ACTINOGEN LIMITED

ABN 14 086 778 476

FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2013

ACTINOGEN LIMITED

ABN 14 086 778 476

ANNUAL REPORT – 30 JUNE 2013

Contents **Page**

CORPORATE DIRECTORY

Directors	**Mr David Zohar – Executive Director** **Dr Zhukov Pervan – Executive Chairman** **Dr David Keast – Scientific Director** **Emeritus Professor Alan Morton - Non Executive Director** **Mr Christopher Simon England – Non Executive Director**
Company Secretary	**Ms Shoshanna Zohar**
Principal registered office in Australia	**Level 7, 231 Adelaide Terrace** **Perth, Western Australia, 6000**
Share Registry	**Computershare Investor Services Pty Ltd** **2/ 45 St Georges Terrace** **Perth, Western Australia, 6000**
Auditor	**Rothsay** **Level 18, 152-158 St Georges Terrace** **Perth, Western Australia, 6000**
Solicitors	**Lawton Gillon** **Level 11** **16 St Georges Terrace** **Perth, Western Australia, 6000**
Bankers	**National Australia Bank**
Stock exchange listings	**Actinogen Limited shares are listed on the Australian Securities Exchange under ACW and ACWOA.**
Website address	**www.actinogen.com.au**
Email	**info@actinogen.com.au**

ACTINOGEN LIMITED
CORPORATE GOVERNANCE STATEMENT

Introduction

The Group has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity and pursuing the true spirit of corporate governance commensurate with the Group's needs. To the extent they are applicable; the Group has adopted the Eight Essential *Corporate Governance Principles and Best Practice Recommendations* ("Recommendations") as published by ASX Corporate Governance Council. As the Group's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

The Group's Board Charter, Code of Conduct, Trading Policy, and Group Securities policy documents have been posted on the website.

Board Composition and Remuneration

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the financial report and their term of office are detailed in the Directors' Report. There is no formal policy or procedure regarding the taking of professional advice by the independent directors; however no restrictions are placed on the independent directors to take advice on matters arising from their roles as independent directors of the Group, or the reimbursement of the costs incurred by the Group.

Emeritus Professor Morton and Mr England are considered by the Board to be independent directors. The determination by the Board as to whether individual directors are independent is a matter of judgement. In making this determination the Board has followed the guidance in Box 2.1 of the Recommendations and the *Guide to Reporting on Principle 2*. The Board considers the relationships the independent directors have with the Group do not materiality impact on their independence. In determining the materiality of these relationships, the Board has considered both quantitative and qualitative factors. In determining the quantitative factors the Board considers that a relationship is immaterial where it is equal to or less than 5% of the base amount. In applying this level of materially to the relationship of the independent directors in the case of shareholders and suppliers, the Board considers that the independent directors' interest is less than 5% of the base amount. In respect to the qualitative measures the Board has considered the factors affecting the independent directors' relationship with the Group and consider these qualitative factors to be immaterial in the assessment of their independence. There is an agreed procedure by the board of directors to take independent professional advice at the expense of the Group.

Disclosure as to the nature and amount of remuneration paid to the Directors of the Group is included in the Directors report and notes to the financial statements in the Group's annual report each year. The structure and objectives of the remuneration policy and its links to the Group's performance is disclosed in the annual Directors' Report. The only form of retirement benefit to which non-executive directors are entitled, is superannuation.

Corporate Reporting

The Executive Chairman has made the following certifications to the board:

- that the Group's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Group and are in accordance with relevant accounting standards.
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the Group's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

Code of Conduct

The Group has developed a Code of Conduct (the Code) which has been fully endorsed by the board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behavior and professionalism and the practices necessary to maintain confidence in the Group's integrity. The Code of Conduct appears on the Group's website.

In summary, the Code requires that at all times all Group personnel act with the utmost integrity, objectivity, in the best interests of the Group and in compliance with the letter and the spirit of the law and Group policies.

Any breaches of the Code are reported to the chairman in the first instance for notification to the board.

The directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

Continuous disclosure and shareholder communication

The Group has a policy that information concerning the Group that a reasonable person would expect to have a material effect on the price of the Group's securities is continuously disclosed as required under the Australian Stock Exchange (ASX) listing rules.

The Group encourages communication with shareholders and the attendance and effective participation by shareholders at general meetings.

The Company Secretary has been nominated as the persons responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Group's website as soon as it is disclosed to the ASX.

Annual and half yearly reports are made available on the Group's website and mailed to those shareholders who request a hard copy.

Explanations for Departures from Best Practice Recommendations

Principle 1 recommendation 1.1, 1.2,1.3
Notification of Departure:

The Group has not: (1) formally disclosed the functions reserved to the Board and those delegated to management; (2) the process for evaluating the performance of senior executives, and; (3) whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process which is to be disclosed.

Explanation for Departure:

The Board recognises the importance of distinguishing between the respective roles and responsibilities of the Board and management, and evaluating the performance of senior executives. The Board has established a framework for the management of the Group and the roles and responsibilities of the Board and management. Previously, due to the small size of the Board and of the Group, the Board did not think that it was necessary to formally document the roles of the Board and management as these roles were clearly understood by all members of the Board and management. The Board is responsible for the strategic direction of the Group, establishing goals for management and monitoring the achievement of these goals, monitoring the overall corporate governance of the Group and ensuring that shareholder value is increased.

Principle 2 Recommendation 2.1
Notification of Departure:

The Board does not have a majority of independent Directors.

Explanation for Departure:

The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has the relevant industry experience and specific expertise relevant to the Group's business and level of operations. The Board considers that its structure is, and will continue to be, appropriate in the context of the Group's recent history. The Group considers that the non-independent Directors possess the skills and experience suitable for building the Group. Furthermore, the Board considers that in the current phase of the Group's growth, the Group's shareholders are better served by directors who have a vested interest in the Group. The Board intends to reconsider its composition as the Group's operations evolve, and may appoint independent directors as it deems appropriate.

As of the date of this report the Group has 3 non-independent directors (including the Chairman) and 2 independent directors.

Principle 2 Recommendation 2.2
Notification of Departure:

The Board does not have an independent chairman.

Explanation for Departure:

Dr Pervan who is the Group's current chairman also has an executive position on the Board and accordingly is classified as a non-independent director.

The Board believe that the executive duties exercised by Dr Pervan on behalf of the Group do not impinge on the proper and effective discharge of his duties as the Chairman, particularly given the size of the Group, its stage of development and current activities being undertaken. More specifically, the skills and experience that Dr Pervan brings to the Group make him ideally suited to the role.

In the future, as the Group grows and increases in size and level of activity, the Board will reconsider the position of the Chairman and whether the appointment of an independent chairman is warranted.

Principle 2 Recommendation 2.4
Notification of Departure:

The full Board carries out the role of a nomination committee in the Nomination Committee Charter formalised on 1 March 2007. The Board has not adopted a charter relevant to the specific functions of a nomination committee.

Explanation for Departure:

The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee, in particular at this early stage of the Group's operations, where the Group's focus is on the retention of directors and senior executives. In the future, as the Group grows and increases in size and level of activity, the Board will reconsider the establishment of a separate nomination committee.

Principle 2 Recommendation 2.5
Notification of Departure:

The Group has not disclosed the process for evaluating the performance of the board, and individual directors.
Explanation for Departure:

The Board considers that at this time no efficiencies or other benefits would be gained by introducing formal evaluations. In the future, as the Group grows and increases in size and activity, the Board will consider the establishment of formal board and individual director evaluation processes.

Principle 2 Recommendation 2.6
Notification of Departure:

The Group has not disclosed whether a performance evaluation for the board, and directors has taken place in the reporting period and whether it was in accordance with a disclosed process.

Explanation for Departure:

The Board considers that at this time no efficiencies or other benefits would be gained by introducing formal evaluations. In the future, as the Group grows and increases in size and activity, the Board will consider the establishment of formal board and individual director evaluation processes.

Principle 3 Recommendation 3.2, 3.3, 3.5
Notification of Departure:

The Group has not established a policy concerning diversity

Explanation for Departure:

The Group considers that at this time no efficiencies or benefits would be gained by introducing a formal diversity policy. In the future, as the Group grows and increases in size and activity, the Board will consider the establishment and disclosure of formal diversity policy.

Currently there is one female representing 16% of the entire organisation that is employed by the Group. She holds the position of Company Secretary. No females occupy board positions.

Principle 4 Recommendation 4.1, 4.2, 4.3, 4.4
Notification of Departure:

There is no separate Audit Committee.

Explanation for Departure:

The Group's financial statements are prepared by the company accountant and reviewed in detail by the full Board. The Board also relies on the functions and capabilities of its external auditors to ensure proper audit of financial statements. While the Board considers this process sufficient to ensure integrity in financial reporting in the current circumstances, it will continue to monitor whether any further safeguards are required and make changes as appropriate.

Principle 6 Recommendation 6.1,6.2
Notification of Departure:

The Group does not have a formal documented Shareholder communication policy.

Explanation for Departure:

The Group strongly encourages more communication between the shareholders and the Group and board. All general meetings include briefings by board members to provide a deeper insight into the Group, opportunities for the shareholders to have their questions answered, and following all general meetings, the directors encourage shareholders to chat informally with them. As the Group grows in size, the board is very keen to develop more formal and expansive communications with shareholders.

Principle 7 Recommendation 7.1
Notification of Departure:

The Group has not established policies for the oversight and management of business risks, or disclosed its risk management policies and assessment framework.

Explanation for Departure:

The Board is aware of the various risks that affect the Group and its particular business and has implemented a number of controls to mitigate or limit the effects of these risks. As the Group grows and increases in size and activity, the Board will develop formal policies to deal with risk oversight and management and internal compliance.

Principle 8 Recommendation 8.1, 8.2, 8.4.
Notification of Departure:

The Group has not established a remuneration committee.

Explanation for Departure:

The current remuneration of the Directors is disclosed in the Directors Report included in the Annual Report. Remuneration is currently in accordance with the general principals recommended by the ASX. Non-executive Directors receive a fixed fee for their services and do not receive performance based remuneration. Due to the early stage of development and small size of the Group, a separate remuneration committee was not considered to add any efficiency to the process of determining the levels of remuneration for the Directors and key executives. The Board considers that it is more appropriate to set aside time at 2 Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee. In addition, all matters of remuneration will continue to be in accordance with Corporations Act requirements, especially in respect of related party transactions. That is, none of the Directors participate in any deliberations regarding their own remuneration or related issues.

1 OPERATIONS

1.1 Overview

Actinogen's aim is to identify and isolate soil microorganisms, known as **actinomycetes**, which are capable of producing bioactive compounds (or exhibiting properties in their own right) of commercial value. Actinogen seeks to achieve this aim by sampling Western Australian soils and testing actinomycete isolates identified in those soils. The southwest of Western Australia is one of only a few places in the world known to have dry sclerophyll soils. They are also found in eastern and southern parts of Australia and in a small number of places elsewhere. They are often inhabited by specialised Sclerophyllous plants and as a result may also contain unique microflora.

1.2 What are actinomycetes?

Actinomycetes are a group of gram positive bacteria that are distributed in the natural environment worldwide. They are metabolically diverse and produce bioactive molecules such as bacterial antibiotics, anti-viral agents, anti-tumour agents, antifungal agents and immunosuppressive agents that are used for humans, animals and in agriculture. They can also produce bioactive molecules effective in industry at large.

Actinomycete isolates are individual actinomycetes in pure form. Actinogen produces actinomycete isolates in liquid form to use for its testing.

1.3 Projects

Set out in the table below is a list of Actinogen's projects, including their current status and a reference to the relevant section of this market update. Each of these projects involves identifying and applying actinomycetes for a particular purpose.

Project	Aim	Status	See section
Plant Growth Project	Production of plant growth hormones using actinomycete isolates	Active	2
Antibiotic Research Project	Research to find bacteria killing actinomycetes which can be used to produce antibiotics	Active	3
Salt Tolerant Actinomycetes Research Project	Research to find salt tolerant actinomycetes which can be used to help farmers grow plants and crops in salt affected environments	Minor activity	4
Bioethanol Project	Production of bioethanol using cellulase produced by actinomycete isolates	On hold pending further funding	5
Shikimic Acid Project	Production of shikimic acid, a key component of influenza medication, from actinomycetes isolates	On hold pending further funding	6

Project	Aim	Status	See section
Biofumigation Project	Production of polyenes, which inhibit or kill fungi, using actinomycete isolates	On hold pending further funding	7
Cancer Stem Cell Research Project	Research to find actinomycetes that kill cancer cells and cancer stem cells	On hold pending further funding	8

Each of the above projects requires significant further testing in order in order to establish its commercial viability. All of the Company's results to date have been on a molecular level, and must be repeated on a much larger scale in order to be commercially viable. There is no guarantee that any of these projects will ultimately be commercially viable.

Actinogen will continue to look for commercial partners and joint venture opportunities for each project as it develops.

1.4 Key personnel

Actinogen's operations are headed by its Scientific Director, Dr David Keast, who has a scientific background spanning over 40 years. Over that time he has developed research programs in immunology, bacteriology and cancer research and has published over 225 scientific papers, review articles and book chapters. During the 1980s Dr Keast developed and ran a large actinomycetes isolation, screening and research and development program at the University of Western Australia and financed by the multinational pharmaceutical company, Merck Sharp and Dohme.

Until November 2012, Actinogen employed six research scientists, with Dr Keast as director and research coordinator. Three of the scientists had PhDs (two employed full time and one part time) and three were science graduates (one full time and two part time). In November 2012, Actinogen's directors resolved to reduce the number of research staff as a cost cutting measure. Currently Actinogen employs one full time scientist and one part time scientist who work under Dr Keast's instructions. Dr Keast oversees all of Actinogen's research and development programs. Actinogen liaises with other scientists as required.

David Zohar and Zhukov Pervan are both executive directors. They meet frequently with Dr Keast to discuss the direction of the research and development programs and to plan the development of the programs and any fundraising, which may be needed. Alan Morton and Simon England are both non-executive directors. All directors except for Dr Keast are not receiving any remuneration until Actinogen raises sufficient funds. All funds raised since April 2012 have been used solely for research and development and to remunerate Dr Keast (on a reduced salary) and the two research staff.

1.5 Actinogen's laboratory and processes

Actinogen's operations are run from laboratory space at the Queen Elizabeth II Medical Centre in Nedlands (**Actinogen Laboratory**) under the supervision of Dr Keast. Actinogen rents the Actinogen Laboratory on an annual basis.

Actinogen stores actinomycetes isolates at minus 80^{o}C at the Actinogen Laboratory (which Actinogen refers to as its "library").

Actinogen actively collects new actinomycetes from the environment in Western Australia by gathering and

testing soil samples. The samples are then assessed by Actinogen and catalogued by the properties that they have. For example, if an actinomycete shows an effect against bacteria such as MRSA, it is catalogued as a possible antibiotic and entered into the Actinogen library.

On occasion, Actinogen uses independent facilities to verify or expand on its research. Actinogen supplies the actinomycetes and outlines the experiment and it is performed by the independent body. Currently, independent testing is done by an independent university in Western Australia.

Actinogen uses specialised in house rapid screening techniques, High Pressure Liquid Chromatography (**HPLC**) and other specialised equipment to identify compounds that are produced by actinomycetes. Specific details of Actinogen's processes have been withheld because they are confidential and, depending on the success of those processes, may be the subject of patent applications by Actinogen in the future.

1.6 Protecting Actinogen's research

Where Actinogen's research and testing yields potential commercially valuable compounds produced from its discovered actinomycetes isolates, Actinogen will seek to protect those compounds by:

- registering a provisional patent; and
- sending the relevant actinomycete isolates to be stored at the Australian Deposit Centre at the National Measurement Institute in Melbourne under the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (**Budapest Treaty**). This lodgement effectively protects against others using the actinomycete isolates discovered by Actinogen.

Actinogen lodges a provisional patent when the Company believes it has potentially found something new and novel. A provisional patent only lasts for 12 months, after which the Company must decide whether to proceed to a full patent, which is expensive and requires a substantial level of detail as to the process used. If Actinogen is not ready to lodge a full patent after 12 months (either because the project is not developed enough to justify the cost of lodging a full patent or the project is not be ready to be described in enough detail for a full patent), Actinogen will allow the provisional patent to lapse. Currently Actinogen has no active provisional patents.

In order to protect actinomycetes where there is no patent protection, Actinogen lodges the actinomycetes under the Budapest Treaty. This protects the actinomycetes and prevents anyone else from using the same actinomycetes without Actinogen's consent for a minimum of 30 years from the date of lodgement.

Actinogen has lodged a series of actinomycetes under the terms of the Budapest Treaty. These are ACN 33 (produces antibacterial and anti-fungal antibiotics on a molecular level), ACN 141 (produces bacterial antibiotics on a molecular level), ACN 1034 (produces antibiotics and anacardic acid on a molecular level), ACN 1487 and ACN 1503 (produce antibiotics and plant hormones on a molecular level), ACN 1488 (produces shikimic acid on a molecular level), ACN 4205 (produces cellulases on a molecular level) and BACN 001 (a bacterium that aids cellulose digestion).

