Avexa Limited
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ASX Release

Avexa reports half-year results for December 2011

Melbourne, Australia, Thursday 23 February 2012

Avexa Limited [ASX:AVX] today released its half-year results for the six months to 31 December 2011.

Financial summary

Avexa recorded a net loss of $1.6 million for the half year ended 31 December 2011. This was 41% lower than the $2.1 million loss recorded in the previous corresponding half year. The continued reduction in overall expenditure is in line with the company's objectives of prudently managing its cash reserves.

There were no equity movements for the period.

At 31 December 2011 the company had a net asset position of $21 million, including cash of 14.4 million and listed investments of 6.3 million.

Apricitabine (ATC) update

On 23 November 2011 the company announced it had filed two new patents covering the company's Apricitabine (ATC) program, for the treatment of drug-resistant HIV.

A comprehensive analysis of the data from the global phase 2b/3 clinical trial of ATC has been completed and presented to the United States Food and Drug Administration (US FDA) together with plans for an alternative study. The company was able to secure agreement upon an expedited path to approval, with a much reduced and less costly single clinical trial. As a result, interest in licensing ATC was reignited and has been pursued. Data from the clinical trial also showed that ATC was especially effective when used with two existing marketed HIV drugs. The two new patents filed covered these combinations.

In addition Avexa has begun discussions with the European Medicines Agency (EMA) regarding clinical trials for drugs directed at the experienced HIV patient population. These discussions are similar to those that Avexa successfully undertook with FDA, and should pave the way to understanding the requirements for ATC approval in the European region.

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About Avexa Limited: Avexa Limited is a Melbourne-based biotechnology company with a focus on discovery, development and commercialisation of small molecules for the treatment of infectious diseases. Avexa's key projects include apricitabine (ATC) for the treatment of drug-resistant HIV, an HIV integrase program and an antibiotic program for antibiotic-resistant bacterial infections.

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Rule 4.2A.3

Avexa Limited

ABN 53 108 150 750

Appendix 4D

Half year report
Period ending 31 December 2011

Results for announcement to the market

Operating performance:	
Revenue from ordinary activities	Up $114,000 (11%) to $901,000
Profit / (loss) from ordinary activities after tax attributable to members	Loss decreased by $1,077,000 (41%) to $1,562,000.
Net profit / (loss) for the period attributable to members	Loss decreased by $1,077,000 (41%) to $1,562,000.

Dividends

It is not proposed to pay dividends. There are no dividend or distribution reinvestment plans in operation and there has been no dividend or distribution payments during the financial half year ended 31 December 2011.

No explanation considered necessary other than as provided within this report and in the Directors' Report for the half year ended 31 December 2011.

Net tangible assets per ordinary security	Current period	Previous corresponding period to 31/12/10
Net tangible assets	**20,962 in $A'000**	21,782 in $A'000
Net assets	**20,962 in $A'000**	21,782 in $A'000
Issued share capital at reporting date	**182,523 in $A'000**	182,523 in A'000
Number of shares on issue at reporting date	**847,688,779**	847,688,779
Net tangible assets per ordinary security	**2.5 Cents**	2.6 Cents
Net assets per ordinary security	**2.5 cents**	2.6 cents

Acquisitions and divestments

There have been no entities over which control has been gained or lost during the period ended 31 December 2011.

Associates and joint ventures

There are no equity accounted associates and joint venture entities.

Accounting Standards

The financial report has been prepared in accordance with Australian Equivalents to International Financial Reporting Standards.

Auditors review report

The review report prepared by the independent auditor KPMG is not subject to any dispute or qualification and is attached hereto.

