Annual Report 2015

AVEXA

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

Chairman's Report

Dear Shareholder,

At the 2015 AGM, to be held on 26 November, your Directors will be recommending you vote in favour of acquiring TALI Health Pty Ltd (TALI). TALI is a result of ground breaking research pioneered over 20 years by internationally renowned Professor Kim Cornish, Head of the School of Psychological Sciences at Monash University and her team. Using the latest technology, ('Apps' and the 'Cloud'), the TALI process is an attentive measuring and training game for better delivery of medical interventions, using 'tablets' and data collection, analysis and reporting secured via the 'Cloud'. It has powerful and flexible tools that can be applied to wider populations with cognitive, behavioural and academic difficulties.

TALI brings the prospect of creating significant value for the Company by being at the forefront of delivering a novel approach to the diagnosis and treatment of children with intellectual disabilities, including Autism in today's world. Your Directors unanimously commend this acquisition to you and, if so approved, are excited about positioning TALI as a leader in this critical area of healthcare. We look forward to Jefferson Harcourt and Benjamin Yeo joining the Board and the appointment as CTO of Hannah Kirk who has been heavily involved in TALI's design and development under Professor Kim Cornish at Monash University.

There are also a number of resolutions associated with the TALI acquisition and capital management such as consolidating the number of ordinary shares on issue (20:1) and approving the placement of shares to raise funds for TALI's development and commercialisation.

In the Annual Report that follows, we report on ATC and the North Pratt investment. With respect to ATC and the Early Access Program, suffice to say we, and our partners LINK, are frustrated at the slow response to its take up. However, given that promotion is not permitted, we need to be patient and work within the constraints of the restrictions of an Early Access Program. However we remain confident that the news of its availability is getting out there.

The lack of any returns to date from the North Pratt investment is equally frustrating. We could not have foreseen the confluence of extreme and the long duration of weakness in commodities and, in particular, energy prices. The North Pratt coal mine is and remains a quality asset, and we have little option but to sit out this 'perfect storm' and wait for commodities prices, especially energy prices to recover. As to when this might come about is something not even the world's best analysts and experts can predict or agree on. We will continue to monitor the situation closely and make every effort to ensure that the Company's investment in North Pratt gets the best chance of being monetised.

In the meantime, your board has wasted no time in looking for opportunities to restore value in the Company. TALI presents such an opportunity and we look forward to meeting and talking to as many of you that can come to the AGM next month.

As always the Board acknowledges and thanks the small team at Avexa very much for their hard work and I personally remain grateful to my fellow directors for their continued professional guidance and counsel.

Iain Kirkwood
Executive Chairman

Directors' Report

The Directors present their report together with the financial statements of the Group comprising of Avexa Limited (the Company), and its subsidiaries for the financial year ended 30 June 2015 and the Auditor's Report thereon.

Principal Activities

There have been two principal activities for the Group during the course of the financial year. Firstly, the pursuit of the Company's drug development programs with the establishment and support of an Early Access Program (EAP) for apricitabine (ATC). Secondly, the active monitoring of the performance of the Company's investments, most particularly the North Pratt coal mine in Alabama, USA, which commenced production during the year. The North Pratt coal mine investment is expected to be the primary source of funds for the remaining clinical development of ATC and its other preclinical research projects. The Company is a public company listed on the ASX, incorporated and domiciled in Australia, and with a registered office and principal place of business located at Suite 8, Level 1, 61–63 Camberwell Road, Hawthorn East, Victoria 3123. Except as disclosed elsewhere in this report, there have been no significant changes in the nature of these activities during the year.

Operating and Financial Review

During the year, Avexa's operations have focused on the establishment of an EAP for ATC, the maintenance of the early stage human immunodeficiency virus (HIV) integrase and antibiotic project intellectual property suites, and monitoring the performance of the investment in the North Pratt coal mine.

The statement of profit or loss and other comprehensive income shows a loss of $6.6 million (2014: $2.9 million) for the year. The Group has no bank debt. As at 30 June 2015, the Group had a cash position of $1.0 million (2014: $3.4 million). Operating, financing and investing activities incurred a cash outflow for the year of $2.3 million (2014: $8.4 million). The net loss of $6.6 million was largely a result of the decision by the Directors to write down the value of its investment in the North Pratt coal mine by $5.0 million (refer to page 04 'Investment') and also reflects Avexa's equity accounted share of North Pratt's (Coal Holdings USA, LLC or CHUSA) operating loss for the period.

