

**A V E X A**

Avexa Limited

ABN 53 108 150 750

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Victoria Australia 3121

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### **Results for announcement to the market**

**Melbourne, Australia – 24th August 2012. Avexa Limited [ASX:AVX]** today lodged its Preliminary Financial Report and audited financial report for the full year to 30 June 2012.

For a detailed description of the Company's activities during the reporting period, please refer to the Directors' Report accompanying the financial report.

#### **For more information:**

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#### **About Avexa Limited**

Avexa Limited ([www.avexa.com.au](http://www.avexa.com.au)) 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.

**[www.avexa.com.au](http://www.avexa.com.au)**

# Appendix 4E

## Preliminary final report for the year ended 30 June 2012

Name of entity:

Avexa Limited

ABN:

53 108 150 750

### Results for announcement to the market

	\$A'000
Revenue from ordinary activities:	Decrease of 42.7% to 949
Loss from ordinary activities after tax attributable to members:	Decrease of 20.2% to (3,513)
Net loss for the year attributable to members:	Decrease of 20.2% to (3,513)
<b>Dividends</b>	
It is not proposed to pay dividends.	
There are no dividend or distribution reinvestment plans in operation and there have been no dividend or distribution payments during the financial year ended 30 June 2012.	
No explanation considered necessary to explain any of the above other than as provided within this report.	

### Commentary on results for the year and Significant Information

#### Principal activities

The principal activity of the Company during the course of the financial year was the research and development, for commercialisation, of anti-infective pharmaceutical programs and projects. The Company is incorporated and domiciled in Australia, and with a registered office and principal place of business located at 576 Swan Street, Richmond, VIC 3121.

### **Review and results of operations**

The Company reported a net loss of \$3.5 million for the 2012 financial year; this was 20.2% less than the \$4.4 million loss of 2011.

Net cash expensed through operating activities for the 2012 financial year was \$2.3 million, a 55.4% reduction on the \$5.2 million spent in the prior year.

#### **Key matters impacting the result for Avexa this year were:**

- Two new patents were filed covering the use of ATC in combination with a number of currently marketed drugs. These patents have real commercial application as they are focused on the use of ATC and its synergistic benefits when taken with either of two existing marketed drugs. These new patents dramatically improve the IP position for the company's ATC program, will add to the existing patent portfolio for ATC and could potentially provide patent protection for the ATC program.
- Initiated a search for one or more co-marketing partner(s) to market and sell ATC on a global or regional basis.
- Substantial progress in improving the pharmacokinetic properties of the compounds of our second generation of HIV integrase inhibitors, which should translate to a commercial advantage as once a day drugs. We continue to progress this promising low cost, early stage project towards an optimum commercial outcome.
- Continued to progress the HIV integrase project towards preclinical studies.
- Held cash assets of \$12.6 million and listed investments of \$3.7 million at 30 June 2012.

For a fuller description of the Company's activities in the 2012 financial year please refer to the attached Directors' report and financial statements.

#### **Actions subsequent to year end**

In the interval between the end of the financial year and the date of this report no item, transaction or event of a material and unusual nature has arisen that is 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.

**Statement of financial performance (Income statement)**  
**For the year ended 30 June 2012**

	Note	Current period - \$A'000	Previous corresponding period - \$A'000
Licence fee and royalty income		-	-
Other income from ordinary activities		949	1,655
<b>Total revenue from ordinary activities</b>	1(a)	<b>949</b>	<b>1,655</b>
Contract research and development costs	1(b)	(557)	(1,091)
Employee expenses		(1,184)	(1,566)
Share-based payment expense		(27)	(113)
Depreciation & loss on disposal of equipment	1(b)	(144)	(223)
Occupancy		(1,463)	(1,139)
Consulting		(97)	(583)
Professional costs		(206)	(658)
Travel and accommodation		(48)	(352)
Raw materials and consumables used		(12)	(13)
Asset management expenses		(46)	(66)
Insurance		(103)	(149)
Corporate administration		(117)	(239)
Intellectual property		(315)	(312)
Other expenses from ordinary activities	1(b)	(143)	(205)
<b>Profit / (loss) from ordinary activities before related income tax expense</b>		<b>(3,513)</b>	<b>(5,054)</b>
Income tax benefit		-	652
<b>Net profit / (loss)</b>		<b>(3,513)</b>	<b>(4,402)</b>
Net profit attributable to outside equity interests		-	-
<b>Total changes in equity from non-owner related transactions attributable to members of the Company</b>		<b>(3,513)</b>	<b>(4,402)</b>
Basic earnings per share (ordinary shares)		<b>(0.4)</b>	<b>(0.5)</b>
Diluted earnings per share (ordinary shares)		<b>(0.4)</b>	<b>(0.5)</b>

