



Company Announcement

16 November 2007

Avastra Ltd (ASX: AVS): AVS signs binding purchase agreement with Sleep Medicine Institute Management

Avastra is pleased to announce that it has entered into an agreement to acquire Sleep Medicine Institute Management, LLC (SMIM) of Seattle, Washington, which is the first step in building a regional sleep medicine centre in the Pacific Northwest.

The terms of the agreement are as follows:

Avastra will sign a long term lease and invest approximately US\$1.2 million in fitting out a state-of-the-art laboratory, as well as committing to open two additional laboratories in the near future. SMIM will repay 75% of this cost to Avastra over a 5 year period.

Upon commencement of operations, expected April 2008, Avastra will issue 1,032,169 shares in exchange for all outstanding SMIM units, escrowed for a period of 5 years, and US\$300,000 in cash.

Seventeen months after commencement of operations, Avastra will pay the amount by which actual 12 month EBIT exceeds US\$750,000 in cash. For EBIT in excess of \$1.5 million, Avastra will pay the excess, half in shares at the prevailing market price, and half in cash.

One year after that payment, projected to be September 2010, Avastra will pay 50% of the actual 12 month EBIT in cash. Avastra will also issue 50% of the actual 12 month EBIT in shares at market price.

In September 2011, Avastra will pay 25% of the actual 12 month EBIT in cash, and also issue 25% of the actual 12 month EBIT in shares at market price up to the average EBIT in the first two year periods.

In September 2012 Avastra will pay 25% of the actual 12 month EBIT in cash, and also issue 25% of the actual 12 month EBIT in shares at market price up to the average EBIT in the first two year periods.

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For EBIT in excess of that earned in the first two years, for both the third and fourth years of operation, Avastra will pay 12.5% of EBIT in cash, and 12.5% in shares at the market price.

In September 2013, Avastra will pay 12.5% of the actual 12 month EBIT in cash. Avastra will also issue 12.5% of the actual 12 month EBIT in shares at market price.

In the first 30 months after the closing, once a full 12 month period has transpired, rounded to the quarter, Avastra will pay a one-time payment of 2 times EBIT less US\$750,000.

Regarding the current non-renounceable entitlements offer we confirm that Prospectuses and Entitlement and Acceptance Forms will be despatched to eligible shareholders on Monday 19 November 2007.

By Order of the Board.

For further information contact Simon Mitchell, Executive Director, on +61 7 3120 0637.