1.7 Actinogen's publications

Actinogen has released 4 publications on findings on scientific interest arising in the course of its research on actinomycetes, namely:

- "Growth in glass and plastic cultureware of Actinomycetes isolated from WA soils – a comparison" (2012);
- "Siderophore production by actinomycetes isolates from two soil sites in Western Australia" (2012);
- "Siderophore production by Actinomycetes isolates from soil in Western Australia" (2010); and

- "Isolation of Actinomycetes from West Australian Water Samples" (2009).

These publications do not relate to the Company's projects, but rather matters of scientific interest that have arisen in the course of the Company's research. Copies of these publications can be accessed from the Company's website at www.actinogen.com.au.

1.8 Actinogen's future plans

Actinogen's short term future plan is to:

- focus on the Plant Growth Project, with the aim of producing commercially valuable plant growth hormones that have been independently verified to increase growth rates in plants;
- continue to test actinomycetes for antibacterial properties; and
- seek commercial partners to assist in developing Actinogen's projects.

In the longer term, and subject to Actinogen raising additional funds, Actinogen intends to pursue each of its other projects in order to bring them to commercialisation.

2. PLANT GROWTH PROJECT

2.1 Background

Actinogen's research has identified certain actinomycete isolates that produce plant growth hormones. The most effective actinomycete isolates discovered by Actinogen, being ACN 1487 and ACN 1503, were isolated and deposited at the National Measurement Institute in Melbourne under the Budapest Treaty.

While the plant growth hormones are not unique in themselves and are used worldwide, Actinogen is not aware of any other person that produces plant growth hormones from Western Australian actinomycetes.

2.2 What are plant growth hormones?

All living organisms begin life as a single cell which then divides and multiplies. The multiplied cells go through a differentiation process, following which different cells have different roles in the developing organism. Hormones are a group of chemicals which (together with other chemicals) drive that differentiation process.

In plants, genetic information directs the synthesis of these hormones and transportation of the hormones throughout the plant as required. The hormones are biologically active at low concentrations and interact with specific target tissue to cause significant physiological responses at whole plant level, such as growth of roots, stems and leaves, the development of flowering and subsequently fruit.

Five major groups of plant hormones are currently recognised. These are:

	Hormone	Role
1.	Auxins	These hormones are involved in cell elongation and both apical and root growth, and can stimulate root development in plant and leaf cuttings.
2.	Gibberellins	Gibberellins primarily affect the elongation of plants, although they do have other properties such as breaking dormancy and promoting

		uniform germination. Gibberillins have commercial uses such as increasing the production of sugar in the malting process in the beer industry.
3.	Ethylene	Ethylene is responsible for the ripening of fruits.
4.	Cytokinins	Cytokinins promote cell division and bud development in flowering plants.
5.	Absicsic acid	Absicsic acid inhibits the action of other hormones and is active in stomata closure to conserve water loss in plants.

There are other growth regulators that are not hormones but either function in a similar way to hormones or influence the activity of hormones. An example is shikimic acid (see section 6 of this market update), which is important in the aromatic biosynthetic pathways in plants that enhance plant growth.

2.3 The method Actinogen uses to identify plant growth hormones

Initially Actinogen uses an HPLC dereplication process using a large reference library containing a wide array of bioactive substances to check for known plant growth hormones that are already in the public domain. The final confirmation of the active substances is by the use of mass spectrometry. The following method of identifying plant growth hormones is used for the Plant Growth Project:

- An Agilent 1200 series DAD-HPLC with a Zorbax Eclipse Plus C-18 solvent saver plus column (3 × 4.6 mm, 5 µ) fitted with a guard column (12.5 × 4.6 mm, 5µ) is used for all HPLC analyses.
- All culture broths are sterile filtered through a 0.2µm pore size syringe filter, 10µl volumes are injected into the HPLC set to a flow rate of 0.4 ml/min.
- The mobile phase employed consisted of:
    - Solvent A: 0.1% orthophosphoric acid in Milli-Q water; and
    - Solvent B: HPLC grade acetonitrile.
- The mobile phase is run as a linear gradient from 0% - 100% B over 20 minutes, with a 5 minute hold at 100% B and a 5 minute post-time at initial conditions.
- Ultra violet detection peaks are recorded at a data sampling rate of 500msec using a slit width of 2 nm over the range 200-600 nm.
- Chromatograms are constructed and ultra violet spectra at 204 nm were compared by dereplication with three UV-spectral libraries containing spectra for bioactive molecules. The spectra are matched to Actinogen's in-house reference libraries.

Using this method, Actinogen has identified, on a molecular level, the production of hormones from actinomycetes. The exact breakdown of what substances the actinomycetes are producing (including which group of hormones those substances belong to) is confidential as it may be used in patent applications in the future.

2.4 First Actinogen wheat seed experiments

Dr Keast first ran experiments in the Actinogen Laboratory in 2011 on Wyalkatchem wheat to determine whether putative plant hormone containing preparations could be detected using a simple screening assay.

The process for the experiments was as follows:

- The wheat seeds were placed on filter papers in glass petri dishes at room temperature, enclosed in a lid-fitted container for the first 4–6 days then exposed to sunlight.
- The wheat seeds were sterilised (in an effort to avoid fungal contamination) in accordance with the following protocol to maintain consistency:
    - immersion in 70% ethanol for 10 minutes;
    - quick rinse in sterile distilled water (**SDW**);
    - immersion in household bleach for 10 minutes; and
    - a final thorough rinse in SDW.

    While this is the best method so far devised to retain viability in the seeds, this does not totally control naturally occurring fungi in all seeds.
- The 2 actinomycete isolates ACN 1487 and ACN 1503 that have been shown by Actinogen to produce plant hormones were added to Wyalkatchem plantlets to observe their effect on wheat growth.
- The sterile, sandy soil (heated on a tray in an 180^{o}C oven for 3 hours then autoclaved in Schott bottles) was weighed into individual yellow-top, sterile culture tubes.
- The two isolates were grown up in a liquid culture medium, filter-sterilised then added to separate soil/tubes. The tubes were capped and left on the bench for approximately 1 week to allow for isolate establishment within the soil environment. Control soil/tubes were not inoculated.
- 6-day old germinated wheat plants were then transplanted from the petri dish into the soil/tubes of each of the 3 treatment types (control, or filtrates of actinomycete isolates ACN 1487 or ACN 1503), then moistened with 3 to 4 ml of SDW.
- For each treatment type, the wheat was planted in replicates to yield 3 plants for weighing across 3 weeks, a total of 6 plants per treatment type. The plants were capped with the hole-drilled-lid used in trial 3, positioned on the window sill for sunlight and moistened with SDW when needed.

All test plants treated with the filtrates of ACN 1487 or ACN 1503 grew faster than the control plants. By day 19 of the experiment all of the treated plants had grown between 1 and 4 more leaves than the control plants.

Both the control and test plants remained healthy until day 13 when fungal contamination appeared in a proportion of the control and ACN 1487 plants. All seeds contain fungal spores which can lead to fungal contamination. The seeds used in Actinogen's trials were sterilised in an effort to minimise fungal contamination, however it is not possible to eliminate all fungal contamination given some fungal spores are airborne and can attach to seeds after the sterilisation process has been completed. The fungal contamination occurred for a portion of both the control and ACN 1487 plants, so cannot be attributed to any issue with ACN 1487.

TABLE 1: The average weights (mg) of the leaf, stem and root portions of the Wyalkatchem wheat seeds after treatment in accordance with the above process.

	Leaves		Stem		Roots	
	Week 1	**Week 3**	**Week 1**	**Week 3**	**Week 1**	**Week 3**
SDW	0.41	1.15	0.29	0.35	0.58	0.52
1487	0.62	1.60	0.39	0.41	0.58	1.30
1503	0.55	0.81	0.35	0.40	0.79	1.30

Conclusion: The plants treated with the isolate filtrates stimulated Wyalkatchem wheat growth significantly over the trial period. The filtrates were known to contain plant growth hormones.

2.5 Second round of wheat seed experiments

A second trial, using ten replicas per treatment was performed in order to substantiate the first trial results. In this instance three replicas were taken at each sample time and the results were graphed (see section 3.6 below) as means and standard deviation at weekly intervals.

By the end of the first week (day 8) since transplant of seedlings of Wyalkatchem wheat:

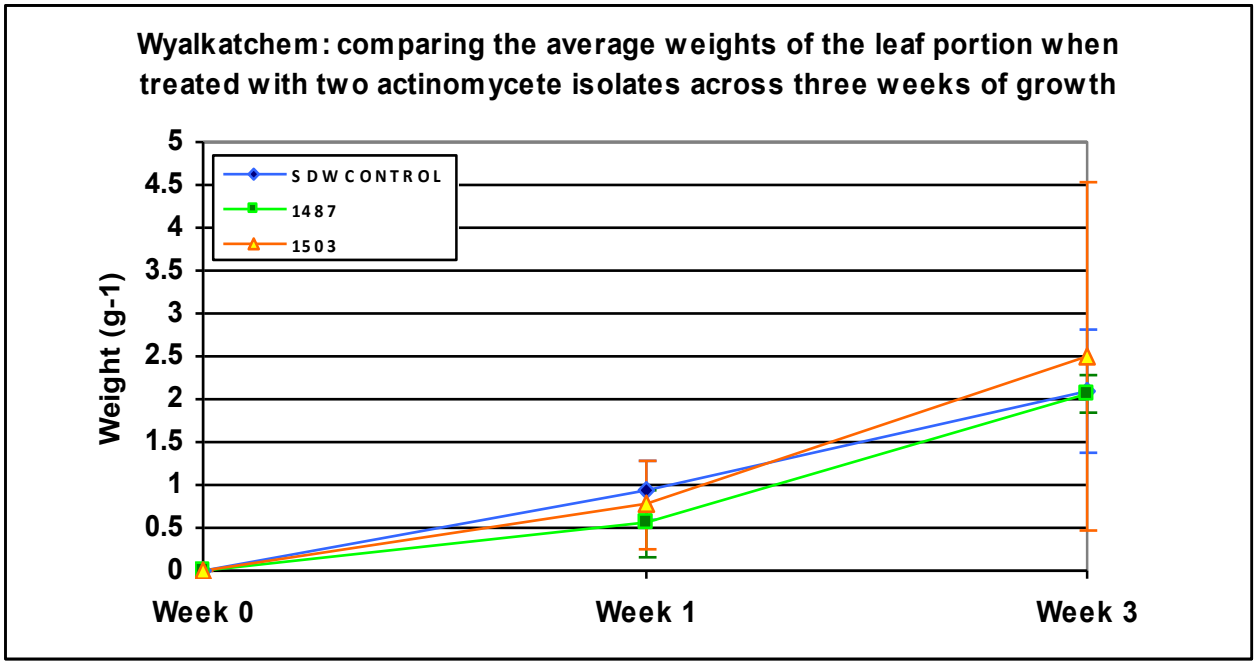
- all (10) control plants grew well and produced up to 3 leaves;
- 7 of the ACN 1487 test plants produced up to 2 leaves; and
- 8 of the ACN 1503 test plants produced up to 3 leaves, with 1 tube contaminated with fungal growth.

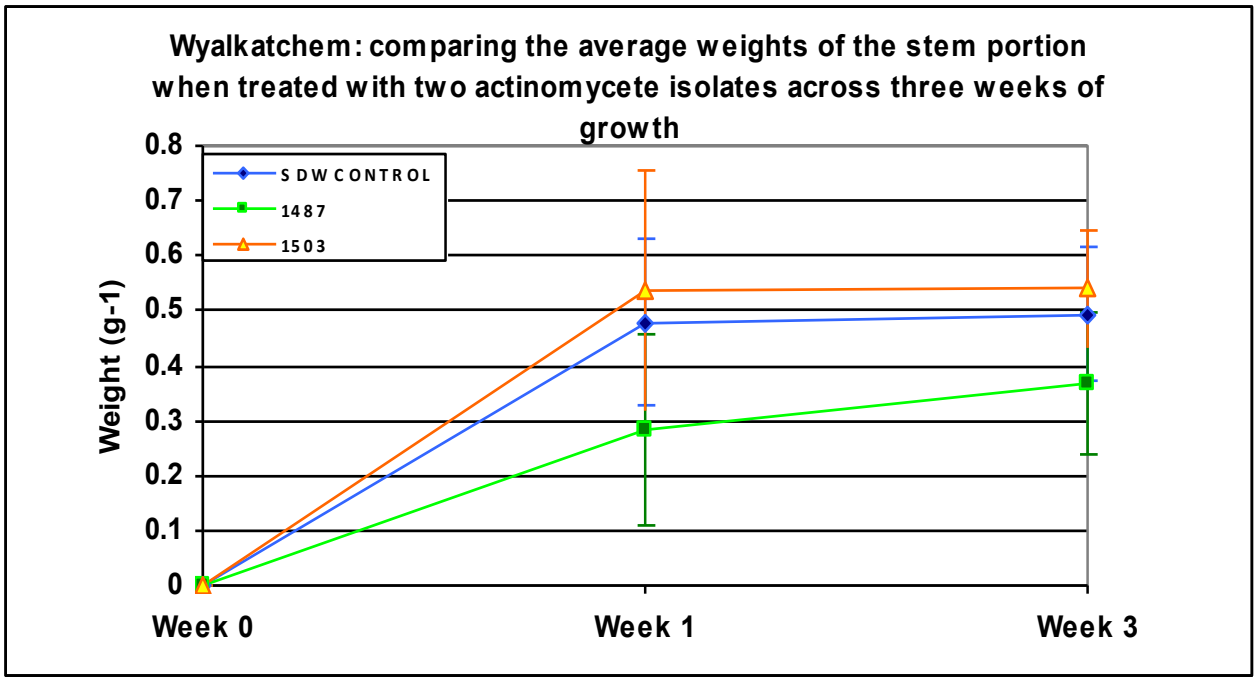
By the end of the third week (day 22) since transplant the remaining plants (5 plants per plant type) showed continued healthy development among:

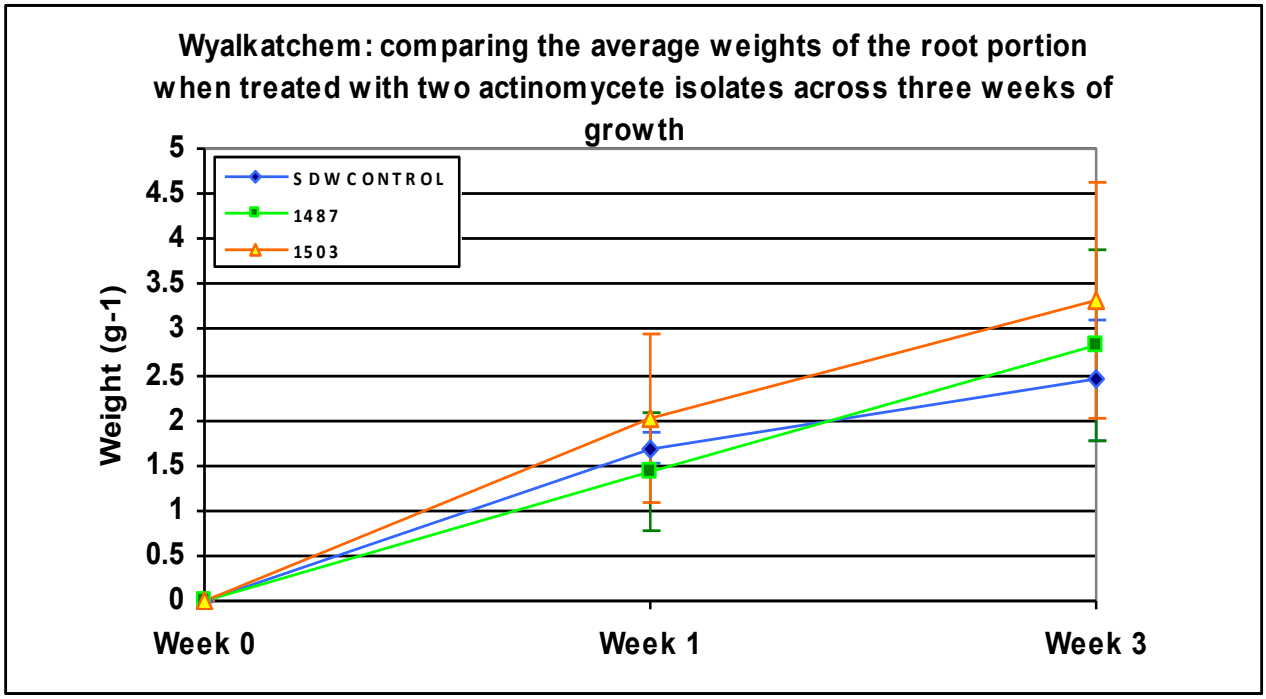
- all control plants, which produced up to 4 leaves;
- 3 of the 5 ACN 1487 plants, which produced up to 4 leaves, with 2 tubes showing nil growth; and
- 3 of the 5 ACN 1503 plants, which produced up to 3 leaves, with 2 tubes contaminated with fungi with nil plant growth.

