



Afexa Life Sciences Inc.

**NEWS RELEASE**

**AFEXA PROVIDES RECOMMENDATION THAT SHAREHOLDERS  
ACCEPT THE INCREASED VALEANT OFFER**

**EDMONTON, ALBERTA – Friday, September 30, 2011 - Afexa Life Sciences Inc. (“Afexa” or the “Company”) (TSX:FXA) - the maker of COLD-FX<sup>®</sup> - announced today that it has entered into an agreement (the “Agreement”) with Valeant Pharmaceuticals International, Inc. (“Valeant”) and 1625907 Alberta Ltd. (the “Offeror”), a wholly-owned subsidiary of Valeant, pursuant to which the Offeror has agreed to amend its offer dated September 6, 2011 to purchase all of the issued and outstanding common shares (the “Common Shares”) of Afexa. Pursuant to the amendment, holders of Common Shares will receive \$0.85 in cash per share (the “Increased Valeant Offer”). Valeant had previously announced by news release dated September 26, 2011 its intention, subject to certain conditions, to make the Increased Valeant Offer.**

The Increased Valeant Offer will be open for acceptance until 5:00 p.m. (Edmonton time) on October 17, 2011 unless extended or withdrawn. The Increased Valeant Offer remains subject to the same conditions as the original offer by the Offeror dated September 6, 2011 and mailed to Afexa shareholders and optionholders except that the Increased Valeant Offer will no longer have a minimum tender condition.

The Agreement amends the support agreement (the “Support Agreement”) dated August 30, 2011 among the parties to (i) incorporate the terms of the Increased Valeant Offer, (ii) include an agreement by the Company to use commercially reasonable efforts to assist the Offeror in obtaining lock-up agreements from certain shareholders on substantially the same terms as the lock-up agreements executed August 30, 2011 and (iii) increase the break fee payable in certain circumstances as provided in the Support Agreement proportionately to the increase in the aggregate purchase price being offered by Valeant, representing a total break fee of \$4.5 million.

Based on the recommendation of the Special Committee of Afexa’s Board of Directors and advice from its advisors, including an opinion from Scotia Capital Inc. as financial advisors to Afexa that the consideration to be offered under the Increased Valeant Offer is fair, from a financial point of view, to Afexa's shareholders, Afexa's Board of Directors unanimously recommends that shareholders accept the Increased Valeant Offer. Accordingly, the Board of Directors recommends that Afexa shareholders:

- ACCEPT the Increased Valeant Offer;
- TENDER their Common Shares to the Increased Valeant Offer;
- REJECT the unsolicited offer by Paladin Labs Inc. (“Paladin”) to pay \$0.81 in cash per Common Share or 0.0217 in common shares of Paladin for each Common Share upon the terms and subject to the conditions set forth in Paladin’s take-over bid circular dated August 10, 2011, as amended by a notice of extension dated September 14, 2011 and as further amended and supplemented by the notice of variation and extension dated September 26, 2011 (the “Amended Paladin Offer”); and

- NOT TENDER their Common Shares to the Amended Paladin Offer.

The Increased Valeant Offer of \$0.85 per Common Share represents a 19.7% premium to the original Valeant offer and a 4.9% premium to the \$0.81 cash consideration offered under the Amended Paladin Offer.

Full details of the Increased Valeant Offer will be included in a notice of variation to be mailed promptly by Valeant and the Offeror to shareholders and optionholders. A full description of the reasons for the recommendation of Afexa's Board of Directors will be provided in a notice of change to directors' circulars, also to be mailed to shareholders and optionholders. The Company will provide another update at the time of mailing of these documents.

William White, Afexa's Chairman of the Board, said "We are pleased to have received the increased offer from Valeant and believe achieving this result is in the best interests of shareholders as a whole. The "go-shop" period during which the Company and its advisors were permitted to solicit and engage in discussions and negotiations with respect to potential competing acquisition proposals officially ended at midnight on Thursday, September 29, 2011. Afexa is now subject to a "no-shop" restriction on its ability to solicit third party proposals, provide information and engage in discussions with third parties, subject to certain exceptions set forth in the Support Agreement."

The Company announced on September 9, 2011 that Mr. White will assume the position of Interim CEO, effective October 1, 2011 when Jack Moffatt relinquishes the position of President & CEO. Mr. Moffatt also resigned as a member of the Board of Directors, effective October 1, 2011. When Mr. White assumes the Interim CEO position, the Board has appointed Director John Rogers to replace Mr. White as Chair of the Special Committee.

A copy of the Agreement will be filed with the Canadian securities regulators and will be available at the Canadian SEDAR website at [www.sedar.com](http://www.sedar.com).

Afexa is being represented by Fraser Milner Casgrain LLP; the Special Committee of Afexa is being represented by Osler, Hoskin Harcourt LLP and Valeant is being represented by Stikeman Elliott LLP. Scotia Capital Inc. is acting as financial advisor to Afexa and RBC Capital Markets is acting as financial advisor to Valeant.

#### **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<sup>®</sup> 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<sup>®</sup>, 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 contains forward-looking information (as defined in the Securities Act (Alberta)) that is based on expectations, estimates and projections as of the date of this news release. 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 the timing of the mailing of the notice of variation by Valeant and the Offeror and the mailing of the notice of change by Afexa.*

*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, 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.*

*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  
[wmichaels@afexa.com](mailto:wmichaels@afexa.com)  
[www.cold-fx.com](http://www.cold-fx.com)

#### **INVESTOR CONTACT:**

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

Shareholders are encouraged to contact 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](mailto:askus@georgeson.com) for any questions related to the takeover situation.