be made to shareholders in Australia and New Zealand.

Avexa considers it unreasonable to extend the Rights Issue to those shareholders with registered addresses in jurisdictions outside Australia and New Zealand having regard to the small number and value of new shares that would be offered in such jurisdictions and the cost of complying with the legal and regulatory requirements in those jurisdictions.

Entitlements

The Rights Issue is an offer to eligible shareholders on the basis of one (1) new ordinary share in Avexa at an issue price of \$0.07 per new share for every two (2) ordinary shares held by each shareholder at 7.00pm on 3 April 2009 (**Record Date**). Fractional entitlements will be rounded up to the nearest whole number and holdings on different registers or sub-registers will not be aggregated to calculate entitlements.

Eligible shareholders may apply for additional shares in excess of their entitlement. However, there is no guarantee that they will be issued those additional shares.

The Directors of Avexa intend to take up their entitlements in full.

Selling Your Entitlements

The Rights Issue is renounceable, and accordingly, you will be able to sell your entitlements under the Rights Issue on ASX, or otherwise transfer your entitlement to another person. The rights trading period on ASX commences on 30 March 2009 and ends on 20 April 2009.

If you are an Eligible Shareholder and wish to sell some or all of your rights on ASX, please contact your stockbroker as soon as possible.

If you wish to transfer all or part of your entitlement to a person, other than by trading on ASX, you must complete and forward:

- a Renunciation and Transfer Form (obtainable from the Registry – Computershare Investor Services Pty Ltd);
- your personalised Entitlement and Acceptance Form; and
- the transferee's cheque or bank draft for the Application Monies,

to the Registry at:

Computershare Investor Services Pty Limited
GPO Box 52
Melbourne VIC 8060
Facsimile: +61 3 9473 2500,

by 5.00pm AEST on the Closing Date.

Purpose of the Offer

The Rights Issue follows two important releases, most recently on Tuesday 24 March 2009 when it was announced that the last patient enrolled in the initial two dose phase of the apricitabine (ATC) Phase III trial has passed the week 16 time point. This significant event triggered the start of the data analysis for the week 16 results. These results are due for release in the second quarter of 2009.

The second important release was the Monday 16 March 2009 announcement of the 96 week data from the Company's Phase IIb clinical trial of its anti-HIV/AIDS drug apricitabine (ATC) in patients infected by virus which has become resistant to previous therapy.

In summary, the 96 week results of Avexa's Phase IIb clinical trial provide a further compelling demonstration that ATC is a clinically effective antiviral drug that can significantly reduce the viral load in patients infected with drug-resistant HIV over an extended period of time. Moreover, these results demonstrate that ATC is well tolerated, with an excellent safety profile not associated with undesirable side effects. Key highlights of the 96 week data include:

- no resistance to ATC has been identified after 96 weeks of dosing;
- CD4 cells in patients continue to rise with ongoing ATC treatment;
- no ATC-related Serious Adverse Events;
- no withdrawals from the trial due to side effects associated with ATC; and
- 39 patients completed the 96 week treatment period.

As you will be aware, ATC is currently in a pivotal Phase III study. Historically, success rates in Phase III clinical trials of HIV drugs have been higher than in any other therapeutic areas. As a result, those compounds entering into the later stages of development have a much lower rate of failure, and higher probability of getting to market and being commercialised. Based on the historical success rate of anti-HIV drugs in late stage development and the outstanding clinical data for ATC to date, the Board and management of Avexa firmly believe that ATC has the capacity to meet an unmet medical need and be a successful product.

Funds raised under the Rights Issue will allow Avexa to progress both ATC and its other portfolio programs as rapidly and efficiently as possible to value inflection points that will generate shareholder value and may facilitate licensing and partnering opportunities to capture this value and expedite the runway to market.

Accordingly, funds raised from this Rights Issue will be used to:

- strengthen the Company's Balance Sheet through the provision of additional working capital;
- relieve the market perception of the capital risk within Avexa;
- continue to develop ATC past the week 16 Phase III endpoint due in the second quarter of 2009;
- provide additional leverage in partnering discussions; and
- progress the wider Avexa portfolio of projects to value creating milestones.

The balance of the funds raised will be applied to the costs and expenses of the Rights Issue and the on-going working capital requirements of Avexa.

The Rights Issue is not underwritten and there is no minimum subscription.

If the Rights Issue is not fully subscribed, then the amount available for the purposes described above will be reduced accordingly. Avexa reported cash reserves of approximately \$20 million in its half year results to 31 December 2008.

Capital structure

The following table shows the proposed capital structure of Avexa on completion of the Rights Issue (assuming the Rights Issue is fully subscribed).

	Number of Shares	Options #	Issued Share Capital (\$'000)
As at 25 March 2009	424,675,014	21,390,000	142,986
Issued under the Rights Issue	212,337,507	-	14,864
Transaction costs estimate ##	-	-	(845)
Total	637,012,521	21,390,000	157,005

There are a total of 21,390,000 unlisted options on issue in Avexa as at 25 March 2009. Each option is non-transferable and converts to one fully paid Share in Avexa. A notice of the Rights Issue was sent to these optionholders on 25 March 2009.

Comprises Lead Manager fees up to \$595,000 (assuming full subscription) plus other transaction-related expenses anticipated to be no more than \$250,000.

The shares issued under the Rights Issue will rank equally in all respects from the date of allotment with the existing ordinary shares on issue in the Company.

ABN AMRO Morgans Corporate Limited has agreed to act as the Lead Manager to the Rights Issue and will be paid a management commission of 2% of the funds raised under the Rights Issue and a sale fee of 2% of the funds raised under the Rights Issue.

The Company currently does not anticipate paying dividends in the short to medium term.

Shareholder approval is not required for the Rights Issue.

Additional Information

Enquiries concerning the Rights Issue or the Offer Document should be directed to the Avexa Company Secretary, Mr Stephen Kerr, on (03) 9208 4341 or the Lead Manager to the Rights Issue (ABN AMRO Morgans Corporate Limited) on 13 42 26.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Nathan Drona', written in a cursive style.

Mr Nathan Drona
Chairman