



Afexa Life Sciences Inc.

NEWS RELEASE

**AFEXA'S BOARD UNANIMOUSLY CONFIRMS PREVIOUS RECOMMENDATION
THAT SHAREHOLDERS
REJECT PALADIN'S UNSOLICITED OFFER**

EDMONTON, ALBERTA – Tuesday, August 23, 2011 - Afexa Life Sciences Inc. ("Afexa" or the "Company") (TSX:FXA) - the maker of COLD-FX[®] - today announced that its Board of Directors (the "Board") unanimously confirmed its previous recommendation that Afexa shareholders (the "Shareholders") reject the unsolicited offer by Paladin Labs Inc. to acquire all of the outstanding shares of Afexa (the "Common Shares") for either cash consideration of Cdn\$0.55 per common share or 0.013 of a Paladin share for each common share (the "Paladin Offer").

"The Board of Directors is unanimous in recommending to our Shareholders that they reject this offer and not tender their Common Shares," said William B. White, Chairman of the Board of Directors of Afexa. "We believe the Paladin Offer is inadequate even to reflect the value of our marquee product COLD-FX[®], and gives little to no value of our growth opportunities through new products and new markets. Afexa is a great business with a strong track record and great prospects for the future."

The Board, after careful consideration and a thorough review process, including receiving a recommendation from the Special Committee of independent directors and consultation with financial and legal advisors, unanimously determined that the Paladin Offer is inadequate from a financial point of view to Shareholders and not in the best interests of Afexa or its Shareholders. The Directors' Circular, available on SEDAR, describes in detail the reasons for the recommendation, which in summary, include the following:

- The Paladin Offer significantly undervalues Afexa's marquee product, COLD-FX[®] and does not adequately compensate Shareholders for the COLD-FX[®] business, which has outsold Tylenol and Advil cold and flu products in Canada over each of the last four years. Further, the Paladin Offer gives little to no value to COLD-FX[®]'s new formulations and planned entry into new markets including China, Japan, Hong Kong and the United States.
- The Paladin Offer does not recognize the value of Afexa as a fully integrated company with the internal capability of research, development, sales, marketing and distribution. Afexa has launched new products and has a strong clinical pipeline. Afexa has launched

COLDSORE-FX[®] into the Canadian marketplace and has a clinical pipeline of new product candidates for cholesterol reduction, supportive care for chronic lymphocytic leukemia, blood glucose management, and seasonal allergy reduction.

- Afexa's financial advisor, Scotia Capital Inc., has provided a written opinion that, as of the date of such opinion and based upon and subject to the assumptions, limitations and qualifications stated in the opinion, the consideration offered under the Paladin Offer is inadequate, from a financial point of view, to Shareholders other than Paladin.
- The Paladin Offer is opportunistic and coercive to Shareholders and is an attempt to acquire effective control of Afexa without paying adequate compensation. The "any and all" structure would allow Paladin to "sweep" any tendered Common Shares and strengthen its influence over Afexa without properly compensating all Shareholders. Even if Shareholders elect to receive Paladin common shares to maintain an interest in Afexa's business, Shareholders may not receive any of the benefits of the longer term growth strategy if Paladin abandons the prospects for development.
- The Board of Directors is aggressively pursuing other value-maximizing alternatives and superior proposals with the aim of delivering greater value for Shareholders and with a more certain outcome. Afexa cautions its Shareholders and others considering trading in its Common Shares that there can be no assurance that its efforts in pursuing other alternatives will result in any definitive offer being made, any agreement being or any such alternative transaction being approved or consummated. Afexa does not intend to disclose developments relating to alternatives unless and until the Special Committee and its Board of Directors has approved a specific agreement or transaction.
- All of Afexa's directors and officers intend to reject the Paladin Offer.

For the above reasons, the Board of Directors urges Shareholders to REJECT the Paladin Offer, TAKE NO ACTION and NOT TENDER their common shares to the Paladin Offer. If Shareholders have already tendered any of their common shares, they should withdraw those common shares immediately.

The Directors' Circular is available on the Afexa website at www.afexa.com, has been filed on SEDAR at www.sedar.com and is being mailed to Shareholders. Shareholders are advised to read the Afexa Directors' Circular in full, as it contains important information regarding the Board of Directors' recommendation regarding the Paladin Offer. Inquiries concerning the information in the Directors' Circular should be directed to Georgeson Shareholder Communications Group Inc., the information agent retained by Afexa, North American toll free at 1-866-676-3005 or via e-mail at askus@georgeson.com.

About Afexa Life Sciences Inc. (TSX:FXA)

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 has a product license (NPN) and is supported by scientific evidence, including randomized, double-blind, placebo-controlled clinical trials. The Company recently launched COLDSORE-FX in Canada and has a range of polymolecular drugs at various clinical and pre-clinical development stages. This product pipeline includes COLD-FX pediatric, AFX-2 for Chronic Lymphocytic Leukemia, Dilexaponan for cholesterol management, HT-1001 for Oxidative Stress and a product for blood glucose management.

Advisory Regarding Forward-Looking Statements

This news release including the discussion of the reasons for the Board of Directors' unanimous recommendation that Shareholders reject the Paladin Offer and not tender their common shares, contains forward-looking information (as defined in the Securities Act (Alberta)) that are based on expectations, estimates and projections as of the date of this Directors' Circular. These forward-looking statements can often, but not always, be identified by the use of forward-looking terminology such as "plans", "predicts", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Examples of such forward-looking statements in this news release include, but are not limited to, expectations as to Afexa's expectations for growth, the future success of commercialized products, government and regulatory approvals and whether or not an alternative transaction superior to the Paladin Offer will emerge. Actual results and developments (including earnings and cash flow) are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this News Release.

Forward-looking statements contained in this news release are based on a number of assumptions that may prove to be incorrect, including, but not limited to expectations related to future sales of commercialized products, the timing, duration and results of clinical trials, the timing and results of regulatory reviews, the safety and efficacy of Afexa's product candidates and the indications for which Afexa's product candidates might be developed; competitive conditions in the life sciences and technology industry; general economic conditions; changes in laws, rules and regulations applicable to Afexa; and whether or not an alternative transaction superior to the Paladin Offer may emerge.

In addition to being subject to a number of assumptions, forward-looking statements in this news release involve known and unknown risks, uncertainties and other factors that may cause actual results and developments to be materially different from those expressed or implied by such forward-looking statements, including the risks identified in the filings by Afexa with the Canadian provincial securities regulatory authorities, including Afexa's annual information form for the fiscal year ended March 31, 2011.

The Company believes that the expectations reflected in the forward-looking statements contained in this news release are reasonable as at the date hereof, but no assurance can be given that these expectations will prove to be correct. In addition, although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Accordingly, you should not place undue reliance on any forward-looking statements contained in this news release.

MEDIA CONTACT:

Warren Michaels
Vice President, Communications
Afexa Life Sciences Inc.
[1-780-432-0022](tel:1-780-432-0022)
wmichaels@afexa.com
www.cold-fx.com

INVESTOR CONTACT:

Jane Tulloch
Senior Director, Investor Relations
Afexa Life Sciences Inc.
[1-780-577-3724](tel:1-780-577-3724)
jtulloch@afexa.com
www.afexa.com