



Afexa Life Sciences Inc.

## NEWS RELEASE

### **Afexa Announces Results for Fiscal 2012 First Quarter**

- **First quarter results improve over last year**
- **Product portfolio expansion continuing**
- **Paladin offer significantly undervalues Afexa**

**EDMONTON, AB (August 19, 2011)** – Afexa Life Sciences Inc. (“Afexa” or the “Company”) (**TSX:FXA**) today announced that for the three months ended June 30, 2011, revenue increased to \$4.6 million from \$1.8 million during the same period last year.

#### **First quarter results improve over last year**

“Our first quarter revenue was in line with our expectations and much better than last year’s first quarter.” said President and Chief Executive Officer Jack Moffatt. “Typically our first quarter revenue is the lowest revenue quarter as it corresponds to the period when colds and flu are at their lowest.”

For the three months ended June 30, 2011, Afexa’s net loss decreased to \$3.1 million (\$0.03 per share) from \$4.1 million (\$0.04 per share) in the same quarter a year ago. This improvement was partially offset by additional costs incurred due to expenditures associated with the launch of COLDSORE-FX<sup>®</sup> in the quarter. Historically, revenue and margins in the June quarter are insufficient to cover expenses.

The Company’s cash position at June 30, 2011 was \$0.2 million with \$2.7 million utilized of a \$15 million demand operating line of credit. This compares to \$3.7 million in cash and no utilization of our operating line at March 31, 2011. The Company paid out its \$5 million mortgage on its research and development and corporate office building last year. Working capital was \$9.3 million at June 30, 2011 compared to \$12.2 million at March 31, 2011.

“We believe our fiscal 2012 revenue will improve over last year’s results. Normalized retail inventories should lead to revenue growth that is more comparable to historical periods when sales were not significantly impacted by the pandemic outbreak of the flu. We have also expanded our product portfolio with the launch of COLDSORE-FX, which will add to our expected revenue growth,” said Mr. Moffatt.

## **Product portfolio expansion continuing**

At the August 10, 2011 Annual General Meeting, the Company outlined the progress it is making towards growing its integrated business across its component parts: Canadian Commercial business, the Globalization of COLD-FX<sup>®</sup>, and the Serial Development business.

The Canadian Commercial business supports the existing FX product portfolio and provides a foundation from which to launch the Company's new product pipeline in Canada as well as other in-licensed products. The Company commenced shipping to our Canadian retail customers our most recent in-licensed product, COLDSORE-FX. COLDSORE-FX has been granted a Natural Product Number from Health Canada's Natural Health Products Directorate, allowing the product to be sold in Canada as an over-the-counter remedy clinically proven to speed the rate of healing while at the same time reducing the pain associated with cold sores.

In addition, the Company expanded the Quebec direct broker sales model to Ontario to increase the ability to merchandise and educate healthcare professionals on our commercialized products.

Activities related to the Globalization of COLD-FX business include progressing in the registration and commercialization of COLD-FX ("AFX-2") in China, other Asian countries and the United States. Although this is a multi-year process, the initial regulatory assessment indicates that the existing Health Canada approval of COLD-FX will help shorten timelines and reduce development costs in bringing this product to China. As part of the Company's strategy to register AFX-2 as a drug in the U.S., the Company received FDA approval to proceed with a second Phase 1B clinical trial, exploring the reduction in the incidence and severity of acute respiratory affection among Chronic Lymphocytic Leukemia ("CLL") patients.

Afexa's Serial Development business is driven by our research and development of botanical polymolecular formulations using our ChemBioPrint technology. The Company intends to continue to use the clinical development rigour expected of traditional over the counter products. The Company's development pathway allows us to develop innovative, highly differentiated, natural medicines with the potential to create new product categories rather than compete in crowded markets. Our plan is to focus our research and development on meeting the FDA clinical and regulatory requirement to accelerate access to the global markets. This approach is intended to allow us to continue to expand the Canadian product portfolio.

Mr. Moffatt said, "Given the strength of our current and future growth potential as an integrated business, which includes the continued growth of our Canadian Commercial operations, the Globalization of COLD-FX, and our Serial Development businesses, we believe the market will recognize the value of our unique business and its fundamental strengths."

COLD-FX remains Canada's best selling cold and flu remedy for the 52-week period ended July 2, 2011, according to The Nielsen Company. In addition, COLD-FX remains

the number one natural cold remedy recommended by pharmacists and doctors in Canada, based on 2010/2011 surveys of over-the-counter counseling and recommendations reported by *Drugstore Canada* and *L'actualité pharmaceutique*, as well as *The Medical Post*.

### **Paladin offer significantly undervalues Afexa**

Paladin Labs Inc. ("Paladin") has filed documents with Canadian securities authorities formally commencing an unsolicited tender offer to acquire all of the outstanding common shares of the Company for either cash consideration of Cdn \$0.55 per common share or 0.013 of a Paladin share for each common share ("the Offer").