The preparation and manufacture of the drug product containing ATC for the EAP has been completed.

- ATC product is now available on a cost recovery basis.
- Clinical use of ATC is subject to the usual risks for pharmaceutical products, including production, transport, and clinical risk.
- Initiation of clinical trial activities can only occur once sufficient funds are available from the Company's investments (or from third party collaboration).

Likely Developments, Outlook and Risks

Given the severity and extent of the weakness in global commodities, including the demand for coal, it is not possible or indeed reasonable for the Directors to advise with any confidence the likely time frame for ATC's clinical advancement or progression of its two preclinical, early stage drugs.

The ability of the consolidated entity to meet operating cash requirements for the next 12 months and beyond is dependent on cash flows being generated from the successful execution of the CHUSA business plan and business development opportunities currently under consideration (further described below). The CHUSA business plan is dependent on a number of factors including, among others, assumptions relating to sales volumes, coal prices, working capital requirements, debt repayment obligations and regulatory compliance. Refer to Note 12 for further comment.

Since year end, the Company has been actively exploring a number of business development opportunities capable of extending the Company's operations and restoring shareholder value pending a recovery in commodities. To this end, the Directors can advise that a non-binding terms sheet was signed on 14 September 2015 allowing due diligence to commence on a healthcare acquisition opportunity. The negotiations over final acquisition terms, including fresh funds, are ongoing and the Company needs to complete its due diligence investigations and finalise terms before any announcement can be made. This is expected to occur shortly; however, the Directors point out that there is no certainty that this proposed transaction will proceed.

Establishment of an EAP for ATC

In many countries there are special regulatory mechanisms and procedures that allow the provision of promising new investigational drugs to patients with serious, life-threatening conditions prior to formal regulatory approval. Such early access programs (called the Special Access Scheme or SAS in Australia) can enable many more patients to access a drug than a clinical trial alone can. In certain countries, mechanisms for cost recovery of this process exist.

Our interactions with patient advocates, community groups, scientists and medical practitioners have confirmed the clear medical need for ATC. A panel of prominent HIV experts was assembled at the 20th International AIDS Conference to discuss the need for ATC as a promising new treatment for HIV patients who have failed other therapies.

Together with the Company's partner, LINK Healthcare, an EAP was established to make ATC available to patients in great need. ATC is being made available on a cost recovery basis (approximately AU$10,000 per annum). Importantly, our stocks of ATC remain amply sufficient for conducting the planned clinical trial. Specialised ATC product was manufactured and shipped to LINK's warehouse in Singapore for global availability. ATC is now able to be supplied prior to formal marketing approval in a number of markets under a variety of arrangements such as SAS and named patient supply (NPS). These arrangements are a slow process and prohibit active promotion of the product to physicians and, as such, Avexa and LINK have been facilitating medical education of physicians, addressing their questions on the usage of ATC for their patients. Activities to date have included LINK establishing a website for physicians to provide clinical information and enable ATC to be quickly supplied once the necessary permits have been received. Articles discussing the ATC EAP have appeared in specialist HIV media, and LINK has been asked to meet with leading physicians and answer their queries in regard to ATC at the Washington DC AIDS Conference 10–13 September 2015.

Although our stocks of ATC remain amply sufficient for conducting the planned clinical trial, the planned progression of ATC through the initiation of clinical trials has been deferred. This deferral is as a result of the expected investment returns from the Company's principal investment in the North Pratt coal mine.

About ATC

ATC is Avexa's nucleoside reverse transcriptase inhibitor (NRTI) for the treatment of HIV infection. HIV is the virus that causes Acquired Immunodeficiency Syndrome (AIDS). In the 30 years since the first cases of AIDS were described, more than 30 million persons have been infected with the virus worldwide, and many millions have died. HIV primarily targets cells of the immune system, leaving infected individuals progressively defenceless against common diseases. Treatment with a combination of antiviral drugs that inhibit the replication of the virus can dramatically slow down the course of the disease, but drug resistance often develops. In many cases, resistance to one drug causes cross-resistance to other, as yet unused drugs. As a result, in practice, patients may have very few active drugs available to them. A further problem is the unwanted side effects of many of the currently used anti-retroviral drugs which can be intolerable or even life threatening. This can further restrict the drugs an individual patient can take. Lastly, many current drugs have significant interactions if they are given at the same time as other drugs the patient may need, such as drugs for diabetes, heart disease, hypertension or bacterial infections. Taken together, this means that an individual patient may, in all reality, have very few appropriate drugs available.