AVEXA LIMITED ABN 53 108 150 750

The directors present their report on Avexa Limited (the 'Company') for the six months ended 31 December 2011 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the interim period are:

Name and independence status	**Period of office and special responsibilities**
Mr I Kirkwood Chairman and Independent Non-Executive Director	Independent non-executive director, Chair of the Audit Committee and Chairman from 19 April 2011.
Mr B Hewett Independent Non-Executive Director	Independent non-executive director and Chair of the Remuneration and Nomination Committee from 6 July 2010.
Mr H (Jet) Soedirdja Independent Non-Executive Director	Independent non-executive director from 12 July 2010. Resigned 31 January 2012.
Mr A Tan Independent Non-Executive Director	Independent non-executive director from 1 December 2010.

All non-executive directors are members of both the Audit Committee and Remuneration and Nomination Committee from the date of their appointment.

The relevant interest of each director in the share capital of the Company, as notified by the Company to the ASX in accordance with S205G(1) of the Corporations Act 2001, as at the date of this report is as shown following.

Director	**Number of ordinary shares**	**Number of options to acquire ordinary shares**
Mr I Kirkwood	650,000	# 2,000,000
Mr B Hewett	100,000	# 1,000,000
Mr H Soedirdja	1,325,715	# 1,000,000
Mr A Tan	-	# 1,000,000

Shareholder approval was given on 24 November 2011 to the issue on 19 December 2011 of 2,000,000 options to Chairman Mr I Kirkwood and 1,000,000 options each to Directors Mr B Hewett, Mr H (Jet) Soedirdja and Mr A Tan. These options were issued with an exercise price of $0.06, an expiry date of 31 December 2013 and are subject to performance hurdles being met.

Review of operations

The principal activity of the Company is the development and commercialisation of anti-infective pharmaceutical programs and projects.

The Company has recorded a loss of $1.6 million for the six months to 31 December 2011 (31 December 2010: $2.6 million). Avexa's operating cash consumption for the six months was $1.2 million (31 December 2010: $3.2 million) and reported closing cash resources of $14.3 million at 31 December 2011 (31 December 2010: $20.4 million).

There was a further reduction in operating expenses from $3.5 million to $2.5 million compared with the same period last year.

On 14 July 2010 Avexa announced that it had entered into a licence agreement with the Shanghai Institute of Organic Chemistry (SIOC) to develop one of Avexa's HIV integrase inhibitor series. Under the terms and conditions of the licence SIOC will be responsible for all future development costs for the program in China and will pay Avexa 50% of any net commercialisation revenues. Avexa retains all development and marketing rights for the program outside the China region. Studies in China have to date been centred on optimising the chemistry of this series of molecules, as the primary driver for this project is cheapness of synthesis rather than a differentiating activity from competitors. This series of molecules has shown a high level of potency similar to the existing HIV integrase inhibitors on the market or in development. The synthesis of this series of molecules is relatively simple and provides opportunities in the Chinese market to manufacture the compound more cheaply than in other jurisdictions and be competitive on a cost of goods basis.

On 11 November 2010 Avexa announced that it had agreed to make a strategic investment in Allied Healthcare Group (previously know as Allied Medical Limited), a listed public medical device and biotechnology company. Allied Medical is a medical technologies group with a significant interest in Coridon Pty Ltd, a vaccines-focused research and development company started by Professor Ian Frazer.

On 18 November 2010 Avexa's board announced that it has entered into a license agreement with private Swiss drug development company Valevia Pharmaceuticals GmbH regarding its antibacterial programme. Avexa's lead molecule AVX13616 was selected for pre-clinical testing and is undergoing expanded testing against a panel of different bacterial strains. Resistance to antibiotics has become a significant clinical issue worldwide and is a phenomenon that has continued to increase over the years, especially in hospitals. Any development of drugs that are active against a range of microorganisms resistant to antibiotics would be a landmark achievement. AVX13616 continues to make significant progress in this phase of its preclinical development.

Avexa's portfolio at 31 December 2011 comprised the following projects.

Apricitabine (ATC)

There is a growing need for HIV drugs that are active against virus which is resistant to the currently used drugs, and which are better tolerated and have fewer side effects. ATC has proven activity against such resistant viruses, as well as an excellent safety profile. Resistance to ATC has not been identified in clinical studies, and ATC can be safely combined with almost all HIV drugs and other drugs used to treat HIV-infected patients.