The monitoring of plant biomass production across three weeks of growth showed that the highest weights recorded for the leaf, stem and root portions were mostly from ACN 1503, despite less number of leaves turned and 2 shoots failed to mature relative to control (see section 3.6 below). The average weight values of the leaf and root portions of the 7 surviving ACN 1487 plants were lower than control by the end of the first week, however higher if not the same as control by the end of the third week.

2.6 The growth patterns of Wyalkatchem wheat seedlings with respect to leaf biomass, stem biomass and root biomass







2.7 Broad bean pot trials

After the wheat seed trials were conducted at the Actinogen Laboratory, Dr Keast performed pot trials on broad beans at a field laboratory he had set up at a private property in Kalamunda. This trial was carried out in small pots under semi field conditions with a total of 40 replicas and as such could not be carried out within the confines of Actinogen Laboratory. This property is available to Actinogen on a continuing basis.

The process for the pot trials was as follows:

- The two actinomycetes were grown in liquid SAB medium for 3 weeks and then diluted to contain at pot inoculation approximately 3 X 10^{12} viable bacteria/spores per trial pot.
- Bacteria and culture media were added to ten replica pots per test in 30 mL volumes. Water and sterile medium control series were also established.
- The seedling pots were filled with an indoor/outdoor potting mix.
- Each pot then received one broad bean which had been dipped in one of the treatment materials.
- All pots were treated every second day with four sprays of water from a standard hand spray.
- All treatment groups were observed daily and once germinated, above ground growth was recorded every two days (on a centimetres of growth basis).
- On day 45 of the trial, all plants were harvested and the wet weights of the total plant, the leaves and stem and the roots were recorded.

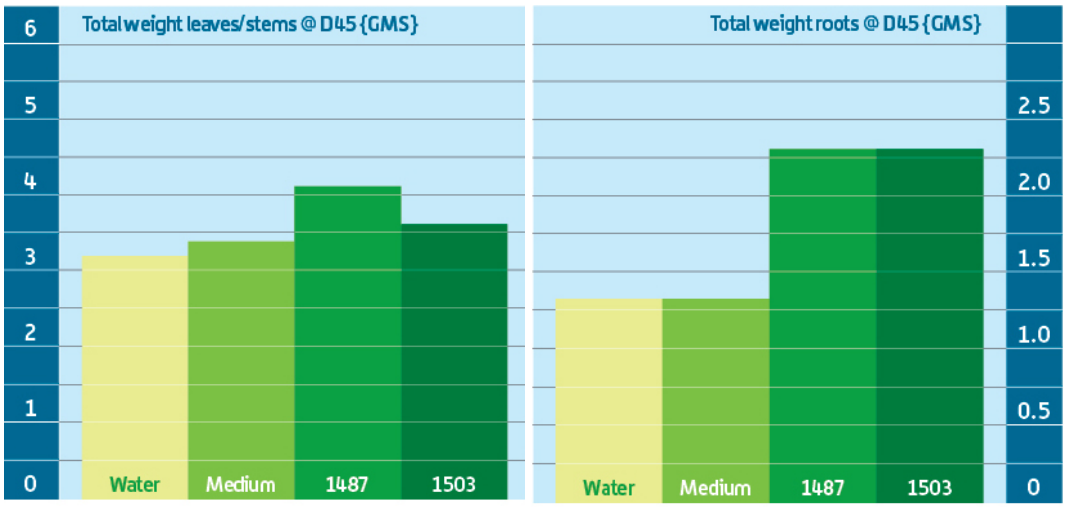


Figure 2.7 The results illustrated as histograms for the green plant and the root production following the protocols described above.

The results (Figure 3.7) indicate that the trials using the actinomycete isolates ACN 1503 and ACN 1487 stimulate both green wet weight and root wet weight over and above controls. The major contribution to the growth of these plants is by the stimulation of added root growth.

2.8 Pot trials on peas and wheat in March 2013 (first independent trials)

Independent greenhouse trials were then conducted at an independent university to confirm (or otherwise) Actinogen's in house trials. The independent university's trials included (in addition to ACN 1487 and ACN 1503) a new actinomycete, ACN 4432, which was found by Actinogen after it had conducted its in-house trials and showed the potential to produce plant growth hormones.

The process used for the independent trial was as follows:

- 100 mL cultures of actinomycete isolates ACN 1487, ACN 1503 and ACN 4432 were inoculated and incubated for up to 2 weeks.
- The cultures were then spun down, pooled and resuspended in sterile distilled water with a final volume of 250mL.
- The viability of the actinomycetes used were determined as colony forming units/mL (cfu/mL) of each isolate in the final suspension are shown in Table 2 below.

Table 2: the colony forming units per mL used in the first independent trial.

Isolate	Average (cfu/mL)	Standard deviation
ACN 1487	2.11×10^5	7.07×10^3
ACN 1503	1.39×10^5	3.82×10^4
ACN 4432	1.47×10^5	2.12×10^4

- The actinomycetes had to be cultured in the Actinogen Laboratory and checked by HPLC before being sent to the greenhouse for application.

- Actinogen took no further part in the design or running of the trial or its monitoring.

- The actinomycete isolates were then applied to the pots in the same liquid form as the previous experiments. There were 30 pots containing wheat seeds (5 seeds per pot) and 30 pots containing pea seeds (5 seeds per pot).

- The first harvest was performed at 5 weeks. Four pots of wheat and four pots of peas were harvested and measured.

- The second harvest was performed at 7.5 weeks. 17 pots of wheat and 21 pots of peas were harvested and measured.

2.9 Wheat results for the first independent trials

Leaf, stem and root results

The results for the growth of the leaf, stem and root portions of the wheat plants compared to the control plants were not reported because:

- The results at 5 weeks contained a mathematical recording error. Actinogen could not verify the results, so the results were not reported.

- The results at 7.5 weeks were not conclusive because the time span to harvest the plants had proved to be too long and the plants had become 'root-bound'. The plants should have been harvested at 6 weeks and another trial was planned for harvest at 6 weeks.

For these reasons Actinogen decided not to report these results. Given these limitations, Actinogen decided to perform a second round on independent testing for the leaf, stem and root portions as described in more detail in section 2.11 below.

Tillers (shoots) results

Despite the above limitations for the leaf, stem and root results, the results for the growth in tillers (shoots) for the wheat were clear. The tillers from the wheat plants in the 17 pots harvested at 7.5 weeks were measured. The control plants were compared to the plants that received the actinomycetes. There was an increased amount of tillers on the plants that received the actinomycetes as compared to the control plants.

Control plants had on average produced 15 tillers per pot while plants grown in the presence of the actinomycetes produced on average 18 tillers per plot.

2.10Pea results for the first independent trials

At 5 weeks the pea plants that received the actinomycetes were not growing better than the control plants. At 7.5 weeks, the pea plants that received the actinomycetes showed an average increase in growth for the pea tops of 10.9%. The pea roots were not measured because they were too brittle.

There were 10 pots of peas harvested at 7.5 weeks that had received the actinomycetes and 11 pots of plants harvested that had not received the actinomycetes. There were 27 plants measured that received the actinomycetes and 33 control plants measured.

2.11 Results from the second independent wheat trial

Given the limitations from the first independent wheat trials, Actinogen instructed the independent university to conduct a second round of wheat trials.

The trials were conducted in a non-sterile soil, with all nutrients and water supplied in a non-limiting amount. There was no root disease evident, and the plants were healthy. There were 21 control plants measured and 24 plants that received actinomycetes measured. The plants were all harvested at 6 weeks.

Actinogen received the results from the second round of trials on 27 August 2013. The results showed that the plants that received actinomycetes had very slightly increased tillering, but very slightly decreased root and shoot growth.

In summary, the results showed that there was no real effect on the wheat from the application of the actinomycetes.

2.12 Summary of results

Actinogen's testing has shown:

- an increase in the leaf, stem and root weights of wheat plants treated with ACN 1503 compared to the control plants;
- an increase in the root weight, a decrease in the stem weight and no effect on the leaf weight for wheat plants treated with ACN 1487 compared to the control plants; and
- an increase in the leaves, stems and root weights for broad bean plants treated with ACN 1487 and ACN 1503 when compared to the control plants.

The independent testing completed at the independent university showed an increase in the wheat tillers from the plants that received actinomycetes compared to the control plants and a 10.9% increase in growth for pea tops that received actinomycetes compared to the control plants.

As mentioned in section 2.9 above, the initial independent testing results for the wheat leaf, stem and roots were compromised and the independent university repeated that trial in order to obtain reliable results. The results of that trial were sent to Actinogen on 27 August 2013 and showed no real difference between the control plants and the plants that received actinomycetes.

The Company's results from the Plant Growth Project to date have been on a molecular level, and must be repeated on a much larger scale in order to be commercially viable. There is no guarantee that the Plant Growth Project will ultimately be commercially viable.

2.13 IP Protection

Actinogen has lodged a provisional patent in the past, which has now lapsed because Actinogen determined that the project was not developed enough (and did not warrant incurring the significant application costs) to proceed to a full patent application. Actinogen is not ready to proceed to a complete patent application, however the actinomycetes are protected under the Budapest Treaty.

2.14 Current status of the Plant Growth Project

As mentioned in section 2.11 above, the results in the second independent wheat trial showed no real effect on the growth of wheat from the application of the actinomycetes. Actinogen is currently considering performing another trial on peas and then on broad beans to see whether the actinomycetes have a greater effect on peas and broad beans than on other types of plants. Actinogen is also considering what further trials it should

perform with wheat, since there were significant results obtained in the first independent trials regarding the wheat tillers. Actinogen will keep shareholders updated on further trials in the Plant Growth Project.

2.15Project timeline

Actinogen is continually looking for more funding and partners to continue the progression of the plant growth project. Actinogen has developed an estimated timeline for the Plant Growth Project:

Stage	Milestone	Estimated completion
1.	Actinogen Laboratory trials on wheat seeds	Completed in 2011
2.	Pot trials on broad beans	Completed in 2011
3.	Independent pot trials on wheat and peas	Completed in August 2013
4.	Pot trials on peas	Planned for September/October 2013
5.	Independent pot trials on broad beans	Planned for March 2014
6.	Larger scale pot trials on wheat, peas and broad beans	Planned for 2014
7.	Field trials on wheat, peas and broad beans	Planned for Spring 2014/Spring 2015 (depending on the results of the trials above)

Actinogen is currently up to stage 4 of the timeline. Actinogen should be finished with the trials by the end of 2015. However, this timeline is just an estimate based on all the current results in the Plant Growth Project. With each trial's results, the goals and aims in the Plant Growth Project may change and the estimated timeline may be altered.

Actinogen has previously made reference to awaiting government approvals for the Plant Growth Project. That reference was to approval from the Australian Pesticides and Veterinary Medicine Authority (**APVMA**) for registration of a product. Actinogen has since determined that registration with APVMA is not required.

3. ANTIBIOTIC RESEARCH PROJECT

3.1 Background

Actinogen continues to run its isolation, screening and research and development program in order to find actinomycetes that produce substances which have an effect against bacteria, including bacteria which has become antibiotic resistant.

3.2 Actinogen's method

Actinogen collects soil samples which it then screens for new actinomycetes. If new actinomycetes are found, they are added to Actinogen's private existing database of over 6000 actinomycetes.

The new actinomycetes are then tested against the MRSA panel, *Candida*, VRE, *P. aeruginosa* and the anaerobic pathogen Clostridium difficile, to determine whether they have activity against the bacteria. These testing panels consist of clinical isolates of microorganisms that have developed serious antibiotic resistance patterns and can therefore be used to increase the likelihood of finding new antibiotics.

Actinogen employs a series of screening tests which become more stringent. Primary screening is a rapid test to detect the production on solid agar of an isolate producing an antibiotic directed to one or more of the test organisms outlined above.

Secondary screening is then carried out on known antibiotic producing isolates, in liquid culture. Tertiary screening is then used to determine the chemical nature of the antibiotic.

Once an actinomycete produces a substance in the Actinogen Laboratory that shows resistance to bacteria such as MRSA, Actinogen tries to identify the substance from the public literature and databases. If the substance cannot be matched to an existing substance, it is sent to an independent laboratory to obtain a molecular structure of the substance.

Actinogen has lodged a small series of isolates under the Budapest treaty (See section 1.6 above).

3.3 Actinogen's results

The following results are the results from the Antibiotic Research Program.

MRSA panel, Candida, VRE and P. aeruginosa screening

After primary screening:

- 294 isolates have activity against the entire MRSA panel and 74 have activity against some of the panel.
- 113 isolates have activity against the entire panel ± one strain of *Candida* and 96 have activity against part of the panel.
- 167 isolates have activity against VRE.
- 6 isolates have activity against *P. aeruginosa* after secondary testing.
- 7 isolates have quorum quenching ability.

After tertiary screening:

- 69 isolates have activity against the entire MRSA panel.
- 11 isolates have activity against the entire Candida sp. panel.
- 58 isolates have activity against VRE.

Clostridium difficile screening

405 isolates have been tested; 23 have activity against C. *difficile* and after primary screening:

- 17 isolates have activity against all 3 C. difficile strains tested.
- 1 has activity against PCR ribotype O27 and WA25.
- 1 has activity against O27 and R1 (VPI10463).

- 3 have activity against R1 and WA25.
- 1 only has activity against O27.

Conclusion

The results show that Actinogen has found substances that have activity against the MRSA panel and Clostridium difficile. Each substance with activity against the MRSA panel and Clostridium difficile has the potential to become a new antibiotic, however significant further testing is required in order for this to be established. There is no guarantee that any of these substances will be successfully established as a new antibiotic.

3.4 Current status of the Antibiotic Research Project

If the substance cannot be matched to an existing substance, it is sent to an independent laboratory to obtain a molecular structure of the substance. This testing is expensive and Actinogen has had to suspend sending actinomycetes samples to the independent laboratory for the present time until further funds are raised. However, the collection of new samples, the screening program and bench level testing are ongoing in the Actinogen Laboratory.

The Company's results from the Antibiotic Research Project to date have been on a molecular level, and must be repeated on a much larger scale in order to be commercially viable. There is no guarantee that the Antibiotic Research Project will ultimately be commercially viable.

4. SALT TOLERANT ACTINOMYCETES PROJECT

4.1 Background

Actinogen is currently running a research program on salt tolerant actinomycetes. Actinogen screens actinomycetes from its existing database and tests them to see if they have any ability to survive in salty environments. The aim of this research is to develop a product that will help farmers and other plant producers grow plants and crops in salt affected environments.

4.2 Current work and status of the Salt Tolerant Actinomycetes Project

Actinogen has screened 100 actinomycetes to test for salt tolerance. The screening process was as follows:

- The isolates were inoculated onto an ISP2 agar with NaCl concentrations of: 0%, 2.5%, 10%, 15%, and 20% weight/volume.
- The isolates were then incubated for 14 days at 26°C, following which the growth of the isolates was recorded.

The results of Actinogen's screening are summarised in the table below.

	0% NaCl	2.5% NaCl	10% NaCl	15% NaCl	20% NaCl
High growth	64	32	-	-	-
Medium growth	36	45	-	-	-
Low growth	-	13	4	-	-
Nil growth	-	10	96	100	100

The level of colony development is a visual observation taken by experienced staff.

Conclusion

The more salt tolerance an actinomycete exhibits, the more likely it is that it will establish and survive in soils containing high levels of salt. The four isolates that can tolerate 10% saline have the potential to survive in high salt environments and continue to lead to the production of humus to aid in the re-establishment of salt tolerant plants and the rehabilitation of salt affected soils.

There is a wide range of soil salinity in nature, with the saturation level in solution for pure salt being around 23%. Thereafter salt is deposited as crystals. It is known that in WA salinity of soils can vary over a wide range up to and including levels where salt is deposited as crystals where rehabilitation of these soils would be unlikely to occur using microorganisms in the first instance.

Actinogen's next phase it to move to field trials with soils of various levels of salinity, however those field trials are on hold until Actinogen raised additional funding.

The Company's results from the Salt Tolerant Actinomycetes Project to date have been on a molecular level, and must be repeated on a much larger scale in order to be commercially viable. There is no guarantee that the Salt Tolerant Actinomycetes Project will ultimately be commercially viable.

5. BIOETHANOL PROJECT

5.1 Background

On 9 November 2011, the Company announced that it had discovered actinomycete isolates that produce cellulose, a key component in the production of bioethanol. The most effective actinomycete isolate discovered by Actinogen, being ACN 4205, has been deposited at the National Measurement Institute in Melbourne under the Budapest Treaty.

5.2 What is bioethanol and cellulase?

Bioethanol is a source of renewable energy made from fermenting sugars. It has 2 types:

- first generation bioethanol, which uses sugars from foodstuffs such as corn and sugar cane in the fermentation process; and
- second generation bioethanol, which uses cellulase to break down biomass (eg green waste and newspaper) to produce sugars for the fermentation process.

Second generation bioethanol production is preferable to first generation because it uses green waste rather than crops and food which could be used for human consumption.

Cellulase is one of the key components of making second generation bioethanol as it is used to break down

the biomass and releases cellulose, which is then converted into sugars and waste. The sugars are then used in a fermentation process to produce bioethanol.

5.3 Actinogen's method

Actinogen screens for cellulase production from actinomycetes using an agar well diffusion assay on cellulose Congo red agar (CCRA) plates, with larger zones of clearing indicative of greater cellulase activity.