### Statement of changes in equity for the year ended 30 June 2012

	Issued capital \$'000	Accumulated losses \$'000	Fair Value Reserve	Total Equity \$'000
<b>Opening balance as at 1 July 2011</b>	<b>182,523</b>	<b>(162,443)</b>	<b>6,275</b>	<b>26,355</b>
Non-profit items recognised directly in equity: Equity settled share-based payment transactions	-	-	-	-
<b>Non-profit items recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Loss for the period	-	(3,513)	-	(3,513)
<b>Total recognised income and expense for the period</b>	<b>-</b>	<b>(3,513)</b>	<b>-</b>	<b>(3,513)</b>
Shares issued pursuant to placement	-	-	-	-
Fair Value Reserve	-	-	(5,840)	(5,840)
Equity settled share-based payment transactions	-	27	-	27
<b>Equity-related transactions</b>	<b>-</b>	<b>27</b>	<b>(5,840)</b>	<b>(5,813)</b>
<b>Closing balance as at 30 June 2012</b>	<b>182,523</b>	<b>(165,929)</b>	<b>435</b>	<b>17,029</b>

### Statement of changes in equity for the year ended 30 June 2011

	Issued capital \$'000	Accumulated losses \$'000	Fair Value Reserve	Total Equity \$'000
<b>Opening balance as at 1 July 2010</b>	<b>182,523</b>	<b>(158,154)</b>	<b>-</b>	<b>24,369</b>
Non-profit items recognised directly in equity: Equity settled share-based payment transactions	-	-	-	-
<b>Non-profit items recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Loss for the period	-	(4,402)	-	(4,402)
<b>Total recognised income and expense for the period</b>	<b>-</b>	<b>(4,402)</b>	<b>-</b>	<b>(4,402)</b>
Shares issued pursuant to placement	-	-	-	-
Fair Value Reserve	-	-	6,275	6,275
Equity settled share-based payment transactions	-	113	-	113
<b>Equity-related transactions</b>	<b>-</b>	<b>113</b>	<b>6,275</b>	<b>6,388</b>
<b>Closing balance as at 30 June 2011</b>	<b>182,523</b>	<b>(162,443)</b>	<b>6,275</b>	<b>26,355</b>

**Statement of financial position (Balance sheet)**  
**As at 30 June 2012**

	Note	Current period - \$A'000	Previous corresponding period - \$A'000
<b>Current assets</b>			
Cash assets	3	12,570	16,387
Receivables	4	822	936
Investments	7	3,679	1,210
Other	8	224	60
<b>Total current assets</b>		<b>17,295</b>	<b>18,593</b>
<b>Non-current assets</b>			
Investments	7	-	7,776
Intangibles	5	-	-
Property, plant and equipment	6	325	459
<b>Total non-current assets</b>		<b>325</b>	<b>8,235</b>
<b>Total assets</b>		<b>17,620</b>	<b>26,828</b>
<b>Current liabilities</b>			
Payables	9	284	257
Employee benefits	10	79	128
Other	11	201	35
<b>Total current liabilities</b>		<b>564</b>	<b>420</b>
<b>Non-current liabilities</b>			
Employee benefits	10	27	18
Other	11	-	35
<b>Total non-current liabilities</b>		<b>27</b>	<b>53</b>
<b>Total liabilities</b>		<b>591</b>	<b>473</b>
<b>Net assets</b>		<b>17,029</b>	<b>26,355</b>
<b>Equity</b>			
Issued capital	12	182,523	182,523
Fair Value Reserve		435	6,275
Accumulated losses	2	(165,929)	(162,443)
<b>Total equity</b>		<b>17,029</b>	<b>26,355</b>