A comprehensive analysis of the data from the global phase 2b/3 clinical trial of ATC was completed and presented to the United States Food and Drug Administration (FDA) together with plans for an alternative study. We were able to secure agreement upon an expedited path to approval, with a much reduced and less costly single clinical trial. A detailed plan for carrying out the trial was prepared and presented to potential partners. Interest in licensing ATC was re-ignited and has been pursued. Data from the clinical trial also showed that ATC was especially effective when used with particular other HIV drugs, and two new patents were filed covering these combinations. As a result, there has been renewed interest from potential partners.

The UK-based PharmaVentures were retained to facilitate licensing of ATC. During discussions, the importance of the European market for ATC was evident. Consequently, an approach was made to the European regulatory authority (EMA) and a preliminary meeting held in December 2011. Feedback from that meeting was encouraging, and a full request for advice concerning approval of ATC, including the new study design, was submitted at the end of the year.

We are also pursuing other alternatives for the programme, such as new ways to use ATC to treat HIV infection, as well as alternative development pathways using potential non-commercial and/or non-dilutive funding.

Drug discovery

HIV Integrase

Since the approval of Merck's raltegravir (Isentress®), which targets HIV integrase, this drug has been widely prescribed and has demonstrated itself to be a most effective therapy for HIV infections in combination with an optimised background regimen. In 2010 Isentress® generated global revenues of around US$1Bn. Raltegravir is dosed twice daily, and resistance emerges relatively frequently and can be correlated to clinical failure. Elvitegravir (Gilead Sciences), although once daily, must be taken with a boosting agent and is cross-resistant to raltegravir. Dolutegravir (ViiV), although showing activity against raltegravir-resistant virus, needs to be taken twice daily in resistant patients. There is therefore a need for a novel integrase inhibitor which has no cross-resistance to raltegravir, does not require a boosting agent and can be dosed once daily.

Avexa has discovered a number of novel compound classes with activity superior to raltegravir against wild type HIV-1. Moreover, these compounds are highly potent against raltegravir- and elvitegravir-resistant viruses. We have continued to characterise these molecules to gain a fuller understanding of the parts of molecules that are important for biological activity and good drug uptake, in order to progress towards identifying a candidate for further development.

Post Balance Date Events

The 4 million options held by Shire Canada Inc with an exercise price of 63.2 cents expired on 17 January 2012.

On 31 January 2012 the Company announced the resignation of Mr H (Jet) Soedirdja as Non-Executive Director.

There has not arisen since the end of the half-year, any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration forms part of the Directors' Report for the six months ended 31 December 2011 and is set out on page 4 of this report.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Melbourne this 23rd day of February 2012.

Signed in accordance with a resolution of the directors.

Mr I Kirkwood
Chairman

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Avexa Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Paul McDonald

Paul McDonald

Partner

Melbourne

23 February 2012

Condensed statement of comprehensive income for the six months ended 31 December

	Note	**31 December 2011 $'000**	31 December 2010 $'000
Revenue from operating activities	6	**258**	172
Contract research and development expenses		**(466)**	(160)
Raw materials and consumables expenses		**(6)**	(11)
Personnel expenses excluding share-based payment expenses		**(625)**	(771)
Share-based payment expenses		**(15)**	(52)
Occupancy expenses		**(687)**	(589)
Depreciation expenses		**(75)**	(94)
Asset management expenses		**(22)**	(40)
Legal and professional services expenses		**(155)**	(1,093)
Travel expenses		**(32)**	(217)
Insurance expenses		**(54)**	(76)
Intellectual property expenses		**(157)**	(80)
Other expenses		**(169)**	(271)
Results from operating activities		**(2,205)**	(3,282)
Finance Income		**643**	643
Income tax expense		**-**	-
Loss from operations for the period	15	**(1,562)**	(2,639)
Loss attributable to owners of the company		**(1,562)**	(2,639)
Total comprehensive loss for the period	7	**(1,562)**	(2,639)
Earnings per share		**Cents**	Cents
Basic earnings per share	13	(0.18)	(0.31)
Diluted earnings per share	13	(0.17)	(0.31)

The Condensed Statement of Comprehensive Income is to be read in conjunction with the notes to the half-year financial statements set out on pages 9 to 15.