Actinogen's hypothesis was that defining the mathematical relationship between cellulase concentration and zone size by generating standard curves would allow more accurate assessment of cellulase activity from different isolates and cellulase sources.

Actinogen tested that hypothesis for 2 commercial cellulases (*Trichoderma virde* and *Trichoderma longibrachiatum*) and for cellulose produced from actinomycete ACN 4205, with the results shown in section 5.4 below.

5.4 Results

Testing for commercial cellulases

For the most part, the repeat well diffusion experiments of each cellulase were in concordance and standard deviations were generally low. However, the well diffusion results differed between the two cellulases tested and the *T. virde* cellulase typically produced a larger zone of clearing than the *T. longibrachiatum* cellulase at a given dilution.

Despite claims of similar levels of activity for both commercial cellulases, the results from this experiment indicate that the *T. virde* cellulase is more potent than the *T. longibrachiatum* cellulase as assessed by the diameter of the zone of clearing on CCRA.

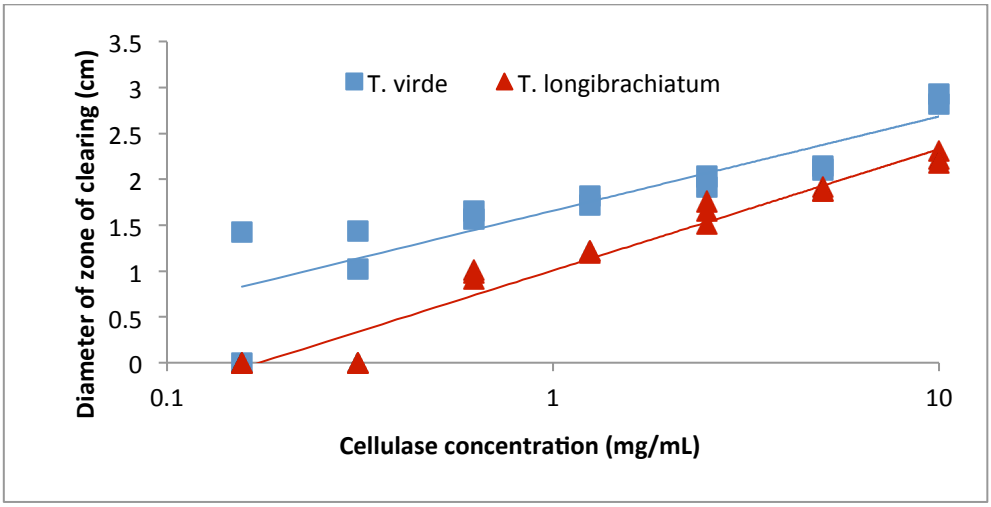


Figure 5.4.1. Standard curves of the relationship between cellulase concentration and diameter of the zone of clearing on CCRA.

Graphical representation of the zone of clearing data resulted in distinct standard curves for each cellulase standard (Figure 5.4.1). This suggested that standard curves of cellulase activity are specific to particular cellulases.

Comparison of ACN 4205-produced cellulase against and commercial cellulases

The specificity of the cellulase standard curves means that cellulase production of isolate ACN 4205 cannot be truly quantified without an appropriate standard; the identity of the cellulase enzymes produced by ACN 4205 are currently unknown. However, it is possible to generate standard curves for cellulase produced by filtrates of ACN 4205 cultured under different conditions and to compare these against *T. virde* and *T. longibrachiatum* cellulase standard curves to gauge the relative strengths of the various cellulases.

Zone sizes were measured at 2 days and 4 days and zone diameters increased from day 2 to day 4 as the cellulase diffused further through the agar. Zone sizes were noticeably bigger for all the ACN 4205 filtrates compared to the *T. virde* and *T. longibrachiatum* commercial cellulases.

The well diffusion data measured at 4 days incubation was used to generate a standard curve for each cellulase (Figure 5.3.2). As expected, each cellulase produced a distinct standard curve. The standard curves for the ACN 4205 filtrates were also positioned higher on the y-axis, suggesting that they produce greater cellulase activity compared to an equivalent dilution of the *T. virde* and *T. longibrachiatum* cellulases.

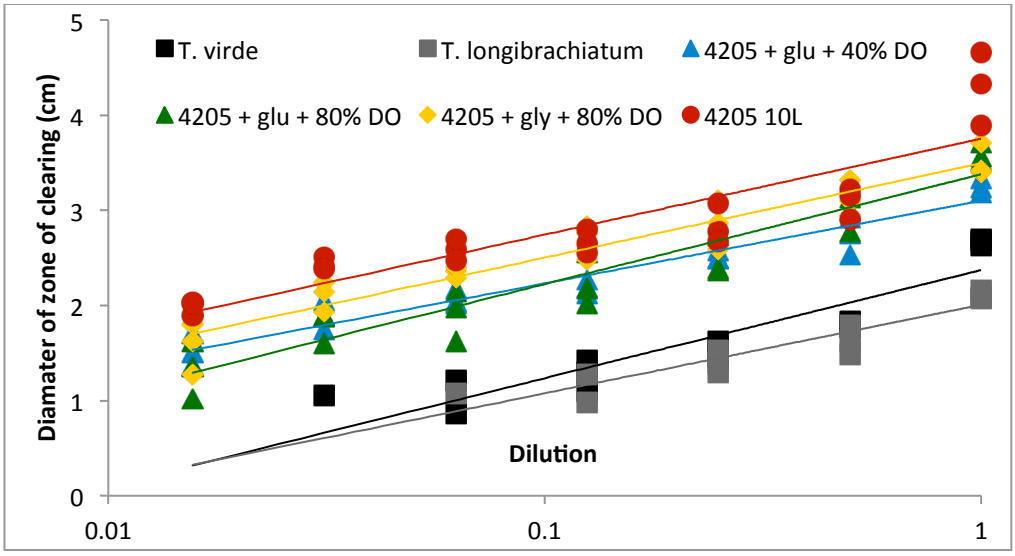


Figure 5.4.2. Standard curves of the relationship between cellulase concentration and diameter of the zone of clearing on CCRA.

A function describing the trendline for each cellulase dilution series was also calculated. Using the logarithmic functions for the *T. virde* and *T. longibrachiatum* standard curves, the equivalent dilution strength (x) could be calculated for each of the 4205 filtrate cellulases using the average measured zone diameters for a neat sample (y). As the *T. virde* and *T. longibrachiatum* standards are of known concentration, the equivalent concentration of each of these cellulase standards can also be calculated. This data is summarised in Table 5.4.3 below. Note that these estimates are predicated on the assumption that the functions can be used to extrapolate beyond the range of the experimentally collected readings.

Table 5.3.3. Comparison of ACN 4205 filtrate cellulase activity to standard commercial cellulases from *T. virde* and *T. longibrachiatum*.

ACN 4205 filtrate	Zone (cm)	Strength compared to commercial cellulases		Equivalent concentration of commercial cellulases (g/mL)	
		T. virde	*T. longibrachiatum*	*T. virde*	*T. longibrachiatum*
Glucose + 40% DO	3.25	6.00	21.95	0.06	0.21
Glucose + 80% DO	3.59	11.95	50.87	0.11	0.50
Glycerol + 80% DO	3.51	10.02	41.06	0.10	0.41
10L	4.29	49.00	284.78	0.49	2.84

Results indicate that ACN 4205 grown in SAB with glycerol and 80% DO in a 10L culture volume has the greatest cellulase activity of the 4 different growth conditions trialed for isolate ACN 4205. Its activity is 49-fold higher than cellulase from *T. virde* and 284-fold higher than cellulase from *T. longibrachiatum* (Table 4.3.1) with activity equivalent to 0.49 g/mL of *T. virde* cellulase and 2.84 g/mL *T. longibrachiatum* cellulase.

Although these results cannot objectively quantify the activity or concentration of cellulase produced by isolate ACN 4205, they can provide a general estimate of its strength relative to other cellulases.

Conclusion

The use of standard curves is an easy method for comparing the relative cellulase strength of different samples. Although this method did not quantify the cellulase activity of the samples investigated, it was able to estimate equivalent strength of cellulase samples when commercial cellulases of known concentration and activity were included in the comparison.

Results indicate that ACN 4205 grown in SAB with glycerol and 80% DO in a 10L culture volume has the greatest cellulase activity of the 4 different growth conditions trialed for isolate 4205. Its activity is 49-fold higher than cellulase from *T. virde* and 284-fold higher than cellulase from *T. longibrachiatum*.

These studies were independently confirmed by an independent scientific organisation, which in addition indicated that low levels of reducing sugars were also generated.

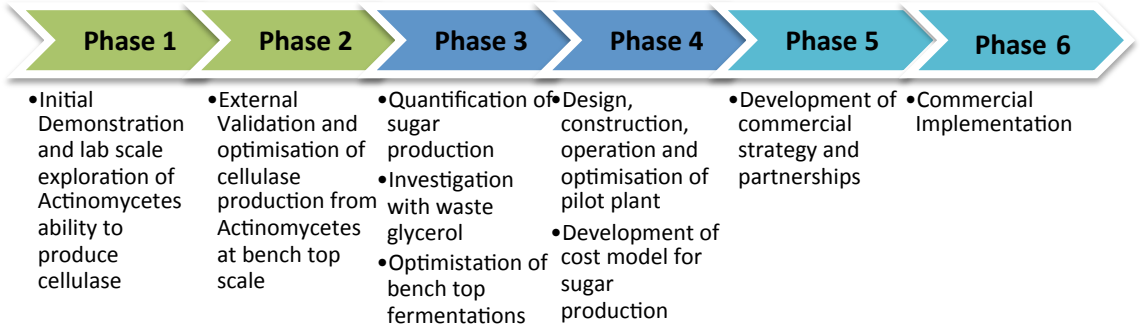
Actinogen subsequently procured an independent report on its work and the project from Dr Karne De Boer, managing director of Regenerate Industries Pty Ltd. Dr De Boer's report concluded that:

> "Actinogen has made an exciting breakthrough in the area of second generation biofuels that could lead to reducing the cost of converting any biomass – trees, grass or paper into a green renewable fuel. The research work already conducted by Actinogen provides a solid foundation for future growth. The report has outlined a suggested pathway for Actinogen to bring about commercial results from this breakthrough."

A full copy of the independent report and details of the history of the Bioethanol Project are contained in the Actinogen rights issue prospectus dated 26 March 2012.

5.5 Development strategy

Actinogen followed the recommendations of Dr De Boer and adopted a proposed development strategy as set out below:



5.6 Current status of the Bioethanol Project

The Bioethanol Project is currently in phase 3 of the above development strategy, and temporarily on hold due to lack of funds.

The Company has performed further work on the Bioethanol Project in 2012 and 2013 by investigating the use of a range of yeasts in the fermentation process to convert the cellulase end products to bioethanol.

The next phase of the commercialisation strategy is to build a pilot plant, however the directors of the Company have elected to put the pilot plant on hold until further funding is raised and the results demonstrate that sufficient sugars are being produced by Actinogen's cellulose to commercially produce bioethanol.

The Company's results from the Bioethanol Project to date have been on a molecular level, and must be repeated on a much larger scale in order to be commercially viable. There is no guarantee that the Bioethanol Project will ultimately be commercially viable.

6. SHIKIMIC ACID PROJECT

6.1 Background

In July 2012, Actinogen discovered that it can produce shikimic acid from certain actinomycetes. This shikimic acid has been produced on a molecular level only, and not yet on a scale sufficient to commercialise this project.

Shikimic acid is the main component (and one of the most expensive components) used to produce the influenza medication Tamiflu.

One of the main manufacturers of Tamiflu (Roche) produces shikimic acid in 2 ways:

- harvesting it from a specific type of star anise grown in four mountain provinces in the south west of China (Guanxi, Sichuan, Yunnan und Guizhou) which provides a much higher purity and yield than the one grown elsewhere; and

- using a fermentation process where a special e-coli bacteria is overfed glucose, producing shikimic acid. The bacteria need to be multiplied and grown, and are transferred from small to large and larger fermenters.

Today the majority of shikimic acid is derived from the fermentation process.

Information in this section regarding Roche's production of shikimic acid is taken from the Roche fact sheet for Tamiflu, 17 November 2006 (available at http://www.roche.com/med_mbtamiflu05e.pdf).

Actinogen's method for the production of shikimic aid is different from, and potentially cheaper than, the current processes of producing shikimic acid because the shikimic acid has the potential to be produced in large scale fermenters in the open air at ambient temperature.

6.2 Actinogen's method

Actinogen has been able to produce shikimic acid using actinomycetes (and test that production) using the following method:

- Shikimic acid producing actinomycete isolates ACN 1488 or ACN 1512 are inoculated into liquid culture.
- The culture is incubated at 26°C with shaking at 110 rpm for 5 to 7 days.
- The presence of shikimic acid in the culture supernatant is confirmed by HPLC.
- Chromatograms were constructed and ultra violet spectra at 204 nm were compared by dereplication with three UV-spectral libraries containing spectra for bioactive molecules.

6.3 Results

The following chromatograms are from HPLC and fraction collection of ACN 1488 and 1512 (Figure 5.3.1 & 5.3.2 below). When the fraction collection method is used (injection volume 100 µl and flow rate 1 mL/min), the retention time for shikimic acid is 2.2 minutes. In the normal HPLC method (injection volume 10 µl, and flow rate 0.4 mL/min.), the retention time of the shikimic acid peak is 3.3 minutes.

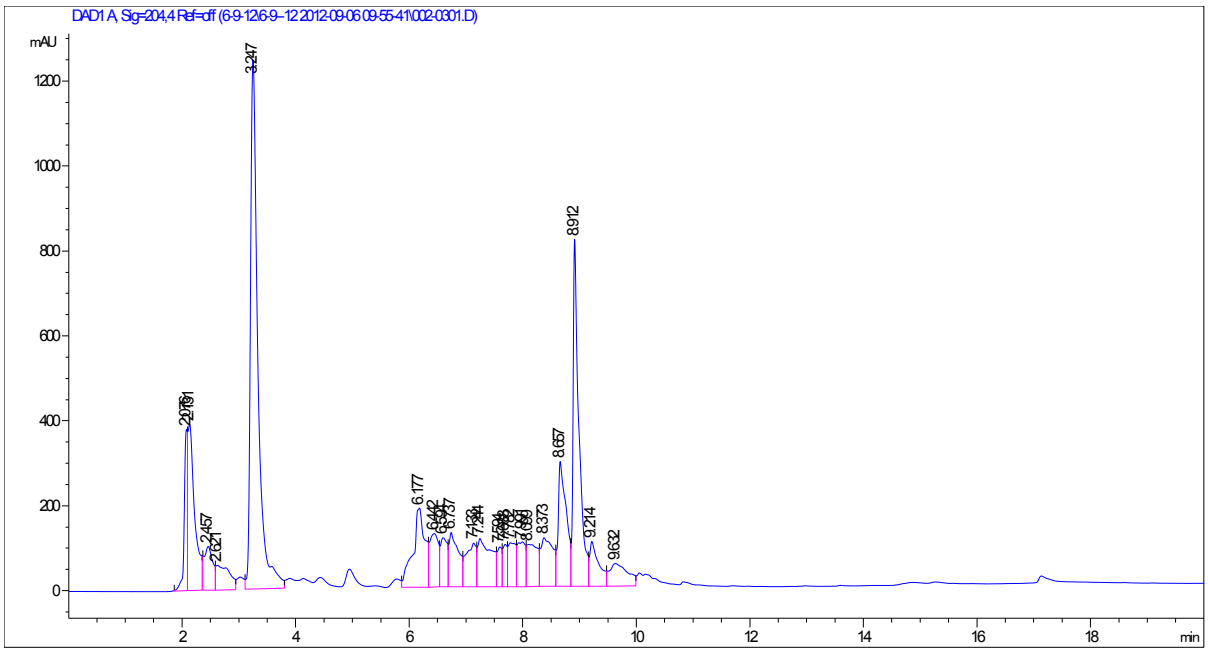


Figure 6.3.1: The HPLC chromatogram of the culture medium from ACN 1488 incubated at 26°C with shaking for 6 days. The shikimic acid peak at retention time 3.2 minutes.

