



Afexa Life Sciences Inc.

NEWS RELEASE

Afexa Adopts New Shareholder Rights Plan and Extends Separation Time Under Shareholder Rights Plans

EDMONTON, ALBERTA – Sunday, August 14, 2011 - Afexa Life Sciences Inc. (“Afexa” or the “Company”) (TSX:FXA) - the maker of COLD-FX[®] - has adopted a new shareholder rights plan (the “New Rights Plan”). The New Rights Plan has been adopted to limit, to the extent possible, the ability of any investor to obtain effective control of Afexa through coercive and opportunistic methods without making a take-over bid offer to all shareholders of Afexa which a majority of shareholders find acceptable and otherwise to encourage fair treatment of shareholders in connection with any take-over bid offer for Afexa’s common shares. The Board of Directors did not adopt the New Rights Plan to prevent a takeover of the Company, to secure the continuance of management or the directors in their respective offices or to deter fair offers for the common shares of the Company.

The objectives of the New Rights Plan are, to the extent possible, to prevent a creeping takeover of the Company by requiring that any offer to acquire shares of the Company is made to all shareholders for all of their shares and cannot be completed unless shareholders holding at least 50% of the outstanding shares (other than the offeror and related parties) are tendered in favour of the offer. The New Rights Plan preserves the Company’s ability to obtain the best value for all shareholders by allowing other strategic alternatives to be fully explored by the Board of Directors before any one acquiror has substantial control or a blocking position in the common shares of the Company. The rights issued under the New Rights Plan become exercisable only if a person acquires 15% or more of Afexa’s shares and any bid that meets certain criteria intended to protect the interests of all shareholders is deemed to be a “Permitted Bid”. A Permitted Bid must be made by way of a take-over bid circular prepared in compliance with applicable securities laws and, in addition to certain other conditions such as the tender of at least 50% of the common shares referred to above, must remain open for 60 days. In the event a take-over bid does not meet the Permitted Bid requirements of the New Rights Plan, the rights issued under the plan will entitle shareholders, other than any shareholder or shareholders involved in the take-over bid, to purchase additional common shares of Afexa at a significant discount to the market price of the common shares at that time.

To the knowledge of Afexa, Paladin Labs Inc. (“Paladin”) owned approximately 14.95% of the common shares of Afexa as of August 10, 2011. If Paladin has subsequently bought more Afexa shares on or before August 12, 2011, then under the New Rights Plan, Paladin will be grandfathered and Paladin’s beneficial ownership of more than 15% of the issued and

outstanding common shares as at today's date will not trigger a Flip-In Event. However, if subsequent to today Paladin acquires more than 1% of the number of common shares then outstanding in addition to those common shares Paladin already holds (or, if Paladin is not grandfathered, if it exceeds the 15% beneficial ownership threshold), then a Flip-In Event will occur unless otherwise waived by the Board.

The New Rights Plan takes effect immediately and will be filed with the TSX for approval. The New Rights Plan does not replace or amend the existing shareholder rights plan dated January 25, 2010 and previously approved by the shareholders, which will remain in effect.

The Board has determined to defer the "Separation Time" for rights under both plans in connection with the offer made by Paladin on August 10, 2011 (the "Paladin Offer") to September 9, 2011, in order to permit Paladin to adjust the terms of its bid to make a Permitted Bid.

The Board of Directors of Afexa has established a Special Committee and the Board will provide shareholders with their recommendations in relation to the Paladin Offer by way of press release and directors' circular as contemplated by securities laws. The Special Committee has retained Osler, Hoskin and Harcourt LLP as its legal counsel.

About Afexa Life Sciences Inc.

Afexa Life Sciences Inc., founded in 1992, strives to deliver the most trusted health brand on the planet through pioneering evidence-based natural medicines that empower people to achieve their health potential. The Company's patented ChemBioPrint discovery and standardization technology enables the development of effective and safe medicines from complex natural sources, while ensuring reliable health benefits and batch-to-batch consistency. COLD-FX, a ChemBioPrint product, is the Company's flagship product and Canada's leading over-the-counter (OTC) cold and flu remedy. It is officially indicated in Canada to help reduce the frequency, severity and duration of cold and flu symptoms by boosting the immune system. COLD-FX products have product licenses (NPN) and are supported by scientific evidence, including randomized, double-blind, placebo-controlled clinical trials.

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