AVEXA LIMITED ABN 53 108 150 750

for the six months ended 31 December 2011	Issued capital	Accumulated losses	Fair Value Reserve	Total equity
	$'000	$'000	$'000	$'000
Opening balance as at 1 July 2011	**182,523**	**(162,443)**	**6,275**	**26,355**
Comprehensive income/(loss) for the period				
Loss		(1,562)		(1,562)
Total other comprehensive loss			(3,846)	(3,846)
Total comprehensive Income/(loss) for the period	**-**	**(1,562)**	**(3,846)**	**(5,408)**
Transactions with owners, recorded directly in equity				
Contributions by owners				
Transaction costs relating to issue of ordinary shares		-	-	-
Equity settled share-based payment transactions		**15**	**-**	15
Total contributions by owners		**15**	**-**	15
Total transactions with owners		**15**	**-**	15
Closing balance as at 31 December 2011	**182,523**	**(163,990)**	**2,429**	**20,962**

for the six months ended 31 December 2010	Issued capital	Accumulated losses	Fair Value Reserve	Total equity
	$'000	$'000	$'000	$'000
Opening balance as at 1 July 2010	**182,523**	**(158,154)**	**-**	**24,369**
Comprehensive loss for the period				
Loss	**-**	(2,639)	-	(2,639)
Total comprehensive loss for the period	**-**	**(2,639)**	**-**	**(2,639)**
Transactions with owners, recorded directly in equity				
Contributions by owners				
Transaction costs relating to issue of ordinary shares	-	**-**	**-**	-
Equity settled share-based payment transactions	-	**52**	**-**	52
Total contributions by owners	-	**52**	**-**	52
Total transactions with owners	**-**	**52**	**-**	52
Closing balance as at 31 December 2010	**182,523**	**(160,741)**	**-**	**21,782**

The Condensed Statement of Changes in Equity is to be read in conjunction with the notes to the half-year financial statements set out on pages 9 to 15.

Condensed statement of financial position

	Note	**31 December 2011 $'000**	30 June 2011 $'000
Assets			
Cash and cash equivalents		**14,384**	16,387
Investments		**2,160**	1,210
Trade and other receivables		**191**	936
Prepayments		**112**	60
Total current assets		**16,847**	18,593
Property, plant and equipment		**394**	459
Investments	12	**4,140**	7,776
Total non-current assets		**4,534**	8,235
Total assets		**21,381**	26,828
Liabilities			
Trade and other payables		**253**	257
Employee benefits	14	**69**	128
Unearned Income		**44**	-
Other		**11**	35
Total current liabilities		**377**	420
Employee benefits	14	**19**	18
Other		**23**	35
Total non-current liabilities		**42**	53
Total liabilities		**419**	473
Net assets		**20,962**	26,355
Equity			
Share capital	7	**182,523**	182,523
Fair Value Reserve		**2,429**	6,275
Accumulated losses	7	**(163,990)**	(162,443)
Total equity		**20,962**	26,355

The Condensed Statement of Financial Position is to be read in conjunction with the notes to the half-year financial statements set out on pages 9 to 15.