**Statement of cash flows**  
**For the year ended 30 June 2012**

	Note	<b>Current period - \$A'000</b>	Previous corresponding period - \$A'000
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		649	388
Cash payments in the course of operations		(4,422)	(6,801)
Interest received		817	1,261
Government Grants		657	-
Net cash used in operating activities	24	<b>(2,299)</b>	<b>(5,152)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(10)	(29)
Payments for equity investments		(5,086)	(2,738)
Merger proposal costs (net of break fees received)		-	-
Proceeds from disposal of equity investments		3,578	
Net cash used in investing activities		<b>(1,518)</b>	<b>(2,767)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		-	-
Costs of raising share capital		-	-
Net cash provided by financing activities		-	-
<b>Net (decrease) / increase in cash held</b>		<b>(3,817)</b>	<b>(7,919)</b>
Cash at the beginning of the financial year		<b>16,387</b>	<b>24,306</b>
Effect of exchange rate fluctuations on cash held		-	-
Cash at the end of the financial year	23	<b>12,570</b>	<b>16,387</b>

## Notes to the Statement of financial performance

### 1 Revenue and expenses from ordinary activities

(a) Revenues	Current period - \$A'000	Previous corresponding period - \$A'000
Interest and investment income	(138)	1,185
R&D Incentive	558	-
Government grants	6	91
Lease income	523	379
<b>Total revenue from ordinary activities</b>	<b>949</b>	<b>1,655</b>

(b) Expenses		
Depreciation of Plant and equipment	(144)	(178)
Contract research and development (Note 1(c))	(557)	(1,091)
Impairment of Marketing Licence (Note 5)	-	-
Amounts transferred to/from provisions for:		
- Employee benefits	40	(97)
<b>Other expenses:</b>		
- Advertising and promotion	(35)	(99)
- Workplace administration	(31)	(41)
- Finance expenses	(63)	(5)
- Other expenses	(14)	(60)
<b>Total Other expenses</b>	<b>(143)</b>	<b>(205)</b>

### (c) Research and Development (R&D)

Contract research and development expenditure	(557)	(1,091)
Direct research and development expenditure	(905)	(1,396)
<b>Total R&amp;D expenditure for the year</b>	<b>(1,462)</b>	<b>(2,487)</b>



## Notes to the Statements of changes in equity, financial position and cash flows

### 2 Accumulated losses

	Current period - \$A'000	Previous corresponding period - \$A'000
Accumulated losses at the beginning of the financial year	(162,443)	(158,154)
Net loss attributable to members	(3,513)	(4,402)
Net transfers from / (to) reserves	-	-
Net effect of changes in accounting policies	-	-
Share-based payment expense	27	113
Dividends and other equity distributions paid or payable	-	-
Accumulated losses at the end of the financial year	<b>(165,929)</b>	<b>(162,443)</b>

### 3 Cash assets

Cash at bank and on hand	256	235
Bank short term deposits	12,314	16,152
Cash assets	<b>12,570</b>	<b>16,387</b>

Interest on cash at bank is credited at prevailing market rates. The weighted average interest rate at reporting date was 5.6% (2011: 5.9%).