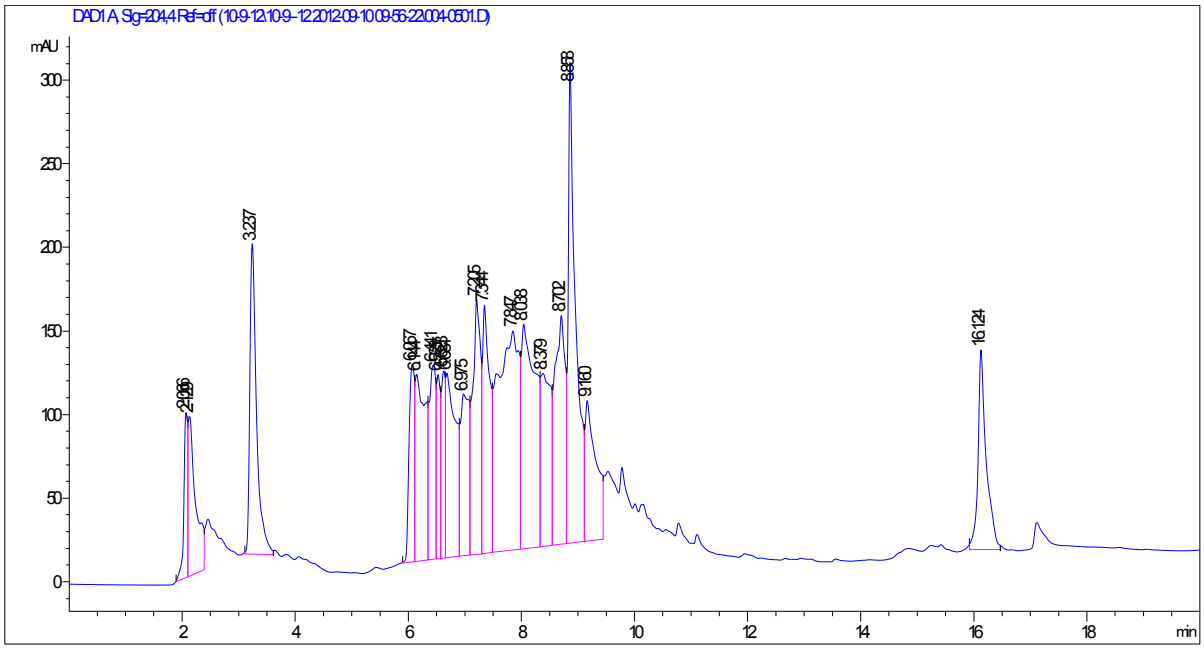


Figure 6.3.2: The HPLC chromatogram of the culture medium from ACN 1512 incubated at 26°C with shaking for 7 days. The shikimic acid peak at retention time 3.2 minutes.

When the HPLC fractions of both ACN 1488 and ACN 1512 were extracted and collected from the HPLC fractions and re run through the HPLC the major peaks remained at the recovery times of 2- 3 minutes and were again shown to be shikimic acid (Figure 5.3.3).

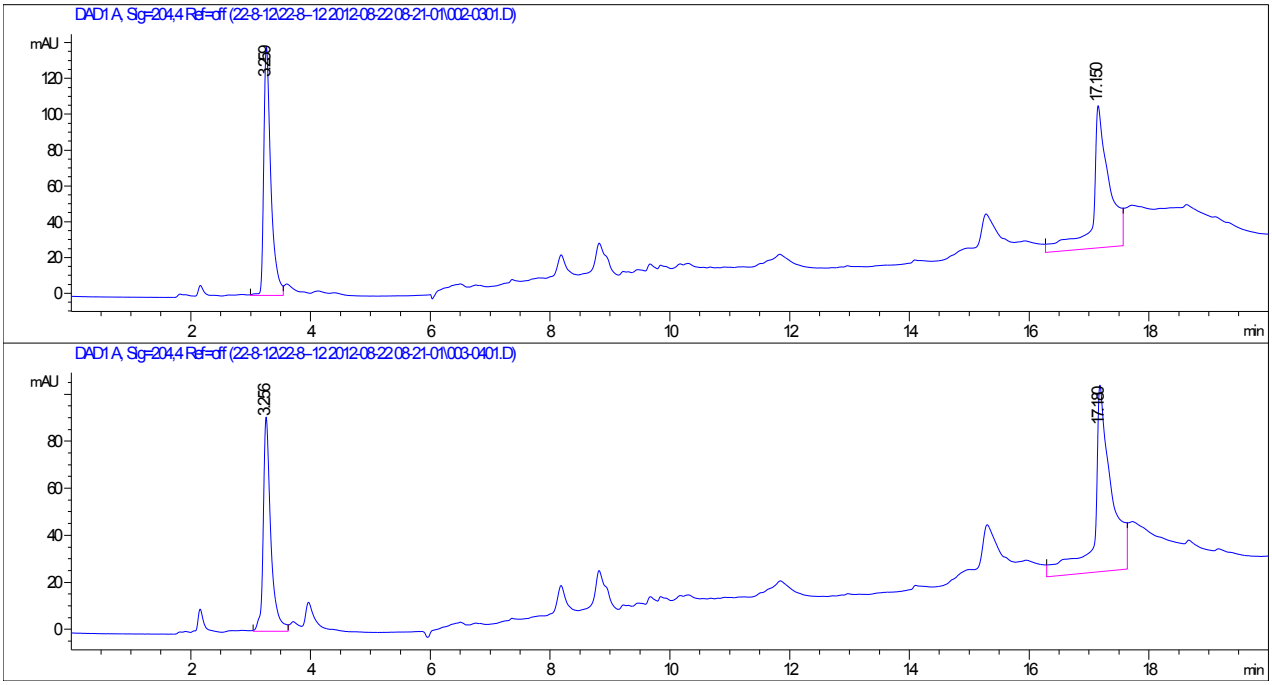


Figure 6.3.3: The HPLC profiles of extracts of the original chromatographic peaks detected at 2-3 minutes. Top: Fraction (collected between 2-3 minutes) of 1488 put through the HPLC, shikimic acid peak at 3.3m. Bottom: Fraction (collected between 2-3 minutes) of 1512 put through the HPLC, shikimic acid peak at 3.3m

Figure 6.3.4 below represents the ultra violet profile of the 2-3 minute peak (blue) from ACN 1488 compared to the ultra violet profile of pure shikimic acid (red). The profiles match to a degree that indicate that the ACN

1488 profile represents shikimic acid. Final confirmation will come from mass spectrometry, which is currently on hold.

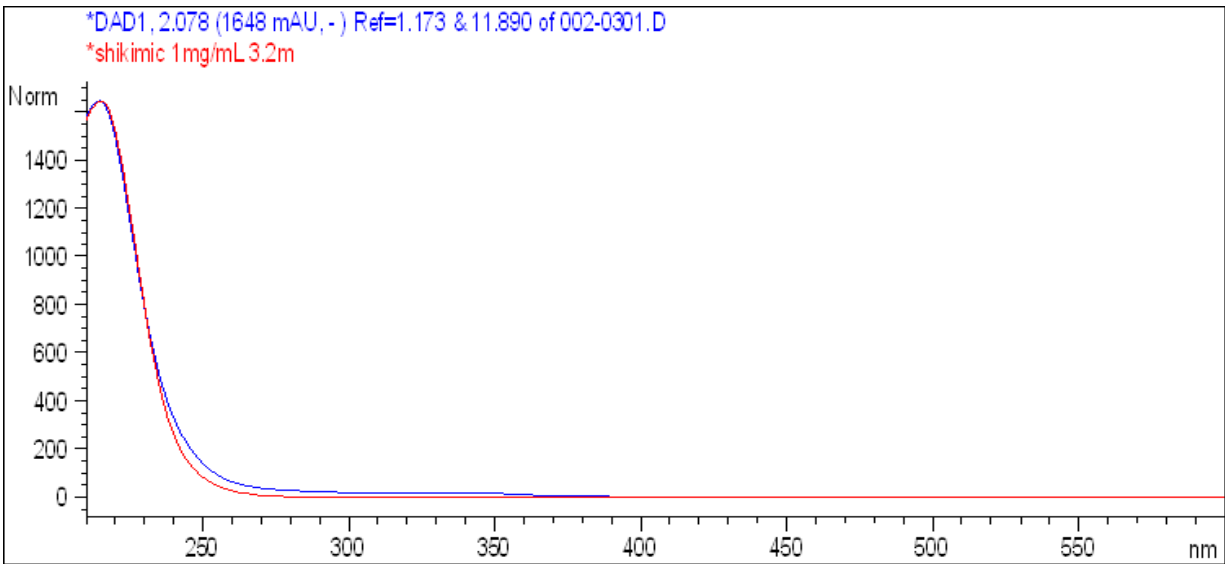


Figure 6.3.4 Comparison of the ultra violet profiles of the 2-3 minute HPLC chromatograph for ACN 1488 (blue) and pure shikimic acid, (red).

6.4 IP Protection

Actinogen has registered only the ACN 1488 actinomycete that produce shikimic acid under the Budapest Treaty. ACN 1512 was found to not produce shikimic acid when cheap potato starch replaced the pure starch used in the developmental trials and so has not been registered to date.

6.5 Current status of the Shikimic Acid Project

Actinogen has put the Shikimic Acid Project on hold to conserve cash for the development of the Plant Growth Project. Actinogen intends to pursue the Shikimic Acid Project once further funding is raised.

The Company's results from the Shikimic Acid Project to date have been on a molecular level, and must be repeated on a much larger scale in order to be commercially viable. There is no guarantee that the Shikimic Acid Project will ultimately be commercially viable.

7. BIOFUMIGATION PROJECT

7.1 Background

In early 2012 Actinogen found actinomycetes that synthesize volatile bioactive molecules (polyenes) which may inhibit and/or kill pathogenic fungi. Actinogen is investigating whether these polyenes can be used for biofumigation.

7.2 Actinogen's method and results

Actinogen ran experiments in the Actinogen Laboratory which showed that the actinomycetes producing polyenes did have an effect on certain plant pathogenic fungi.

The methodology developed by Actinogen remains confidential at this time as it may have patent implications.

7.3 IP Protection

Actinogen made an application for a provisional patent to protect the process. The provisional patent has lapsed but the relevant actinomycete has been registered under the Budapest Treaty.

7.4 Current status of the Biofumigation Project

Actinogen has put the Biofumigation Project on hold to conserve cash for the development of the Plant Growth Project. Actinogen intends to pursue the Biofumigaton Project once further funding is raised.

The Company's results from the Biofumigation Project to date have been on a molecular level, and must be repeated on a much larger scale in order to be commercially viable. There is no guarantee that the Biofumigation Project will ultimately be commercially viable.

8. CANCER STEM CELL RESEARCH PROJECT

8.1 Background

Actinogen acquired Celgenics Limited (**Celgenics**) in 2011, including all of Celgenics' equipment, new actinomycetes database and access to two human cancer cell lines for testing. Actinogen has continued Celgenics' research, with particular focus on the cancer cell lines which have expressed cancer stem cell antigens.

8.2 What are cancer stem cells?

Cancer stem cells (**CSCs**) are defined as those cells within a tumour that can self-renew and drive tumorigenesis. Rare cancer stem cells have been isolated from a number of human tumours, including haematopoietic, brain, colon and breast cancers.

Such cells are proposed to persist in tumours as a distinct population and cause relapse and metastasis by giving rise to new tumours. Therefore, development of specific therapies targeted at CSCs holds hope for improvement of survival and quality of life of cancer patients, especially for sufferers of metastatic disease.

8.3 Work done by Actinogen

The 2 cell lines obtained from Celgenics that have been known to produce cancer stem cells are U87MG and U125MG.

Actinogen tested these cell lines as follows:

- Neurospheres of U87MG and U125MG were isolated by a series of media manipulations, including:
    - no Foetal Calf Serum (a serum prepared from foetal calf blood and is a routine component of most tissue culture media);
    - DMEM/F12 as a base media instead of minimal essential media;
    - growth supplements (including human recombinant epidermal growth factor, human fibroblast growth factor B and insulin growth factor); and
    - antibiotics (gentamicin sulphate and amphotericin B).
- Adherent cells were incubated in half neurospheres isolation media and half growth media for four days, after which cells were passaged and grown in neurospheres media.

- After 4 days, neurospheres began to grow. These initially grew in large clumps so 10% Accutase was added to the neurosphere isolation media to dissociate the neurospheres into single cells as preparation for flow cytometry.

- To prepare cells for flow cytometry, neurospheres were treated with 10-20% Carboplatin (concentration dependant on cell lines used for testing) and/or actinomycetes supernatants (at various concentrations) for 24 hours. The actinomycete supernatents are prepared from the culture media of actinomycetes isolated by Actinogen and are being screened for the presence of potential anti cancer agents.

- After this, cells were collected by centrifugation, stained with CD133-PE (to stain for CD133+ surface marker) and 7AAD (viability stain), and then analysed by FACS Calibur Flow cytometer.

- Optimisation was conducted to determine the optimal concentration of Carboplatin to be used against the different cells and the optimum time of treatment.

8.4 Results

A total of 11 actinomycetes supernatants have been tested against U87MG and U125MG neurospheres. These were previously tested with 20% Carboplatin to assess whether:

- treatment of Carboplatin removed all CD133- cells; and

- actinomycetes isolates were toxic to CD133+ remaining cells.

Results were varied and depended on the specific isolates tested. For most, after treatment of Carboplatin, viability was approximately 30-50%, and these consisted of a high number of CD133+ cells. After treatment of these cells with actinomycetes supernatants, two isolates killed the whole cell population (ACN 5059 and ACN 5086) whereas the remaining samples with other isolate numbers remained viable at 60 – 80%, with a high percentage of CD133+ cells in the live population (2% vs 40-96%).

If those cells which had died due to supernatant treatment had a high percentage of CD133+ cells, actinomycete isolates ACN 5059 and ACN 5086 can be assumed to target CD133+ cells, which are thought to be the cancer stem cells. However, further testing needs to be done to confirm this.

8.5 Current status of the Cancer Stem Cell Research Project

Actinogen has put its cancer stem cell research on hold until additional funds are raised. The last research was performed in 2012.

The Company's results from the Cancer Stem Cell Research Project to date have been on a molecular level, and must be repeated on a much larger scale in order to be commercially viable. There is no guarantee that the Cancer Stem Cell Research Project will ultimately be commercially viable.

Your directors present their report on the consolidated entity consisting of Actinogen Limited (Group or Consolidated Entity) and the entities it controlled at the end of, or during, the year ended 30 June 2013.

DIRECTORS

The following persons were directors of the Group during the whole of the financial year.

David Zohar (appointed 26 March 1999)
BSc DipEd
Executive Director

Mr Zohar has undertaken undergraduate studies in Geology and post graduate studies in Accountancy and Commercial Law. He has been active in the exploration industry for over 20 years. He has been a director and/or CEO of a number of exploration companies and has also negotiated numerous agreements with various companies and other participants within the mining industry. He has been involved in the formation and/or listing on the ASX of several public mining companies. Directorships of other listed public companies over the past three years are Red River Resources Limited, Elysium Resources Ltd (previously United Orogen Ltd), Iron Mountain Mining Ltd, Eagle Nickel Ltd, and Aluminex Resources Ltd.

Mr Zohar holds 17,941,831 ordinary shares in Actinogen Ltd.

Zhukov Pervan (appointed 26 March 1999)
Executive Chairman
MB,BS(WA), FRACGP, FAICD

Dr Pervan is a Doctor of Medicine with over 35 years experience in various capacities in Western Australia. He has consulted to several university and government bodies in many areas. He has conducted original research in collaboration with the University of Western Australia Departments of Microbiology and Human Movement. This research has been published in international journals.

In the past Dr Pervan has served as a Director of several public companies involved in exploration and in the general commercial world, including Agforce Limited, Gold Lake Mining Pty Ltd, Innovative Coatings Limited and Visionglow Global Limited. Directorships of listed public companies over the past three years are Elysium Resources Ltd (previously United Orogen Ltd), Eagle Nickel Ltd and Iron Mountain Mining Ltd.

Dr Pervan holds 17,200,000 ordinary shares in Actinogen Ltd.

Dr David Keast (appointed 1 November 2003)
CDA (Seale Hayne Agric. College, UK), BSc, MSc, PhD, MASM
Scientific Director

Dr Keast was on the staff of the University of Western Australia for 34 years. He is currently an Honorary Research Fellow in microbiology at the University of Western Australia. He has over 220 publications, reviews and chapters in international scientific journals in the areas of microbiology, immunology and sports science.

He has wide experience in reviewing research applications for medical, cancer research and biological research for the major granting bodies in Australia. He has broad experience in administration, particularly at higher degree scholarship levels and reviewed and examined research at all levels. He has experience in contract research and patent development.

Dr Keast has held no other Directorships in a listed Public Companies over the past 3 years.

Dr Keast holds 13,733,333 ordinary shares in Actinogen Ltd.

Emeritus Professor Alan – (appointed 18 July 2007)
AM, Dip PE, MSc, EdD, DSc(HC), DEd(HC), FACSM, FASMF, FACHPER, FAAESS

Emeritus Professor Morton was appointed a Member of the General Division of the Order of Australia (AM) in the Queen's Birthday Honour List (2001). He has been on the staff at the University of Western Australia for 30 years. He is an exercise physiologist with university teaching and research experience in Australia, Canada and the United States of America.

He has more than 260 scientific publications in the form of books, booklets, book chapters and research articles which appear in international journals of medicine, sports medicine and exercise science. He has reviewed research for a number of international scientific societies and is currently on the editorial board of an international sports medicine journal.

Emeritus Professor Morton is, or has been on a number of medical and scientific advisory committees, the Board of Directors of the National Heart Foundation (WA Branch) and the Executive Committee of the Asthma Foundation (WA Branch).

Emeritus Professor Morton has held no other Directorships in Public Companies over the past 3 years.

Emeritus Professor Morton holds 666,666 ordinary shares in Actinogen Ltd.

Christopher Simon England (appointed 18 July 2007)
BCom, LLB (Hons), GAICD
Non-Executive Director

Simon England is a lawyer with over 15 years experience in private practice. He has considerable experience in all areas of commercial law including the formation and listing of public companies on the ASX and ASX compliance requirements for listed companies.