Condensed statement of cash flows
for the six months ended 31 December

	31 December 2011 $'000	31 December 2010 $'000
Cash flows from operating activities		
Cash receipts	**1,020**	225
Cash paid to suppliers and employees	**(2,733)**	(3,958)
Interest received	**482**	566
Net cash used in operating activities	**(1,231)**	(3,167)
Cash flows from investing activities		
Equity investments	**(762)**	(750)
Acquisition of property, plant and equipment	**(10)**	(22)
Net cash used in investing activities	**(772)**	(772)
Cash flows from financing activities		
Proceeds from issue of shares	**-**	-
Share issue costs	**-**	-
Proceeds from issue of convertible notes	**-**	-
Net cash from financing activities	**-**	-
Net (decrease) / increase in cash and cash equivalents	**(2,003)**	(3,939)
Cash and cash equivalents at 1 July 2011	**16,387**	24,306
Cash and cash equivalents at 31 December 2011	**14,384**	20,367

The Condensed Statement of Cash Flows is to be read in conjunction with the notes to the half-year financial statements set out on pages 9 to 15.

1 Reporting entity

Avexa Limited (the 'Company') is a company domiciled in Australia. The condensed consolidated financial report of the Company as at and for the six months ended 31 December 2011 comprises the Company and its three subsidiary entities (together referred to as the "Group" and individually as "Group entities").

2 Statement of compliance

The condensed consolidated financial report is a general purpose financial report which has been prepared in Australian dollars in accordance with AASB 134: *Interim Financial Reporting* and the Corporations Act 2001.

The condensed consolidated financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Group as at and for the year ended 30 June 2011. This condensed consolidated financial report was approved by the Board of Directors on 23 February 2012.

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3 Significant accounting policies

Except as described below, the accounting policies applied by the Group in this condensed consolidated financial report are the same as those applied by the Group in its financial report as at and for the year ended 30 June 2011.

4 Estimates

The preparation of condensed consolidated financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2011.

5 Basis of preparation

The consolidated financial statements have been prepared on a going concern basis, which assumes the settlement of liabilities and realisation of assets in the normal course of business. At 30 June 2011, the Group had $16.4 million of funds available to undertake all forecast activities for the 2012 financial year and beyond in accordance with the Group's strategy. This strategy includes providing sufficient working capital for the Group beyond the 2012 financial year until such time as self-sustaining revenue streams are realised.

Should the directors of the Company be of the view in the future that the development of ATC should continue, additional funding will be required to conduct further Phase III trials and secure all the requisite marketing and regulatory approvals. In this case the Group would seek a partner for the project and pursue other avenues such as capital raising, merger and acquisition and out-licensing available to the Group to secure the funding necessary for ATC to reach the market.

	31 December 2011	31 December 2010
	$'000	$'000

6 Revenue from operating activities

Rental income	**252**	172
Grant income	**6**	-
Total revenue from operating activities	**258**	172

7 Issued capital and accumulated losses

(i) Issued and paid up capital

847,688,779 (2009: 847,688,779) ordinary shares, fully paid	**182,523**	182,523

The following movements in ordinary shares were recorded during the half-year ended 31 December 2011.

	2011 Number of shares	2010 Number of shares	**2011 $'000**	2010 $'000
Balance brought forward as at 1 July	**847,688,779**	847,688,779	**182,523**	182,523
Issue of shares pursuant to Share Purchase Plan	**-**	-	-	-
Balance carried forward as at 31 December	**847,688,779**	847,688,779	**182,523**	182,523

7 Issued capital and accumulated losses (continued)

(i) Issued and paid up capital

There were no dividends paid or proposed during the period ended 31 December 2011 or in the previous interim period. Holders of ordinary shares are entitled to one vote per share at shareholders' meetings and to receive any dividends as may be declared. In the event of winding up of the Group, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

(ii) Employee Options

There were nil (2010: nil) options to acquire ordinary shares issued during the half-year ended 31 December 2011 under the Avexa Employee Share Option Plan ('ESOP').

There were no options exercised in the half year (2010: nil) and 360,000 (2010: 7,545,000) options cancelled during the period. Movements for the period are summarised in the following table.

