



30 August 2006

Company Announcements Office
Australian Stock Exchange
Level 4
20 Bridge St
Sydney NSW 2000

Dear Sir

Annual General Meeting

Please find attached the Notice of Meeting and Proxy Form for API's 2006 Annual General Meeting that is being distributed to shareholders today.

Yours faithfully
API Limited

A handwritten signature in black ink, appearing to read 'Chris Gardoll', with a long horizontal flourish extending to the right.

Chris Gardoll
Company Secretary

Notice of 2006 Annual General Meeting



Notice is given that the 2006 Annual General Meeting of shareholders of Australian Pharmaceutical Industries Limited will be held at the Menzies Hotel, 14 Carrington Street, Sydney NSW 2000 on Thursday, 28 September 2006 at 2.00pm.

Business:

Items 2 to 6 will be proposed as ordinary resolutions.

Ordinary Business

Reports

1. To receive and consider the Financial Report of the Company and its controlled entities and the reports of the Directors and the Auditors for the year ended 30 April 2006.
2. Adoption of the Remuneration Report.
To adopt the Remuneration Report for the year ended 30 April 2006.
The vote on this resolution is advisory only.

Directors

3. To re-elect a Director. Mr Barry Frost retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for election.
4. To re-elect a Director. Mr David Fairfull retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for election.
5. To elect a Director. Dr Michael R Wooldridge AO retires as a Director, having been appointed by the Board during the year and in accordance with the Company's Constitution, being eligible, offers himself for election.
6. To elect a Director. Mr Stephen P Roche retires as a Director, having been appointed by the Board during the year and in accordance with the Company's Constitution, being eligible, offers himself for election.

Voting Entitlements

For the purpose of the Corporations Act, the Company has determined that all securities of the Company that are quoted securities at 7.00pm Australian Eastern Standard Time on Tuesday, 26 September 2006 will be taken, for the purpose of the Meeting, to be held by the persons who held the securities at the time.

Proxies

A shareholder has the right to appoint a proxy, who need not be a shareholder of the Company. If a shareholder is entitled to two or more votes they may appoint two proxies and may specify the percentage of votes each proxy is appointed to exercise. The Proxy Form must be deposited at the share registry of the Company, Computershare Investor Services Pty Limited, located at Level 2, 60 Carrington Street, Sydney NSW 2000 or at the Company's Registered Office, 11 Grand Avenue, Camellia NSW 2142, or by facsimile to Computershare on (03) 9473 2118 or to the Company on (02) 8844 2409 so that it is received no later than 2.00pm on Tuesday, 26 September 2006.

By order of the Board

CJ Gardoll
Company Secretary
28 August 2006

Explanatory Notes on Items of Business

Remuneration Report – non-binding advisory note

As required by the Corporations Act, the Board is presenting the Remuneration Report to members for consideration and adoption by a non-binding vote. The Remuneration Report contains:

- information about Board policy for determining the nature and amount of remuneration of the Company's directors and senior executives;
- a description of the relationship between the remuneration policy and the Company's performance;
- a summary of the approach to remunerating senior executives, including performance related remuneration; and
- remuneration details for each Director and for each of the Company's nominated senior executives.

The Remuneration Report, which is part of the Company's Annual Report, has been sent to members (except those who have made an election to not receive the Annual Report). Copies of the Remuneration Report are available by contacting the Company's Share Registry or by visiting the Company's website www.api.net.au and clicking on the following links: www.api.net.au – choose Investor Relations, Annual Report, and select 2006 version.

Board Recommendation

The Board considers that the remuneration policies adopted by the Company are appropriately structured to provide rewards that are commensurate with the performance of the Company. On this basis, the Board recommends that members vote in favour of item 2.

Items 3 - 6 – Election of directors

Mr Barry A. Frost, *B.Pharm, FPS, FAIPM, Dip.Fin.Plan.*

Deputy Chairman

Independent non-executive director - age 63

Appointed Deputy Chairman 1 July 2001.

Director since 20 September 1993.

Member of the Remuneration Committee.

Mr Frost is a pharmacist, a Fellow of the Pharmaceutical Society of Australia and a Fellow of the Australian Institute of Pharmacy Management.

Mr David J. Fairfull, *B.Com, CPA, ACIS, ASIA*

Non-executive director - age 64

Director since 5 May 2000.

Member of the Audit Committee.

Mr Fairfull is a non-executive director of Washington H Soul Pattinson and Company Limited and has been a director of Washington H Soul Pattinson and Company Limited since 1997.

Mr Fairfull is the Chairman of B Digital Limited and a non-executive director of New Hope Corporation Ltd, SP Telemedia Limited, Stockland Trust Group and Souls Private Equity Limited.

The Hon Dr Michael R. Wooldridge

BSc, MBBS, MBA

Independent non-executive director – age 50

Director since 1 February 2006.

Dr Wooldridge was Australia's Federal Minister for Health from 1996 to 2001. Dr Wooldridge is an Honorary Fellow of the Australasian Faculty of Public Health Medicine.

Dr Wooldridge is Deputy Chairman of Resonance Health Ltd, Chairman of Dia-b Tech Limited, and a Director of Cogstate Ltd.

Mr Stephen P. Roche, *B.Bus, GAICD*

Executive director – age 44

Chief Executive Officer and Managing Director

since 14 August 2006.

Mr Roche joined API in March 2005. Previously he was Group General Manager, Health Services for Mayne Group Limited with responsibility for pharmacy distribution and other business units. Previous roles included Chief Operating Officer, Healthcare Services for FH Faulding & Co and a number of management roles at CSR.