He has completed the Australian Institute of Group Directors Course for Group Directors. He is the chairman of ASX listed Iron Mountain Mining Limited and has no other Directorships in Public Companies during the past 3 years.

Mr England holds 500,000 ordinary shares in Actinogen Ltd.

Company Secretary

The following person held the position of company secretary during the financial year.

Suraj Sanghani (appointed 13 May 2011) (resigned 4 July 2012)
BCom CA GradDip ACG

Mr Sanghani is a chartered accountant with over 5 years experience in the auditing and accounting profession and in commerce. This included roles with Ernst & Young, as well as roles with a number of ASX listed exploration companies operating domestically and internationally.

Mr Sanghani has a Bachelor of Commerce Degree from the University of Western Australia and is a member of the Institute of Chartered Accountants in Australia. He is also an associate member of Chartered Secretaries Australia.

Mr Sanghani has no interest in ordinary shares or options in Actinogen Ltd.

Mr Sanghani resigned as company secretary of Actinogen Ltd on 4 July 2012.

Shoshanna Zohar (appointed 4 July 2012)
BLaw (Hons)

Ms Zohar is a lawyer with over 5 years experience and is currently acting as In House Counsel for Actinogen. Ms Zohar has a Bachelor of Laws (Honours) from Murdoch University and has previously worked in law firms practicing in corporate law, including Minter Ellison and Clavey Legal.

Ms Zohar is also the Company Secretary of Iron Mountain Mining Ltd and Red River Resources Ltd and was previously Company Secretary of Elysium Resources Ltd (previously United Orogen Ltd)

Ms Zohar holds 100,001 ordinary shares in Actinogen Ltd

Principal Activities

The principal activities of the Group have been to undertake research of biological material obtained from field work and samples obtained from external sources for commercial applications. The net loss of the Group for the year after income tax was $164,663 (2012: $1,529,156).

Financial Position

The net assets of the Group at year end are $194,353 (2012: $346,990).

The Group itself does not generate sufficient cash flows from its operating activities to finance its activities. Thus the continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the Group being successful in completing a capital raising and/or asset sale/joint venture agreement in the next 12 months. The directors have planned to mitigate this risk by reducing its corporate overheads, postponing expenditure on the Group's projects and by putting in place a Director's guarantee. Refer to note 1(u) for further discussion on the going concern of the Group.

In line with the comments above, the auditors have issued an unqualified audit report with an emphasis of matter in relation to the going concern of the Group.

Dividends

No amounts have been paid or declared by way of dividend since the date of incorporation.

The directors recommend that no final dividend be paid.

Review of Operations

Information on the operations of the group and its business strategies and prospects is set out in the Review of Operations and Activities on pages 8 to 32 of this annual report.

Significant changes in the state of affairs

During the year ended 30 June 2013, the Group issued 601,998 ordinary shares and 599,998 options as follows:

	Shares	Options
Rights Issue	599,998	599,998
Exercise of Options	2,000	-
Total	601,998	599,998

The Group's subsidiary company Celgenics Limited was deregistered on 15 March 2013.

There were no significant changes in the state of affairs of the Group during the year other than for the loss for the year as noted elsewhere in this report.

Matters subsequent to the end of the financial year

On the 11 September 2013 the Company announced the acceptance of a proposal from Otsana Capital to recapitalise the company. The key terms of the proposal are as follows:-

1. A placement of up to 300,000,000 fully paid ordinary shares in the company at $0.005 per share to raise up to $1,500,000 together with 100,000,000 options to acquire shares at $0.005 each on or before the date 4 years from the date of issue.
2. In advance of this capital raising, Otsana will make available an unsecured loan facility to the Company of $100,000. Interest on this loan is payable at 15%pa quarterly in arrears, and is to be repaid on the earlier of 3 months from the date of advancement of the loan and the day after the shareholders meeting to approve the Capital Raising. Otsana agree that the loan will be converted into shares under the capital raising, subject to shareholder approval being obtained
3. New directors nominated by Otsana Capital will be appointed to the Board upon the successful completion of the Capital Raising.
4. $30,000 of the capital raising amount will be applied towards repayment of loans from the Directors of the Company.
5. A 10 day due diligence period to undertake legal and financial due diligence on the Company

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of the Group in subsequent financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental Regulation

The directors believe the Group is not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Greenhouse Gas and Energy data reporting requirements

The group is subject to the reporting requirements of both the Energy Efficiency Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007.

The Energy Efficiency Opportunities Act 2006 requires the group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the group intends to take as a result.

The National Greenhouse and Energy Reporting Act 2007 requires the group to report its annual greenhouse gas emissions and energy use.

For the year ended 30 June 2013 the group was below the reported threshold for both legislative reporting requirements therefore is not required to register or report. The group will continue to monitor its registration and reporting requirements however it does not expect to have future reporting requirements.

REMUNERATION REPORT (AUDITED)

The information contained in the remuneration report has been audited as required by Section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

The Group's policy for determining the nature and amount of remuneration to board members and senior executives are as follows:

Remuneration governance

As outlined in the Corporate Governance Statement, the Group has not established a remuneration committee.

Due to the early stage of development and small size of the Group, a separate remuneration committee was not considered to add any efficiency to the process of determining the levels of remuneration for the Directors and key executives. All matters of remuneration will be done in accordance with Corporations Act requirements, especially in respect of related party transactions.

Refer to the Corporate Governance Statement for further information.

Use of remuneration consultants

During the year ended 30 June 2013, Actinogen Limited did not employ any consultants to review the Group's existing remuneration policies.

Executive Remuneration

The Group's remuneration policy for Executive Directors is designed to promote superior performance and long term commitment to the Group.

Executives receive a base salary which is market related. Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive market and business conditions where it is in the best interests of the Group and its shareholders to do so. The Board's reward policy reflects its obligation to align executive's remuneration with shareholders' interests and retain appropriately qualified executive talent for the benefit of the Group. The main principles of the policy are:

- Reward reflects the competitive market in which the Group operates
- Individual reward should be linked to performance criteria; and
- Executives should be rewarded for both financial and non-financial performance.

Refer below for details of Executive Directors' remuneration.

Non- Executive Directors

Shareholders approve the maximum aggregate remuneration for Non-Executive Directors. The Board recommends the actual payments to directors. The maximum aggregate remuneration approved for non-executive directors is currently $150,000. During the financial year, Actinogen Limited paid a premium of $14,150 to insure the directors and secretaries of the company and its Australian-based controlled entities.

The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Refer below for details of Non-Executive Directors' remuneration.

Executives are also entitled to participate in the employee share and option arrangements. Refer to Note 18(b) to the financial report for details of all Directors' share and option holdings.

The Executive Directors and Executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to Directors and Executives is valued at the cost to the Group and expensed. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $150,000). Fees for Non-Executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Group and are able to participate in an employee option plan (none adopted to date).

Performance based remuneration

The Group currently has no performance based remuneration component built into Director and Executive remuneration packages.

The Board believes that as the Group is in its start up phase of development it is not feasible to establish meaningful Key Performance Indicators from which to base Director and Executive remuneration packages. Once the Group is more fully established the Board will reconsider this policy.

Group performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and Directors and Executives. Currently, this is facilitated through the issue of options to the majority of Directors and Executives to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth. For details of Directors and Executives interests in options at year end, refer to note 18(b) of the financial statements.

Voting and comments made at the company's 2012 Annual General Meeting

Actinogen Limited received more than 80% of "yes" votes on its remuneration report for the 2012 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Details of remuneration

Details of the remuneration of the directors and Key Management Personnel of the Group are set out below.

The Key Management Personnel of the Group are the Directors and Company Secretary. The following persons are also the 5 highest paid as required to be disclosed under the Corporations Act 2001.

David Zohar (Executive Director)
Zhukov Pervan (Executive Chairman)
David Keast (Scientific Director)
Alan Morton (Non-Executive Director)
Christopher Simon England (Non-Executive Director)

Key Management Personnel Remuneration:

2013

Name	Short Term		Post-employment	Share Based Payments			
	Cash salary and fees $	Cash bonus $	Superannuation $	Options $	Shares $	Total $	Value of Share Based payments as a % of total remuneration %
Directors							
David Alan Zohar	-	-	-	-	-	-	-
Zhukov Pervan	-	-	-	-	-	-	-
David Keast	40,000	-	-	-	-	40,000	-
Alan Morton	-	-	-	-	-	-	-
Christopher England							-
Company Secretary							
Suraj Sanghani[1]	-	-	-	-	-	-	-
Shoshanna Zohar[1]	-	-	-	-		-	
Total	40,000	-	-	-	-	40,000	-

2012

Name	Short Term		Post-employment	Share Based Payments			
	Cash salary and fees $	Cash bonus $	Superannuation $	Options $	Shares $	Total $	Value of Share Based payments as a % of total remuneration %
Directors							
David Alan Zohar	66,666	-	6,000	-	-	72,666	-
Zhukov Pervan	80,007	-	-	-	-	80,007	-
David Keast	126,666	-	-	-	-	126,666	-
Alan Morton	25,000	-	-	-	-	25,000	-
Christopher England	30,000	-	-	-	-	30,000	-
Company Secretary							
Suraj Sanghani[1]	-	-	-	-	-	-	-
Total	328,339	-	6,000	-	-	334,339	-

[1] Suraj Sanghani and Shoshanna Zohar are employed and remunerated by Iron Mountain Mining Ltd. Iron Mountain Mining Ltd charges Actinogen Ltd for the time spent by Mr Sanghani and Ms Zohar on the company's affairs. Mr Sanghani was appointed company secretary on 13 May 2011 and was replaced by Ms Zohar on 4 July 2012.

There are no short term incentive plans in place for Key Management Personnel at any time during the 2012 or 2013 years.

Service Agreements and remuneration commitments

The Group does not have any commitments for future expenditure other than normal operating expenses. The directors are not aware of any contingent liabilities existing for the Group.

Share Based Compensation

No options were granted, exercised, vested or forfeited during the year.

Additional Information

The table below sets out the performance of the Group and the consequences of performance on shareholders' wealth over the past five years:

	2013	2012	2011	2010	2009
Quoted price of ordinary shares at period end (cents)	1.0	3.0	3.1	2.0	8.0
Quoted price of options at period end (cents)	-	-	0.1	-	0.2
Loss per share	.18	2.12	1.66	1.85	2.21
Dividends paid	-	-	-	-	-

Securitisation Policy

The Group's security trading policy provides guidance on acceptable transactions in dealing in the Group's various securities, including shares, debt notes and options. The Group's security trading policy defines dealing in the Group securities to include:

(a) Subscribing for, purchasing or selling Company Securities or entering into an agreement to do any of those things;

(b) Advising, procuring or encouraging another person (including a family member, friend, associate, colleague, family Company or family trust) to trade in Company Securities; and

(c) Entering into agreements or transactions which operate to limit the economic risk of a person's holdings in Company Securities.

The securities trading policy details acceptable and unacceptable times for trading in Company Securities including detailing potential civil and criminal penalties for misuse of "inside information". The Directors must not deal in Company Securities without providing written notification to the Chairman. The Chairman must not deal in Company Securities without the prior approval of the Chief Executive Officer. The Directors are responsible for disclosure to the market of all transactions or contracts involving the Company's shares.

The Group Employee Option Plan rules contain a restriction on removing the 'at risk' aspect of the options granted to Key Management Personnel and Executives. Participants in the Group Employee Option Plan may not enter into derivative transactions with third parties to eliminate the performance element of the options. This rule is enforced via an annual declaration of compliance by all option plan participants.

End of Audited Remuneration Report

Meetings of directors

The following table sets out the number of meetings of the Group's Directors held while each Director was in the office and the number of meetings attended by each Director.

Director	Number of meeting available to attend	Number of meetings attended
D Zohar	4	4
Z Pervan	4	4
D Keast	4	4
A Morton	4	4
S England	4	4

Shares under option

Unissued ordinary shares of the Group under options at the date of this report are as follows:

Date options granted	Expiry Date	Issue price of shares	Number under option
13 December 2010	30 September 2015	20 cents	6,468,078
14 January 2011	30 September 2015	20 cents	2,270,000
9 March 2011	30 September 2015	20 cents	732,000
18 May 2012	30 September 2015	20 cents	7,073,352
14 June 2012	30 September 2015	20 cents	1,062,930
7 August 2012	30 September 2015	20 cents	599,998

No option holder has any right under the options to participate in any other share issue of the Group. 2,000 shares were issued from options exercised during the year.

Insurance of officers

During the financial year, Actinogen Limited paid a premium of $14,150 to insure the directors and secretaries of the company and its Australian-based controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the entity in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage from themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Indemnity of auditors

The Group has not, during or since the financial year, in respect of any person who is or has been an auditor of the Group or a related body corporate indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

Proceedings on behalf of the Group

No person has applied for leave of Court, under section 237 of the *Corporations Act 2001*, to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is party for the purpose of taking responsibility on behalf of the Group for all or part of these proceedings.

The Group was not a party to any such proceedings during the year.

Non-audit services

No fees were paid for non-audit services to the external auditors and their associated entities during the year ended 30 June 2013 and 30 June 2012.

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* for the year ended 30 June 2013 has been received and can be found on page 43.

This report is made in accordance with a resolution of the Board of Directors.

David Zohar
Director

Perth, Western Australia

12 September 2013

ROTHSAY
Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Busienss Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

The Directors
Actinogen Ltd
Level 7
231 Adelaide Terrace
Perth WA 6000

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements of the Act in relation to the audit review of the 30 June 2013 financial statements; and

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

Graham R Swan (Lead auditor)

Rothsay Chartered Accountants

Dated 11 September 2013

ACTINOGEN LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2013

	Notes	2013 $	2012 $
Revenue from continuing operations:			
Sales revenue - services	5	-	51,562
Other revenue	5	2,638	12,882
		2,638	64,444
Other Income	6	5,535	-
Laboratory expenses		(255,364)	(427,100)
Finance Costs		(715)	(1,009)
Administration expenses		(177,597)	(228,196)
Trademarks & patents		(2,042)	(100)
Depreciation		(16,925)	(19,369)
Employee Benefits expense		(5,465)	(486,662)
Impairment of available for sale financial assets		(5,000)	(21,060)
Impairment of goodwill		-	(667,464)
(Loss) Before Income Tax		(454,935)	(1,786,516)
Income tax benefit	7	290,272	257,360
(Loss) for the year		(164,663)	(1,529,156)
Other Comprehensive Income			
Changes in the fair value of available for sale financial assets		-	(25,920)
Other comprehensive income for the year net of tax		-	(25,920)
Total comprehensive income for the year attributable to the equity holders of Actinogen Limited		(164,663)	(1,555,076)
Earnings per share for profit/(loss) attributable to the ordinary equity holders of Actinogen Limited			
Basic and diluted loss per share (cents per share)	16	(0.18)	(2.12)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

ACTINOGEN LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2013

	Notes	2013 $	2012 $
CURRENT ASSETS			
Cash and cash equivalents	8	112,516	203,735
Trade and other receivables	9	25,176	81,999
TOTAL CURRENT ASSETS		**137,692**	**285,734**
NON CURRENT ASSETS			
Available-for-sale financial assets	10	1,500	26,660
Property, plant and equipment	11	120,451	137,376
Intangible assets	12	16,029	16,029
TOTAL NON CURRENT ASSETS		**137,980**	**180,065**
TOTAL ASSETS		**275,672**	**465,799**
CURRENT LIABILITIES			
Trade and other payables	13	81,319	118,809
TOTAL CURRENT LIABILITIES		**81,319**	**118,809**
NET ASSETS		**194,353**	**346,990**
EQUITY			
Contributed equity	14	5,788,433	5,776,407
Reserves	15	4,788,623	4,788,623
Accumulated losses		(10,382,703)	(10,218,040)
TOTAL EQUITY		**194,353**	**346,990**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

ACTINOGEN LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2013

	Notes	2013	2012
		$	$
Cash flow from operating activities			
Interest received		2,638	12,882
Receipts from customers		-	72,004
Payments to employees and suppliers		(418,475)	(1,166,187)
Research and development tax offset		290,272	257,360
Net cash (outflow) from operating activities	20	(125,565)	(823,941)
Cash flow from investing activities			
Payment for acquisition of subsidiary, net of cash acquired		-	234
Payment for property, plant & equipment		-	(2,327)
Proceeds from Sale of Available for Sale Financial Assets		22,320	-
Net cash (outflow) from investing activities		22,320	(2,093)
Cash flow from financing activities			
Proceeds from issue of shares		19,000	256,489
Capital raising costs associated with share issue		(6,974)	(87,905)
Net cash (inflow) from financing activities		12,026	168,584
Net increase/(decrease) in cash and cash equivalents		(91,219)	(657,450)
Cash and cash equivalents at beginning of year		203,735	861,185
Cash and cash equivalents at end of year	8	112,516	203,735

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

ACTINOGEN LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2013

	Contributed Equity	Accumulated Losses	Option Reserve	Available-for-Sale Investments Revaluation Reserve	Total
	$	$	$	$	$
2012					
Balance as at 1.07.2011	4,920,468	(8,688,884)	4,788,623	25,920	1,046,127
Total comprehensive income for the year					
Loss for the year	-	(1,529,156)	-	-	(1,529,156)
Other comprehensive income					
Change in fair value of available for sale financial assets	-	-	-	(25,920)	(25,920)
Total other comprehensive income for the year	-	-	-	(25,920)	(25,920)
Total comprehensive income for the year	-	(1,529,156)	-	(25,920)	(1,555,076)
Transactions with equity holders in their capacity as equity holders					
Shares issued during the year	935,846	-	-	-	935,846
Capital Raising Costs	(79,907)	-	-	-	(79,907)
Balance as at 30.06.2012	5,776,407	(10,218,040)	4,788,623	-	346,990

ACTINOGEN LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2013

	Contributed Equity	Accumulated Losses	Option Reserve	Available-for-Sale Investments Revaluation Reserve	Total
	$	$	$	$	$
2013					
Balance as at 1.07.2012	5,776,407	(10,218,040)	4,788,623	-	346,990
Total comprehensive income for the year					
Loss for the year	-	(164,663)	-	-	(164,663)
Other comprehensive income					
Change in fair value of available for sale financial assets	-	-	-	-	-
Total other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	(164,663)	-	-	(164,663)
Transactions with equity holders in their capacity as equity holders					
Shares issued during the year	19,000	-	-	-	19,000
Capital Raising Costs	(6,974)	-	-	-	(6,974)
Balance as at 30.06.2013	5,788,433	(10,382,703)	4,788,623	-	194,353

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Actinogen Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*. The financial statements have been prepared on a going concern basis.