Grant Date	Expiry Date	Exercise Price: original / *current*	No of options at beginning of year	Options Granted	Options cancelled / *exercised*	No of options at end of year
25 May 2007	30 April 2012	$0.63 / *$0.62*	1,450,000	-	-	1,450,000
10 Sept 2008	30 June 2013	$0.31 / *$0.30*	1,180,000	-	-	1,180,000
10 Sept 2008	30 June 2013	$0.54 / *$0.53*	200,000	-	-	200,000
10 Sept 2008	30 June 2013	$0.62 / *$0.61*	200,000	-	-	200,000
18 June 2009	18 June 2014	$0.13 / $0.13	1,090,000	-	(360,000)	730,000
3 May 2011	31 Dec 2012	$0.06 / $0.06	1,500,000	-	-	1,500,000
Total employee options on issue			**5,620,000**	**-**	**(360,000)**	**5,260,000**

7 Issued capital and accumulated losses (continued)

(iii) Accumulated losses

	31 December 2011	31 December 2010
	$'000	$'000
Accumulated losses brought forward as at 1 July	**(162,443)**	(158,154)
Loss for period	**(1,562)**	(2,639)
Equity component of share-based payments	**15**	52
Accumulated losses carried forward as at 31 December	**(163,990)**	(160,741)

(iv) Shire Options

Shire Canada Inc. holds 4 million options with an initial exercise price of 70.4 cents (adjusted following the rights issue to 63.2 cents in accordance with ASX Listing Rule 6.22) which is equal to the volume weighted average price of Avexa shares over the period commencing 30 business days before and ending 30 business days after the ASX trading day of 19 March 2007 on which the 21 day results of the Company's apricitabine (ATC) Phase IIb study were announced. The exercise period for these options commenced on 17 January 2008 and expires on the earlier of 17 January 2012 or the termination of the Shire Licence Agreement.

8 Events subsequent to balance date

The 4 million options held by Shire Canada Inc with an exercise price of 63.2 cents expired on 17 January 2012.

On 31 January 2012 the Group announced the resignation of Mr H (Jet) Soedirdja as Non-Executive Director.

There has not arisen any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years

9 Contingent liabilities and contingent assets

There are no known significant contingent liabilities or contingent assets as at the date of this report.

10 Related parties

Key management personnel receive compensation in the form of short term employee benefits, post employment benefits and equity compensation benefits (see Note 14). Key management personnel received total compensation of $328,337 for the six months ended 31 December 2011 (six months ended 31 December 2010: $424,393), comprising non share-based payment remuneration of $313,749 plus share-based payment remuneration of $14,588. Total remuneration is included within 'Personnel expenses' and 'Share-based payment expense' in the Income Statement.

11 Financial instruments

The Group did not enter into any foreign currency hedging arrangements or other derivative financial instruments during the financial period.

12 Investments

The Group made a strategic investment in Allied Healthcare Group, a listed public company in the year ended 30 June 2011. An additional investment of $210,000 was made on 29 September 2011. The change in the value of the Group's investment in Allied Healthcare Group is a reflection of the stabilisation of the initial offering share price as at 30 June 2011 and the investment's market value as at 31 December 2011 is still higher than the initial cost.

13 Earnings per share

(i) Earnings reconciliation

	31 December 2011	31 December 2010
Net loss:	**$'000**	$'000
Basic earnings	**(1,562)**	(2,639)
Diluted earnings	**(1,562)**	(2,639)

(ii) Weighted average number of shares used as the denominator

	31 December 2011	31 December 2010
	Number	Number
Number for basic earnings per share:		
Ordinary shares	**847,688,799**	847,688,799
Number for diluted earnings per share:		
Ordinary shares	**847,688,779**	847,688,779
Effect of share options on issue	**3,193,248**	10,024,809
	850,882,027	857,713,588

All options have exercise prices between $0.06 and $0.62 and have been treated as dilutive in nature for the purposes of calculating diluted earnings per share.

14 Employee benefits

(i)

Details of total employee benefits as at balance sheet date are provided in the following table.

