



Company Announcement

29 April 2008

Avastra Sleep Centres Limited (ASX: AVS): Avastra Announces Third Quarter Financial Results and Opening of Seattle Sleep Centre

In the first nine months of FY 2008 ended March 31, 2008, Avastra reported revenues of \$A27.8 million and adjusted earnings per share of \$A.012. In the third fiscal quarter ended March 31, 2008, revenues were \$A8.9 million and adjusted earnings per share were \$A(0.001). Profits in the third fiscal quarter ended March 31, 2008 were impacted by the timing of clinical research projects and the startup of the new sleep centre in Seattle, Washington.

Seattle Sleep Centre

As previously announced, Avastra entered into an agreement with a large regional hospital in Seattle to transition its current sleep centre operation to an Avastra Sleep Centre. On April 7th, 2008, Sleep Management Institute of Medicine (SMIM), led by Dr. Ralph Pascualy, opened for business on the Swedish Hospital Campus a short distance from the previous centre location. Avastra will invest over US\$3 million in building out a new sleep centre along with acquiring two additional sites in Seattle, establishing a dominant position in the regional market. Avastra expects the new sites will generate in excess of \$A8.5 million in annual revenue.

Dr. Ralph Pascualy, President of the region said, "On our first night, we operated at 100% capacity and we have a back log of patients waiting to get in. Although we had some construction delays, this new centre is the highest quality, most technologically advanced centre in the region and will give Avastra the opportunity to take advantage of the clinical trials services market. I am excited to open the fourth region for Avastra in the United States and look forward to managing a highly profitable business."

Dr. Steve Hull, CEO of Avastra stated, "This was a different approach for Avastra. We partnered with the hospital and sleep doctors, built them a new lab, and now look forward to a top flight regional centre with the best doctors on the best hospital campus in Seattle. Quarterly earnings were impacted by the fact that certain expenses were incurred in setting up the Seattle operation prior to the time it opened and generated revenue."

Financial Results

In the third fiscal quarter ended March 31, 2008, revenues were \$A8.9 million and adjusted earnings per share were \$A(0.001). Avastra's clinical diagnostic revenues for the third quarter showed a substantial increase over average revenue for the first two quarters. Equipment revenues for the third quarter also exceeded average quarterly revenue for the first two quarters. Revenues generated by clinical trials are based upon larger research projects ordered by pharmaceutical companies, making

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growth in this revenue class more uneven when viewed on a quarterly basis. The Company is working on strategies to attract non-sleep related clinical research revenue to help even out clinical research revenue. On March 31, 2008, Avastra had \$A2.7 million in cash and \$A7.3 million in trade and other receivables. This compares to \$A7.6 million in cash and \$A8.0 million in trade and other receivables at end of the first half of FY 2007 on December 31, 2007. The \$A4.9 million cash used in the third quarter of fiscal year 2008 included \$A1.3 million in income tax payments, \$A3.3 million in payments related to build-outs and acquisitions, and \$A0.3 million in repayment of borrowings.

Results Summary	First Half FY 08	Q3 FY 08	9 Months FY 08
(A\$ 000)			
Clinical Revenue	\$ 10,534	\$ 6,020	\$ 16,554
Research Revenue	\$ 5,638	\$ 1,532	\$ 7,170
Equipment Revenue	\$ 2,657	\$ 1,392	\$ 4,049
Total Revenue	\$ 18,829	\$ 8,944	\$ 27,773
EBITDA (Adjusted)	\$ 1,994	\$ (135)	\$ 1,859
EPS (Adjusted)	\$ 0.013	\$ (0.001)	\$ 0.012

Funding Activities

Avastra is taking actions to improve its cash position, including reducing expenses. Also, the company has entered an agreement in principle with the previous owners of some acquired sleep centres to defer over \$A 1 million in earn-out payments coming due in FY 2008. In addition, the company expects to raise funds in the next 6 months through issuance of debt and/or equity. The funds raised will be used to fund remaining acquisition-related expenses and to purchase new sleep centres.

Guidance

Avastra projects revenues for FY 2008 of \$A37 - \$A40 million, and adjusted EPS of A1.3 to 1.5 cents per share based on 115 million shares outstanding. The EPS figure does not include adjustments for foreign exchange charges, share-based payments and imputed interest on deferred consideration. For FY 2009, Avastra affirms its previous guidance for adjusted EPS of A2.4 cents per share, assuming 124 million shares outstanding.

About Avastra

Avastra Sleep Centres is the fastest-growing sleep services company in the United States. Avastra's operations span over 25% of the U.S. and can be found from coast-to-coast and throughout the Midwest. Currently, AVS has 34 centres and over 300 beds owned or under management contract. Since November 2006, Avastra has acquired eight sleep diagnostic companies, including Pacific Sleep Medicine in the west, the somniSleep Group in the Midwest, Sleep Medicine Centers in the east, and various sleep diagnostic operations in Seattle, Washington, Portland, Oregon, Salt Lake City, Utah, Phoenix, Arizona and the Miami, Florida region.

By Order of the Board

Charles King - Company Secretary