Compliance with IFRS

The financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Actinogen Limited (company) as at 30 June 2013 and the results of all subsidiaries for the year then ended. Actinogen Limited and its subsidiaries together are referred to in this financial report as either the Consolidated Entity or Group.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(c)).

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group that are recorded in the statement of comprehensive income. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of financial position and statement of changes in

equity respectively.
Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Iron Mountain Mining Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(d) Impairment of assets

At each reporting date, the Group reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the consolidated statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(e) Property, Plant & Equipment

Each asset of property, plant and equipment is carried at cost, less where applicable, any accumulated depreciation and impairment losses. Plant and equipment is measured on the cost basis less depreciation and impairment losses.

Depreciation

Items of property, plant and equipment are depreciated using the diminishing value method over their estimated useful lives to the Group. The depreciation rates used for each class of asset for the current period are as follows:

- Plant and Equipment 7.5% to 37.5%

Assets are depreciated from the date the asset is ready for use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets continual use or subsequent disposal. The expected cash flows have been discounted to their present value in determining the recoverable amount.

(f) Intangible Assets

(i) Scientific databases
Expenditure incurred upon the acquisition of scientific databases are capitalised as an intangible asset. Scientific databases are not amortised as it is considered that they have an indefinite useful life. Scientific databases are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less impairment losses.

(g) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the end of the reporting period.

Deferred income tax is accounted for using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax from the initial recognition of an asset or liability, in a transaction other than a business combination is not accounted for if it arises that at the time of the transaction affects either accounting or taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The Group's entitlement to the Research and Development tax rebate is recognised as a tax benefit upon receipt from the Australian Taxation Office.

(h) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(i) Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(j) Cash and Cash Equivalents

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, high liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown with borrowings in current liabilities in the statement of financial position.

(k) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Services revenue is recognised upon issue of an invoice.

(l) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effect interest method, less allowance for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the consolidated statement of comprehensive income within impairment losses – financial assets. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against impairment losses – financial assets in the consolidated statement of comprehensive income.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(n) Contributed Equity

Ordinary issued share capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in share proceeds received.

(o) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(p) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.
Where there are a number of similar obligations, the likelihood that an outflow will be required in

settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(r) Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Recognition

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets initially recognised at fair value with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Subsequent measurement

Available for sale financial assets are subsequently measured at fair value. Changes in the fair value of available for sale financial assets are recognised in the consolidated statement of comprehensive income.

Loans and receivables are carried at amortised cost using the effective interest rate method.

Details of how the fair value of financial instruments is determined and disclosed in Note 2.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the consolidated statement of comprehensive income.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of comprehensive income.

(s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

(t) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Comparatives are shown for the year ended 30 June 2012.

(u) Going Concern

For the year ended 30 June 2013, the Group recorded a loss of $164,663 (2012: $1,529,156). At 30 June 2013, the cash balance was $112,516 (2012: $203,735).

The Group itself does not generate sufficient cash flows from its operating activities to finance its activities. Thus the continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the Group being successful in completing a capital raising and/or asset sale/joint venture agreement in the next 12 months. The directors have planned to mitigate this risk by reducing its corporate overheads and postponing expenditure on the Group's projects.

As a result of these matters, there is a material uncertainty that may cast significant doubt on whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report. However, the directors believe that the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

In the event that sufficient capital raising or asset sales at an amount and timing necessary to meet the future budgeted operational and investing activities of the Group is unfavorable the Directors believe that they will be able to contain the operating and investment activities sufficiently to ensure that the Group can meet its debts as and when they become due and payable.

In the event that the events referred to above results in a negative outcome, then the going concern basis of accounting may not be appropriate with the result that the Group may have to realise its assets and extinguish its liabilities other than in the normal course of business and in amounts different from that stated in the financial report.

The financial report does not include any adjustments relating to the recoverability or classification of recorded amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

(v) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* (effective from 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The group has not yet decided when to adopt AASB 9.

(ii) AASB 10 *Consolidated Financial Statements,* AASB 11 *Joint Arrangements,* AASB 12 *Disclosure of Interests in Other Entities,* revised AASB 127 *Separate Financial Statements,* AASB 128 *Investments in Associates and Joint Ventures,* AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* and AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments* (effective 1 January 2013).

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the group does not

expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The group does not have any investments in joint arrangements. It is not anticipated that the change to AASB 11 will impact the financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept.

The group will adopt the new standards from their operative date. They will therefore be applied in the financial statements for the annual reporting period ending 30 June 2014.

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group will adopt the new standard from its operative date, which means that it will be applied in the annual reporting period ending 30 June 2014.

(iv) Revised AASB 119 Employee Benefits and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method), the immediate recognition of all past service cost in profit or loss and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively.

The Group will apply the new standard when it becomes operative, being from 1 July 2013.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk, (including interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk in these areas is not significant enough to warrant a formalised specific risk management program.

Risk management is carried out by the Board of Directors in their day to day function as the overseers of the business.

The Consolidated Entity holds the following financial instruments:

	2013 $	2012 $
Financial Assets		
Cash and cash equivalents	112,516	203,735
Available for sale financial assets	1,500	26,660
	114,016	230,395
Financial Liabilities		
Trade and other payables	10,149	8,946
	10,149	8,946

(a) Market Risk

(i) Foreign Exchange Risk

The Group's operations are limited to domestic activities within Australia.

Company sensitivity

The Group's profit would not be impacted by changes in exchange rates.

(ii) Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the statement of financial position as available-for-sale. The Group is not exposed to commodity price risk.

The majority of the Group's equity investments are publicly traded and are listed on the Australian Securities Exchange.

The Group manages equity securities price risk by only investing in companies where the Board has a detailed understanding of its financial and operating position.

The table below summarises the impact of increases/decreases of the all ordinaries index on the Group's post-tax profit for the year and on equity. The analysis is based on the assumption that the all ordinaries index had increased by 17.30% (2012 – decreased by 11.25%) (being the actual movement in the all ordinaries index for those periods) with all other variables held constant and all the Consolidated Entity's equity instruments moved according to the historical correlation with the index.

	Impact on Post Tax Profit		Impact on Equity	
	2013 $	2012 $	2013 $	2012 $
All ordinaries	2,840	19,823	7,452	38,696

Post tax loss and equity would increase as a result of gains on equity securities classified as available-for-sale.

Given the nature of the financial assets, the Directors believe the all ordinaries index is the most appropriate benchmark to measure the sensitivity of the price risk of the Group's listed financial investments, however it should be noted that the maximum negative impact on net profit is $26,660 (2012:$47,720).

(iii) Cash flow interest rate risk

The Group's main interest rate risk arises from funds held on deposit. Funds on deposit at variable rates expose the Consolidated Entity's to cash flow interest rate risk. During 2012 and 2013, the Group's funds on deposit were denominated in Australian Dollars only.

As at the reporting date, the Consolidated Entity had the following funds on deposit:

	30 June 2013		30 June 2012	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	$	%	$
Funds on deposit	1.65	112,516	3.50	203,735

(iv) Consolidated Entity sensitivity

At 30 June 2013, if interest rates had changed by -/+ 100/70 basis points (2012: -/+ 100/70 basis points) from the year-end rates with all other variables held constant, post-tax loss for the year would have been $1,600/$1,114 lower/higher (2012: $3,686/$2,567 lower/higher), mainly as a result of higher/lower interest income from cash and cash equivalents. Equity would have been $1,600/$1,114 lower/higher (2012: $3,686/$2,567 lower/higher) mainly as a result of a lower/higher interest income from cash and cash equivalent.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and receivables.

The Consolidated Entity's maximum exposure to credit risk at the reporting date was:

	2013 $	2012 $
Financial Assets		
Cash and cash equivalents	112,516	203,735
Total	112,516	203,735

The Directors believe that there is negligible credit risk with the cash and cash equivalents, as funds are held at call with a reputable Australian Banking institution with a Standard and Poors long term credit rating of AA-.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Consolidated Entity's manages liquidity risk by continuously monitoring forecast and actual cash flows. Surplus funds are generally only invested at call or in bank bills that are highly liquid and with maturities of less than six months.

Financing arrangements
The Consolidated Entity's does not have any financing arrangements.

Maturities of financial liabilities
The Consolidated Entity's only debt relates to trade payables, where payments are generally due within 30 days.

(d) Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2),and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following tables present the Group's assets measured and recognised at fair value at 30 June 2013 and 30 June 2012.

Group – at 30 June 2013	Level 1	Level 2	Level 3	**Total**
Assets				
Available-for-sale financial assets	1,500	-	-	**1,500**
Equity securities	-	-	-	**-**
Total assets	**1,500**	**-**	**-**	**1,500**

Group – at 30 June 2012	Level 1	Level 2	Level 3	**Total**
Assets				
Available-for-sale financial assets	26,660	-	-	**26,660**
Equity securities	-	-	-	**-**
Total assets	**26,660**	**-**	**-**	**26,660**

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid prices at the end of the financial year. These instruments are included in Level 1.

The carrying value of trade receivables and trade payables are assumed to approximate their fair value due to their short-term nature.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key estimates-impairment
The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

During the year ended 30 June 2013, the Group made significant judgement about the impairment of a number of its available-for-sale financial assets.

The Group follows the guidance of AASB 139 Financial Instruments: Recognition and Measurement on determining when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near term business outlook for the investee, including factors such as industry and sector performance,

changes in technology and operational and financing cash flows.

The decline in fair value below cost for some of these assets has been considered to be significant and/or prolonged. The Group has recorded an impairment loss during the year ended 30 June 2013, being the transfer of the accumulated fair value adjustments to the consolidated statement of comprehensive income.

4. PARENT ENTITY INFORMATION

The following details information related to the parent entity, Actinogen Limited, at 30 June 2013. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2013 $	2012 $
Current assets	137,692	290,864
Non-current assets	137,980	172,559
Total assets	**275,672**	**463,423**
Current liabilities	81,319	115,705
Total liabilities	**81,319**	**115,705**
Contributed equity	5,788,433	5,776,406
Accumulated losses	(10,382,703)	(10,217,312)
Reserves	4,788,623	4,788,624
Total equity	**194,353**	**347,718**
Profit / (Loss) for the year	(164,767)	(1,528,428)
Other comprehensive income for the year	-	(25,920)
Total comprehensive income / (loss) for the year	**(164,767)**	**(1,554,348)**

5. REVENUE

From Continuing Activities		
Sales revenue – services	-	51,562
	-	51,562
Other Revenue		
Interest received from bank	2,638	12,882
	2,638	12,882
	2,638	64,444

6. OTHER INCOME

Profit on sale of available for sale financial assets	2,433	-
Sundry income	3,102	-
	5,535	12,882

7. INCOME TAX

	2013 $	2012 $
Numerical reconciliation of income tax income to prima facie tax payable		
Operating loss before income tax	(454,935)	(1,786,516)
Tax benefit at the Australian tax rate of 30% (2012: 30%)	(136,480)	(535,955)
Tax effect of amounts that are not deductible / taxable in calculating taxable income:		
Provisions and accruals	5,936	598
Capital raising costs	(15,621)	(50,399)
Impairment expenses	1,500	6,318
Impairment of goodwill	-	200,239
Bad Debts Expense	-	-
Research and development tax offset	(290,272)	(257,360)
Future income tax benefit not brought to account	144,665	379,199
Income tax income / (expense)	290,272	257,360
Tax income (expense) relating to items of other comprehensive income		
Available for sale financial assets	-	-
	-	-

Tax Losses

Unused tax losses for which no deferred tax asset has been recognised.	4,047,976	3,856,030
Potential tax benefit @ 30%	1,214,393	1,156,809

Unrecognised temporary differences

Temporary differences for which deferred tax assets have not been recognised.

- Provisions and accruals	71,169	51,381
- Capital raising costs	122,910	168,006
	194,079	219,387
Unrecognised deferred tax asset relating to the above temporary differences	58,224	65,816

The tax benefit of tax losses and other temporary differences will only arise in the future where the Group derives sufficient net taxable income and is able to satisfy the carried forward tax loss recoupment rules. The Directors believe that the likelihood of the Group achieving sufficient taxable income in the future is not probable and the tax benefit of these tax losses and other temporary differences have not been recognised.

8. CASH AND CASH EQUIVALENTS

	2013 $	2012 $
Cash at bank and in hand	112,516	203,735
	112,516	203,735

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

The Group's exposure to interest rate risk is discussed in note 2(a). The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

9. TRADE AND OTHER RECEIVABLES

	2013 $	2012 $
Goods and services tax refund	4,440	22,946
Prepayments	20,736	59,053
	25,176	81,999

Refer to Note 2 for Financial Risk Management.

There are no receivables that are past due but not impaired.

Trade and other receivables are to related parties. Further details of related party receivables are contained in note 19.

10. AVAILABLE FOR SALE FINANCIAL ASSETS

	2013 $	2012 $
Shares in listed corporations	1,500	26,660
	1,500	26,660
At beginning of year	26,660	73,640
Acquisitions	-	-
Disposals	(20,160)	-
Fair value adjustment	-	(25,920)
Impairment of available for sale financial assets	(5,000)	(21,060)
At end of year	1,500	26,660

Fair value of investments in listed corporations is assessed as the last bid price on the Australian Securities Exchange prior to close of business on balance date.

Listed investments are held in Eagle Nickel Limited, being Director related entities.

11. PROPERTY, PLANT AND EQUIPMENT

	2013 $	2012 $
Plant & Equipment		
At cost	213,500	213,500
Accumulated depreciation	(93,049)	(76,124)
	120,451	137,376

Movements during the year	Plant and Equipment	Total
Balance at 1 July 2012	137,376	137,376
Acquisitions	-	-
Depreciation expense	(16,925)	(16,925)
Balance at 30 June 2013	120,451	120,451

	Plant and Equipment	Total
Balance at 1 July 2011	144,308	144,308
Acquisitions	12,437	12,437
Depreciation expense	(19,369)	(19,369)
Balance at 30 June 2012	137,376	137,376

12. INTANGIBLE ASSETS

	2013 $	2012 $
Cost	16,029	16,029
Accumulated amortisation and impairment	-	-
	16,029	16,029

Movements during the year	Software[1]	Total
Balance at 1 July 2012	16,029	16,029
Acquisitions	-	-
Amortisation and impairment expense	-[2]	-[2]
Balance at 30 June 2013	16,029	16,029

Movements during the year	Software[1]	Total
Balance at 1 July 2011	16,029	16,029
Acquisitions	-	-
Amortisation and impairment expense	-[2]	-[2]
Balance at 30 June 2012	16,029	16,029

[1] Software relates to the purchase of a large scientific data base and library.

[2] Intangible assets have been assessed as having indefinite useful lives. It is expected that the database will have indefinite application and the scientific library will not become obsolete. The information will be useful to the Group for the duration of the Group's future projects. It is anticipated that the future cost savings achievable from access to the information contained in the database will exceed the carrying value at balance date.

13. TRADE AND OTHER PAYABLES

	2013 $	2012 $
Trade payables	10,149	8,946
Other payables and accruals	71,170	109,863
	81,319	118,809

Refer to Note 2 for Financial Risk Management.