	31 December 2011	30 June 2010
	$'000	$'000
Liability for incentive performance payments	**0**	5
Liability for long service leave	**19**	13
Liability for annual leave	**69**	17
Total employee benefits	**88**	35

(ii) Share-based payments

During the six months ended 31 December 2011, 5,000,000 options were issued to the Directors after shareholder approval was given to the issue on 24 November 2011. The fair values of services received in return for share options granted to Directors are measured by reference to the fair value of the options granted. The fair value of the options is calculated at the date of grant using a binomial model or a Monte-Carlo simulation model for the most recently issued options and allocated to each reporting period in accordance with the vesting profile of the options. The value disclosed is the portion of the fair value of the options allocated to this reporting period.

Number and recipients of options	Grant date	Expiry date	Fair value per option	Exercise price	Price of shares on value date	Risk free interest rate	Estimated volatility	Number vested during period
5,000,000 to Directors	19/12/11	31 Dec 2013	$0.0069	$0.06	$0.033	3.01%	75%	-

During the six months ended 31 December 2011 the Group recognised an expense of $14,833 (2010: $52,437) related to the fair value of options issued by the Company in the current and prior periods.

15 Segment reporting

Information about reportable segments
For the six months ended 31 December 2011

	Research & Development		Listed Investments		Total	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000
External revenues	701	815	200	-	901	815
Inter-segment revenue	-	-	-	-	-	-
Reportable segment profit before tax	(1,713)	(2,639)	151	-	**(1,562)**	(2,639)

The Group comprises of the following main business segments:

1) Research and Development – the operation of conducting anti-infective research and development.
2) Listed investments – investing in the share market.

Reconciliation of reportable segment profit or loss
For the six months ended 31 December 2011

	2011 $'000	**2010** $'000
Total profit or loss for reportable segments before tax	(1,562)	(2,639)
Profit or loss before tax of other business activities and operating segments	-	-
Elimination of inter-segment profits	-	-
Elimination of discontinued operations	-	-
Unallocated amounts:		
Other corporate expenses	-	-
Share of profit of equity accounted investees	-	-
Profit before tax	(1,562)	(2,639)

Segment assets

The major changes in segment assets during the period relate to the transfer of the investment from Research and Development to the Listed Investments segment during the period.

The total segment assets of Listed Investments segment at 31 December 2011 is $4,140,000 (30 June 2011: $1,210,000).

16 Group entities

Significant subsidiaries

For the six months ended 31 December 2011	**Country of Incorporation**	**Ownership interest**	
		31 December 2011	**31 December 2010**
AVI Capital Pty Ltd	Australia	100	-
Avexa Inc	USA	100	100
Avexa Ltd	UK	100	100

17 Parent entity disclosures

As at, and throughout, the six months ended 31 December 2011 the parent entity of the Group was Avexa Limited.

	31 December 2011 $'000	31 December 2010 $'000
Results of parent entity		
Profit (Loss) for the period	**(1,701)**	(2,627)
Other comprehensive income	**-**	-
Total comprehensive income for the period	**(1,701)**	(41,465)
Financial position of parent entity at year end		
Current assets	19,639	22,097
Total assets	20,033	24,126
Current liabilities	400	1,196
Total liabilities	419	1,209
Total equity of the parent entity:		
Share capital	182,523	182,523
Revaluation reserve	-	-
Reserve for own shares		
Retained earnings	(162,909)	(159,606)
Total equity	**19,614**	22,917

AVEXA LIMITED ABN 53 108 150 750

Directors' declaration

In the opinion of the directors of Avexa Limited ('the Company'):

(a) the condensed financial statements and notes set out on pages 5 to 17, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the six months period ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 23rd day of February 2012.

Signed in accordance with a resolution of the directors.

Mr I Kirkwood
Chairman

Independent auditor's review report to the members of Avexa Limited

Report on the financial report

We have reviewed the accompanying half-year financial report of Avexa Limited (the Company), which comprises the condensed statement of financial position as at 31 December 2011, condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Avexa Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Avexa Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Paul McDonald

Paul McDonald
Partner

Melbourne

23 February 2012