### 4 Receivables

#### Current

Trade and other receivables	246	284
R&D Incentive and other tax receivables	576	652
Total Receivables	<b>822</b>	<b>936</b>

### 5 Intangibles

#### Non-Current

North American marketing licence for apricitabine (ATC) – at cost	25,762	25,762
Less: Provision for impairment	(25,762)	(25,762)
	-	-
Intellectual property – at cost	12,000	12,000
Less: Accumulated amortisation	(12,000)	(12,000)
	-	-
Total intangibles	-	-

Following a General Meeting of shareholders in July 2010, the new directors of the Company initiated an independent review of the Company's assets including apricitabine (ATC), to which the impaired intangible asset relates. Should future decisions and actions in regard to ATC result in the directors of

the Company having the opinion that some value has been restored to this intangible asset, the existing provision for impairment may be reversed to the extent that the directors believe to be prudent and that value will be reflected in the Company's balance sheet. For the financial year 2012, the directors still consider the intangible assets nil valuation is appropriate.

## 6 Property, plant and equipment

	Current period - \$A'000	Previous corresponding period - \$A'000
Plant and equipment (at cost)	1,378	1,368
Less: Accumulated depreciation	(1,053)	(909)
Property, plant and equipment	<b>325</b>	<b>459</b>

## 7 Investments

<b>Current</b>		
Financial assets classified as held for trading	900	1,210
Financial assets classified as available for sale	2,779	-
Total Current Investments	<b>3,679</b>	<b>1,210</b>

<b>Non-current</b>		
Financial assets classified as available for sale	-	<b>7,776</b>

## 8 Other assets

Prepayments	224	60
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## 9 Payables

Trade creditors and accruals	284	257
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## 10 Employee benefits

<b>Current</b>		
Employee benefits	79	128
<b>Non-current</b>		
Employee benefits	27	18

The discount rate adopted in the present value calculation of non-current employee entitlements is 6.0% (2011: 6.0%). The carrying value of employee entitlements approximates fair value.

## 11 Other liabilities

	Current period - \$A'000	Previous corresponding period - \$A'000
<b>Current</b>		
Unearned income	78	-
Onerous contracts provision	123	35
<b>Total other current liabilities</b>	<b>201</b>	<b>35</b>
<b>Non-current</b>		
Onerous contracts provision	-	35

## 12 Issued Capital

### Issued and paid up capital

	Number	Number
847,688,779 (2011: 847,688,779) ordinary shares, fully paid	<b>847,688,779</b>	847,688,779

### Movements in issued capital during the year were as follows:

	\$'000	Number
Issued capital at the beginning of the financial year	182,523	847,688,779
Issue of shares pursuant to Rights Issue	-	-
Issue of shares pursuant to placement	-	-
Fair Value Reserve	-	-
<b>Issued capital at the end of the financial year</b>	<b>182,523</b>	<b>847,688,779</b>

### Options to acquire ordinary shares

During the financial year nil (2011: 1,500,000) options were issued to employees under the Avexa Employee Share Option Plan. 5,000,000 (2011: nil) options were issued to directors. 3,350,000 (2011: 7,745,000) options held by employees or directors lapsed or were forfeited and nil (2011: nil) were exercised. 4,000,000 (2011: nil) held by Shire Canada Inc lapsed. Movements in options for the 2012 financial year comprise the following:

Options	Exercise Price	No of options at beginning of year	Options granted	Options lapsed / forfeited	Options exercised	No of options at end of year
Total employee options	Various	5,620,000	-	(2,350,000)	-	3,270,000
Total directors options	\$0 .06	-	5,000,000	(1,000,000)	-	4,000,000
Shire options	\$0.704 #	4,000,000	-	(4,000,000)	-	-
<b>Total options</b>		<b>9,620,000</b>	<b>5,000,000</b>	<b>(7,350,000)</b>	<b>-</b>	<b>7,270,000</b>

# Exercise price adjusted from 70.4 cents to 63.2 cents in accordance with ASX Listing Rule 6.22.

### 13 Net tangible assets per ordinary security

	Current period - \$A'000	Previous corresponding period - \$A'000
Net tangible assets	17,029	26,355
Issued share capital at reporting date	Shares 847,688,779	Shares 847,688,779
Net tangible assets per ordinary security	2.0 cents	3.1 cents