The Company's Board of Directors believes the Paladin Offer significantly undervalues Afexa's business. The Board has established a special committee of the Board to review the Offer.

The Board strongly urges Afexa shareholders not to deposit any shares to the Paladin Offer and not to take any action with respect to the Paladin Offer until the Board has completed its full review and consideration of the Offer.

The Company's Board of Directors will soon issue a Directors' Circular concerning the Paladin Offer. The Directors' Circular will contain important information including the formal recommendation of the Board of Directors of Afexa with respect to the Paladin Offer.

On October 18, 2010 Afexa's renewed its normal course issuer bid ("NCIB") with the Toronto Stock Exchange. Under the renewed NCIB, the Company may acquire up to 5,212,941 of the common shares issued and outstanding, until the renewed NCIB expires on October 17, 2011.

During the period ended June 30, 2011, Afexa repurchased and cancelled 30,626 common shares pursuant to the current NCIB at a total cost of \$12,000 or \$0.38 per share.

It is management's intent to discontinue purchases under the NCIB during the period the Company is subject to an unsolicited bid from Paladin.

A complete set of Afexa's most recent Financial Statements and Management's Discussion and Analysis will be filed on SEDAR ([www.sedar.com](http://www.sedar.com)) and posted on the Company's web site.

### **ABOUT AFEAX LIFE SCIENCES INC**

Afexa Life Sciences Inc. is a life sciences and technology company founded in 1992 and headquartered in Edmonton, Alberta, Canada. The Company have developed, commercialized and patented a proprietary technology, known as ChemBioPrint, which is used in the discovery and biological standardization of natural products that deliver consistent, verifiable and provable health benefits. Using the ChemBioPrint<sup>®</sup> product discovery and standardization platform, Afexa's scientists are able to precisely identify the chemical profile and biological activity of natural products. The process involves a combination of chemical and biological fingerprinting to ensure that the creation and scientific substantiation of its natural health products are safe, effective and consistent. Afexa is committed to using a pharmaceutical model (involving rigorous

drug discovery and clinical development methods) to develop natural medicines for health maintenance and disease prevention. The Company's efforts in scientific research and product innovation are key factors in enabling Afexa to secure the trust of consumers, trade professionals, healthcare practitioners and government. Afexa's lead commercial product, COLD-FX<sup>®</sup>, is approved to help reduce the frequency, duration, and severity of cold and flu symptoms by strengthening the immune system. COLD-FX continues to be the number one selling cold and flu remedy in Canada (source: The Nielsen Company MarketTrack National all channel dollar sales for the categories of Cold Remedies and Supplements and Products ("Point of Sale Data"), 52 weeks ended July 2, 2011).

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**Advisory Regarding Forward-looking Statements**

This news release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "would", "project", "could", "should", "contemplate", "potential", "depend", "forecast", "believe", "plans", "targets", "intends" and similar expressions are intended to identify such forward-looking statements. These forward-looking statements reflect our beliefs and are based on information currently available to us. These statements require the Company to make assumptions which it believes are reasonable, and which are subject to inherent risks and uncertainties. Actual results and developments may differ materially from the results and developments discussed in the forward-looking statements, as certain of these risks and uncertainties are beyond Afexa's control. The forward-looking information and statements included in this news release are not guarantees of future performance and should not be unduly relied upon.

Examples of such forward-looking statements include, but are not limited to: Afexa's expectation that revenue will improve over last year's results; belief that the launch of COLDSORE-FX will add to revenue growth; anticipation that our drug registration approval process will be expedited in China; and belief that the markets will recognize the value of our business.

In addition, forward-looking statements are subject to the following risks and uncertainties which include, among other matters, the impact of competition; consumer confidence and spending levels; general economic conditions; interest rates; unseasonable weather patterns; the incidence of illnesses in the general population; the cost and availability of capital; the cost and availability of grants/funding; product development; reliance on third parties; dependence on a small number of major customers; adequacy of the Company's cash position to mitigate potential tightening of credit terms; success and adequacy of the Company's long-term strategic objectives; and the risk that actual results may differ from management's assumptions and estimates.

The Company believes that the expectations and assumptions reflected in the forward-looking information and statements contained herein are reasonable, but no assurance can be given that these expectations and assumptions are correct and that the results, performance or achievements expressed in, or implied by, forward-looking statements within this disclosure will occur, or, if they do, that any benefits may be derived from them. Afexa assumes no duty to update or revise forward-looking information, except as may be required pursuant to applicable laws. All forward-looking information is expressly qualified in its entirety by this cautionary statement. Further information regarding risks and uncertainties relating to Afexa and its securities can be found in the disclosure documents filed with the securities regulatory authorities, available at [www.sedar.com](http://www.sedar.com). The Company claims exemptions under U.S. SEC Rule 12g3-2(b).