14. CONTRIBUTED EQUITY

(a) Share Capital

89,264,709 (2012: 88,662,711) fully paid ordinary shares	7,077,391	7,058,391
Capital raising costs	(1,288,958)	(1,281,984)
Total contributed equity	5,788,433	5,776,407

(b) Movement of fully paid ordinary shares during the period were as follows:

Date	Details	Number of Shares	Issue Price (cents)	$
1 July 2011	Opening Balance	49,464,426		6,122,545
17 October 2011	Consideration for Celgenics Ltd	1,000,000	2.2	21,915
17 October 2011	Consideration for Celgenics Ltd	30,000,003	2.2	657,442
18 May 2012	Share issue	7,073,352	3.0	212,201
6 June 2012	Exercise of options	57,000	20.0	11,400
14 June 2012	Share issue	1,062,930	3.0	31,888
20 June 2012	Exercise of options	5,000	20.0	1,000
30 June 2012	Balance	88,662,711		7,058,391
20 July 2012	Exercise of options	2,000	50.0	1,000
17 August 2012	Share issue	599,998	3.0	18,000
		89,264,709		7,077,391

(c) Share Options

The Group has on issue 18,206,358 options with an exercise price of 20 cents and expiry date of 30 September 2015.

(d) Terms and Conditions of Issued Capital

Ordinary shares participate in dividends and the proceeds on winding up of the Group in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has a vote on a show of hands. Ordinary shares have no par value.

(e) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so it can provide returns to shareholders and benefits to other stakeholders. The Group considers capital to consist of cash reserves on hand and available for sale financial assets.

Consistent with the Group's objective, it manages working capital by issuing new shares, selling assets or modifying its planned research and development program as required.

15. RESERVES

Reserves are made up of the options reserve and the movement in the fair value of available for sale investments reserve.

The option reserve records items recognised as expenses on valuation of employee and Director share options. The available for sale investments revaluation reserve records the movement in the fair value of available for sale investments. Detail of the movement in reserves is shown below.

	2013 $	2012 $
Option Reserve		
Balance at the beginning of the year	4,788,623	4,788,623
Balance at end of year	4,788,623	4,788,623
Available for sale investments revaluation reserve		
Balance at the beginning of the year	-	25,920
Change in fair value	-	(25,920)
Balance at end of year	-	-
	-	4,788,623

16. EARNINGS PER SHARE

	2013	2012
Basic EPS from continuing operations attributable to the ordinary share holders of the Group	(0.18)	(2.12)
Weighted number of ordinary shares used as the denominator	89,185,696	72,090,672
Net loss used in calculating EPS	($164,663)	($1,529,156)
Diluted EPS from continuing operations attributable to the ordinary shareholders of the Group	(0.18)	(2.12)
Weighted number of ordinary shares used as the denominator	89,185,696	72,090,672
Net loss used in calculating diluted EPS	($164,663)	($1,529,156)

17. COMMITMENTS

Remuneration Commitments

Service Agreements and remuneration commitments

The Group does not have any commitments for future expenditure other than normal operating expenses. The directors are not aware of any contingent liabilities existing for the Group.

18. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key Management Personnel Compensation:

	2013 $	2012 $
Short-term employee benefits	40,000	328,340
Post employment benefits	-	6,000
Long-term benefits	-	-
Termination benefits	-	-
Share-based payment	-	-
	40,000	334,340

The detailed remuneration disclosures are provided in the audited remuneration report on pages 37 to 40.

(b) Equity Instruments Disclosure relating to Key Management Personnel

At balance date the relevant interest of each Key Management Personnel in ordinary fully paid shares and options of the Group were:

2013

	Fully Paid Ordinary Shares			
Director/KMP	**Balance at beginning of the year**	**Shares Issued as part of Celgenics takeover**	**Net change other**	**Balance at the end of the year**
Directors				
David Alan Zohar	17,657,983	-	283,848[1]	17,941,831
Zhukov Pervan	17,133,334	-	-	17,133,334
David Keast	13,733,333	-	-	13,733,333
Alan Morton	666,666	-	-	666,666
Christopher Simon England	500,000	-	-	500,000
Company Secretary				
Suraj Sanghani	-	-	-	-
Shoshanna Zahar	-	-	100,001	100,001
Total	49,691,316		383,849	50,075,165

2012

	Fully Paid Ordinary Shares			
Director/KMP	**Balance at beginning of the year**	**Shares Issued as compensation**	**Net change other**	**Balance at the end of the year**
Directors				
David Alan Zohar	7,827,982	10,000,001	(170,000) [1]	17,657,983
Zhukov Pervan	7,133,334	10,000,000	-	17,133,334
David Keast	3,733,333	10,000,000	-	13,733,333
Alan Morton	666,666	-	-	666,666
Christopher Simon England	500,000	-	-	500,000
Company Secretary				
Suraj Sanghani	-	-	-	-
Total	19,861,315	30,000,001	(170,000)	49,691,316

1. Denotes share purchases and sales on market by David Alan Zohar

2013

	Share Options			
Director/KMP	**Balance at beginning of the year**	**Options Issued as Compensation**	**Net change other[1]**	**Balance at the end of the year**
Directors				
David Alan Zohar	11,750,000	-	(11,750,000)	-
Zhukov Pervan	11,750,000	-	(11,750,000)	-
David Keast	5,000,000	-	(5,000,000)	-
Alan Morton	1,000,000	-	(1,000,000)	-
Christopher Simon England	-	-	-	-
Company Secretary				
Suraj Sanghani	-	-	-	-
Total	29,500,000	-	(29,500,000)	-

1. All KMP options have expired.

2012

Director/KMP	Balance at beginning of the year	Share Options Options Issued as Compensation	Net change other	Balance at the end of the year
Directors				
David Alan Zohar	11,750,000	-	-	11,750,000
Zhukov Pervan	11,750,000	-	-	11,750,000
David Keast	5,000,000	-	-	5,000,000
Alan Morton	1,000,000	-	-	1,000,000
Christopher Simon England	-	-	-	-
Company Secretary				
Suraj Sanghani	-	-	-	-
Total	29,500,000	-	-	29,500,000

Other transactions and balances with Key Management Personnel disclosed in Note 18.

19. RELATED PARTY TRANSACTIONS

(a) Remuneration of Key Management Personnel.

Discussions relating to Key Management Personnel are set out in Note 18.

(b) Transactions with related parties

The following related party transactions occurred during the financial year with Director related entities.

(i) Subsidiary Companies

The parent entity paid $397 for expenses that related the subsidiary during the year ended 30 June 2013.

Celgenics Limited was deregistered on 15 March 2013, all assets and liabilities held by Celgenics were transferred to the Parent Entity prior to deregistration.

(ii) Administrative and other related transaction

Consulting fees of $910 (excl GST) (2012: $200) were paid to Lawton Gillon, which is a director related entity of Simon England, during the year ended 30 June 2013 of which nil is outstanding at year end.

The Group acquired the use of rental premises and facilities from Iron Mountain Mining Ltd, a director related entity of David Zohar. Costs incurred were $23,895 (excl GST) (2012: $74,168) during the year ended 30 June 2013 of which $8,563 (excl GST) is outstanding at year end (2012: $3,676).

(iii) Investment in/by related entities

The Group held available for sale financial assets during the financial year in the following related parties:

- 500,000 shares in Eagle Nickel Ltd, a director related entity of David Zohar and Dr Pervan. These shares were on hand at year end. The cost of these shares and options was $150,000 and the fair value at the end of the period was $1,500 (2012: $6,500).
- 720,000 shares in Iron Mountain Mining Ltd, a director related entity of David Zohar and Dr Pervan. These shares were sold during the year for $22,320, the cost of these shares was $60,480.

All transactions with related parties are undertaken on an arms length basis.

20. RECONCILIATION OF THE OPERATING (LOSS) AFTER TAX TO THE NET CASHFLOWS FROM OPERATING ACTIVITIES	2013 $	2012 $
Loss for the year	(164,663)	(1,529,156)
Non cash items:		
Depreciation	16,925	19,369
Accrued Expenses		
Impairment expenses	5,000	688,524
Loan write off	(3,102)	-
Profit on sale of available for sale financial assets	(2,160)	-
Change in assets and liabilities		
Increase in trade creditors and accruals	(34,388)	27,063
Increase/(Decrease) in provisions	-	(2,936)
Increase/(Decrease) in receivables	56,823	(26,805)
	(125,565)	(823,941)

Non cash financing & investing activities

No non-cash financing and investing activities occurred during the year ended 30 June 2013.

Financing facilities available

As at 30 June 2013, the Group had no financing facilities available.

21. SHARE – BASED PAYMENTS

The following share based payments existed at 30 June 2013.

28,500,000 options were issued to the directors of the Group with an exercise price of 50 cents and a term of 5.09 years.

	2013		2012	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the year	28,500,000	50 cents	28,500,000	50 cents
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year end	28,500,000	50 cents	28,500,000	50 cents
Exercisable at year end	28,500,000	50 cents	28,500,000	50 cents

22. CONTINGENCIES

The Directors are not aware of any contingent liabilities or assets as at 30 June 2013 (2012: Nil).

23. REMUNERATION OF AUDITOR

	2013 $	2012 $
Amounts paid or payable to Rothsay for:		
- An audit or review of the financial statements of the entity	30,500	30,000
	30,500	30,000

24. SEGMENT INFORMATION

The Group's sole operations are within the biotech industry within Australia.

Given the nature of the Group, its size and current operations, management does not treat any part of the Group as a separate operating segment. Internal financial information used by the Group's decision makers is presented on a "whole of entity" manner without dissemination to any separately identifiable segments.

The Group's management operate the business as a whole without any special responsibilities for any separately identifiable segments of the business.

Accordingly the financial information reported elsewhere in this financial report is representative of the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

25. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On the 11 September 2013 the Company announced the acceptance of a proposal from Otsana Capital to recapitalise the company. The key terms of the proposal are as follows :-

1. A placement of up to 300,000,000 fully paid ordinary shares in the company at $0.005 per share to raise up to $1,500,000 together with 100,000,000 options to acquire shares at $0.005 each on or before the date 4 years from the date of issue.
2. In advance of this capital raising, Otsana will make available an unsecured loan facility to the Company of $100,000. Interest on this loan is payable at 15%pa quarterly in arrears, and is to be repaid on the earlier of 3 months from the date of advancement of the loan and the day after the shareholders meeting to approve the Capital Raising. Otsana agree that the loan will be converted into shares under the capital raising, subject to shareholder approval being obtained
3. New directors nominated by Otsana Capital will be appointed to the Board upon the successful completion of the Capital Raising.
4. $30,000 of the capital raising amount will be applied towards repayment of loans from the Directors of the Company.
5. A 10 day due diligence period to undertake legal and financial due diligence on the Company.

No other matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the entity, the results of those operations, or the state of the entity in subsequent financial years.

26. SUBSIDIARIES

The consolidated financial statements incorporate assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of Entity	Country of incorporation	Class of shares	Equity Holding 2013 %	Equity Holding 2012 %
Celgenics Limited	Australia	Ordinary	0	100

Celgenics Limited was deregistered on 15 March 2013 and therefore it ceased to be a part of the

Actinogen Limited consolidated group on that date.

The subsidiary had no active operations or assets and liabilities, hence there is no deconsolidation recognised.

27. DEED OF CROSS GUARANTEE

Actinogen Limited and Celgenics Limited (deregistered 15 March 2013) were parties to a deed of cross guarantee under which each Company guaranteed the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The above companies represent a 'closed group' for the purposes of the Class Order, and as there are no other subsidiaries of Actinogen Limited, the consolidated statement of comprehensive income, the consolidated statement of financial position and consolidated statement of changes in equity included in this financial report present the financial information for the parties of the deed of cross guarantee.

ACTINOGEN LIMITED
DIRECTORS DECLARATION
30 JUNE 2012

In the Directors opinion:

1. The financial statements and notes set out on pages 44 to 71, are in accordance with the *Corporations Act 2001* including:

   (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (b) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date;

2. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

3. The remuneration disclosure included in the audited Remuneration Report in the Director's Report complies with Section 300A of the *Corporations Act 2001*.

4. The directors have been given the declaration by the Chief Financial Officer, Suraj Sanghani, as required by section 295A of the *Corporations Act 2001*.

5. The Group has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Directors.

David Zohar
Director

12 September 2013
Perth, Western Australia

ROTHSAY
Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Busienss Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ACTINOGEN LIMITED

Report on the financial report

We have audited the accompanying financial report of Actinogen Limited (the Company") which comprises the statement of financial position as at 30 June 2013 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

Directors Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used in and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the *Corporations Act 2001*.

Chartered Accountants

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

Audit opinion

In our opinion the financial report of Actinogen Limited is in accordance with the *Corporations Act 2001*, including:

a) (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

b) the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1(u) in the financial report, which states the company will have to complete a capital raising and/or asset sale/joint venture in the next twelve months in order to continue as a going concern. If the company is unable to obtain additional funding it may indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and therefore whether it will realize its assets and extinguish its liabilities in the normal course of business at the values stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Audit opinion

In our opinion the remuneration report of Actinogen Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Rothsay

Graham Swan
Partner

Dated 12 September 2013

Chartered Accountants

ACTINOGEN LIMITED
SHAREHOLDER INFORMATION

Substantial shareholders

The substantial shareholders as at 10 September 2013 were:

Mr David Zohar and Associates	18,041,832
Dr Zhukov Pervan	17,200,000
Mr David Keast	13,733,333

Distribution of ordinary shareholders as at 10 September 2013

Range of Holding	Holders	Shares
1-1,000	13	4,743
1,001-5,000	184	727,698
5,001-10,000	207	1,743,661
10,001 - 100,000	423	16,327,848
100,001 – over	87	70,460,759
	914	89,264,709
Share holders with less than a marketable parcel.	686	8,401,840

Distribution of $0.20 Option Holders as at 10 September 2013

Range of Holding	Holders	Options
1-1,000	3	2,700
1,001-5,000	107	405,687
5,001-10,000	105	847,426
10,001 - 100,000	202	8,280,319
100,001 – over	42	8,670,226
	459	18,206,358
Option holders with less than a marketable parcel.	458	17,456,358

Voting Rights

Each fully paid ordinary share carries voting rights of one vote per share.

Twenty Largest holders of quoted ordinary shares as at 10 September 2013

	Number of Shares	Percentage of Issued Capital
Z P PTY LTD <Z PERVAN SUPER FUND A/C>	17,200,000	19.27
DR DAVID KEAST	10,000,000	11.20
MR DAVID ZOHAR <ZOHAR FAMILY A/C>	10,000,000	11.20
SWANCOVE ENTERPRISES PTY LTD	7,342,333	8.23
DR DAVID KEAST	3,733,333	4.18
UNITED OROGEN LIMITED	2,000,000	2.24
ANZ TISSUE PRODUCTS PTY LTD <NGAI'S FAMILY A/C>	1,000,000	1.12
EMERITUS PROFESSOR ALAN MORTON	666,666	0.75
CHUCKY PTY LTD <MJ TURNER SUPER FUND>	600,000	0.67
EAGLE NICKEL LIMITED	575,964	0.65
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	500,300	0.56
MR MARK ANTHONY GUSMAN	500,000	0.56
LAWSTAR PTY LTD	500,000	0.56
MS JANICE MARGARET ROLL	500,000	0.56
ALUMINEX RESOURCES LTD	471,500	0.53
EDENCORP PTY LIMITED	460,000	0.52
MR LIANG-PENG LIM + MRS HUI-CHOO LIM <TIGER LP LIM SUPER FUND A/C>	416,000	0.47
TROMSO PTY LIMITED	400,000	0.45
MR OWEN FEDERICK EDEN + MS MARJORIE JEAN EDEN	375,000	0.42
MR LESLIE ALFRED WHITE	375,000	0.42
TOTAL	**57,616,096**	**64.55**

Twenty Largest $0.20 Quoted Option Holders as at 10 September 2013

	Number of Options	Percentage of Issued Capital
MR MARK ANTHONY GUSMAN	750,000	4.12
EDENCORP PTY LIMITED	420,000	2.31
MR VICTOR LAWRENCE JOYCE + MRS SUSAN JOAN ABRA <VICTOR L JOYCE S/F A/C>	401,500	2.21
TROMSO PTY LIMITED	400,000	2.20
MR MATTHEW DAVID BURFORD	375,000	2.06
MS LYNETTE GAIL IRVINE	330,000	1.81
MR MATTHEW BURFORD	300,000	1.65
CHUCKY PTY LTD <MJ TURNER SUPER FUND>	300,000	1.65
DR PAUL MARK HALLEY	273,000	1.50
MR DEREK YEE HAW TAN + MS PHEPY SI PEI LING	250,000	1.37
A G W PTY LTD <A G W SUPER FUND A/C>	200,000	1.10
MR EMANUELE CHESSARI + MRS SHARON CHESSARI	200,000	1.10
MR JOHN BARRY JOHNSTON	200,000	1.10
MR MATTHEW JAMES KILGOUR	200,000	1.10
MR WILLIAM RUSSELL	174,066	0.96
MR EWEN AUSTIN KLOAS	170,000	0.93
ARSENY (ARNY) FEFELOV	166,666	0.92
SVETOZAR KOKIC	166,666	0.92
MR NEWMAN XAVIER PINTO	166,666	0.92
JOHN SIMMONS + CHUMBI SIMMONS <ESSEX S/F A/C>	166,666	0.92
TOTAL	**5,610,230**	**30.81**

Unquoted Securities

There were no unquoted shares or options on issue as at 10 September 2013.

Shares and Options escrowed

There were no ordinary shares or options escrowed as at 10 September 2013.

ASX Rule 4.10.19

The Group has used its cash and assets in a form readily convertible to cash that it had at time of admission that is consistent with its business objectives.