### 14 Earnings per security (EPS)

	Current period - \$A'000	Previous corresponding period - \$A'000
a) Earnings reconciliation		
Net loss:		
Basic earnings	(3,513)	(4,402)
Diluted earnings	(3,513)	(4,402)
b) Weighted average number of shares	Number	Number
Number for basic earnings per share:		
Ordinary shares	847,688,799	847,688,799
Ordinary shares - after applying adjustment factor under AASB 133 for the discounted issue price which applied for the April 2009 Rights Issue .	-	-
Number for diluted earnings per share:		
Ordinary shares	847,688,799	847,688,799
Effect of share options on issue	11,181,801	9,177,088
	<u>858,870,580</u>	<u>856,865,867</u>

### 15 Returns to shareholders

There have been no returns to shareholders during the financial year.

### 16 Control gained over entities having material effect

There are no entities having material effect over which the Company gained control during or subsequent to the financial year ended 30 June 2012.

### 17 Loss of control of entities having material effect

There are no entities over which the Company lost control during or subsequent to the financial year ended 30 June 2012.

### 18 Material interests in entities which are not controlled entities

There were no material interests in entities other than controlled entities held at any time during or subsequent to the financial year ended 30 June 2012.

## 19 Non-cash financing and investing activities

There have been no non-cash financing and investing transactions during the 2012 financial year which have had a material effect on assets and liabilities of the Company.

## 20 Segment reporting

The Company operates within two business segments (anti-infective research and development and listed investments). Although the Company's clinical trials were conducted in a number of countries there was no income derived from these activities, as such activities were controlled from Australia.

### Information about reportable segments

	Research & Development		Listed Investments		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
External revenues	1,087	470	(975)	-	112	470
Inter-segment revenue	-	-	-	-	-	-
Interest revenue	825	1,185	10	-	835	1,185
Depreciation	144	223	-	-	144	223
Reportable segment profit/(loss) before tax	(2,498)	(5,020)	(1,015)	(34)	(3,513)	(5,054)
Reportable segment assets	13,923	25,618	3,697	1,210	17,620	26,828
Reportable segment liabilities	591	473	-	-	591	473

### Reconciliation of reportable segment profit or loss

	2012 \$'000	2011 \$'000
Total profit /( loss) for reportable segments before tax	(3,513)	(5,054)
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/(loss) before tax	(3,513)	(5,054)

## 21 Factors affecting the results in the future

In the interval between the end of the financial year and the date of this report no item, transaction or event of a material and unusual nature has arisen that is 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.

## 22 Franking credits available

There are no franking credits available at reporting date.

## 23 Reconciliation of cash

Reconciliation of cash at the end of the financial year (as shown in the statement of cash flows) to the related items in the accounts is shown in the following table.

	Current period - \$A'000	Previous corresponding period - \$A'000
Cash on hand and at bank	256	235
Bank short term deposits	12,314	16,152
	<b>12,570</b>	<b>16,387</b>

## 24 Reconciliation of loss from ordinary activities after related income tax to net cash used in operating activities

	Current period - \$A'000	Previous corresponding period - \$A'000
Loss from ordinary activities after income tax	(3,513)	(4,402)
Add / (less) non-cash items:		
- Depreciation and loss on disposal of equipment	144	223
- Share-based payment expense	27	113
- Merger proposal costs (net of break fees)	-	-
- Impairment of marketing licence	-	-
- Foreign exchange losses	-	-
- Investment loss on revaluation	975	28
Change in assets and liabilities:		
- Increase / (decrease) in Employee benefits	(40)	97
- (Increase) / decrease in Receivables	114	(595)
- (Increase) / decrease in Other assets	(164)	117
- Increase / (decrease) in Deferred Income	78	-
- Increase / (decrease) in Payables	27	(434)
- Increase / (decrease) in Other liabilities	53	(299)
<b>Net cash used in operating activities</b>	<b>(2,299)</b>	<b>(5,152)</b>

## 25 Compliance statement

This report has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations).

This report is based on accounts which have been audited. The unqualified audit report by the auditor is attached.

Sign here:



Date: 24 August 2012

Lee Mitchell  
Company Secretary

Print name: Lee Mitchell