ATC has significant potential to be a valuable new treatment for HIV as it addresses these pivotal issues: drug resistance, safety/tolerability and drug interactions. As well as showing antiviral activity against natural (wild-type) HIV, ATC is active against the virus with various mutations that cause resistance to other NRTIs. These include the M184V mutation (associated with resistance to the currently used NRTIs lamivudine and emtricitabine) and thymidine analogue mutations (TAMs), (associated with resistance to zidovudine and stavudine). These mutations are commonly found in patients, as the use of these existing NRTIs is widespread. ATC therefore has the potential to be a valuable treatment option for patients whose current treatments are no longer effective due to the development of drug resistance. In addition, resistance to ATC itself has not been observed even in patients who have been treated with ATC for three years. Clinical trials of ATC have shown it to be safe and very well tolerated. ATC is easy to dose and may be taken with or without food. ATC does not produce deleterious interactions when dosed with a variety of different drugs known to produce interactions with current HIV medications. These key properties of ATC – lack of resistance, safety, and ease of dosing – are exactly those that are required in patients who have developed resistance to the currently used drugs.

Discovery Programs

Continued Need for New HIV Integrase Inhibitors

Antiretroviral therapy (ART) regimens containing HIV integrase inhibitors produce the most rapid decline in virus of all regimens to date, with good tolerability and limited development of resistance. There are three HIV integrase inhibitors currently available and, for the most part, they are aimed at first line treatment of newly infected patients. As patients are treated and subsequently fail their integrase-based regimen, they may develop resistance to these current HIV integrase inhibitors. Currently the only option for further treatment of such resistant patients with an integrase inhibitor-containing regimen is limited to one integrase inhibitor: dolutegravir. Although dolutegravir is well tolerated and effective, it must be dosed twice daily. There is therefore a considerable opportunity for a once daily, stand-alone integrase inhibitor that can be combined with any other drug of choice for use beyond first line treatment. The potential for long-acting integrase inhibitors that allow a significant increase in the dose interval is also a facet for exploration in current HIV drug discovery and development. The Avexa suite of HIV integrase inhibitors has been demonstrated to have novel properties that may lead to enhanced pharmacokinetic properties including extended release and long dose intervals.

HIV Integrase Inhibitor Discovery

During the previous financial year we reported that we had expanded our library of HIV integrase inhibitors, building on our previous discoveries of compounds that showed the potential for once daily dosing. Moreover, during the year a major pharmaceutical company was given access to, under strict confidentiality, a number of the most promising (once a day dosage) HIV integrase inhibitor compounds for private testing. However it has become clear that these most promising compounds require further validation studies to progress into the clinic. This will identify which of the compounds within the suite would be most suitable as a component of a new generation anti-integrase-based ART regimen. However these further validation studies will have to wait for the necessary funds to become available.

This financial year we have focused the funds available into the prosecution of a number of patent suites covering these and more progressive compounds to ensure a comprehensive and strong IP protection. We believe that the current suite of intellectual property in the HIV integrase inhibitor area forms the basis for a comprehensive program of drug discovery activities that could lead to a new generation of commercially important HIV drugs for the future treatment of both newly infected and experienced HIV patients.

Antibiotic Program

Clostridium difficile has, for some time, been a major problem as a hospital-acquired pathogen. This organism is found in low numbers in the gut of many healthy people. However, if the normal gut bacteria are killed by antibiotics, *C. difficile* can outgrow. The symptoms of the disease caused are severe diarrhoea and inflammation of the colon. These can be life threatening, especially among the elderly.

Two years ago our commercial partner Valevia UK, with support from Avexa, succeeded in obtaining a grant from the UK Technology Strategy Board to undertake further preclinical studies aimed at understanding the behaviour of AVX13616 at the gastrointestinal site of potential activity. In these and other studies we have been unable to deliver AVX13616 in a form that remains active in the hostile environment of the gut. Accordingly the progression to a *Clostridium difficile* animal model has been put on hold in favour of a more facile target and model. AVX13616 is also active against *Staphylococcus aureus* (also called Golden Staph) which is a common cause of severe skin infections. Further clinical activities are dependent on raising funds to support the investigation of AVX13616 in preclinical models of serious *S. aureus* infections.

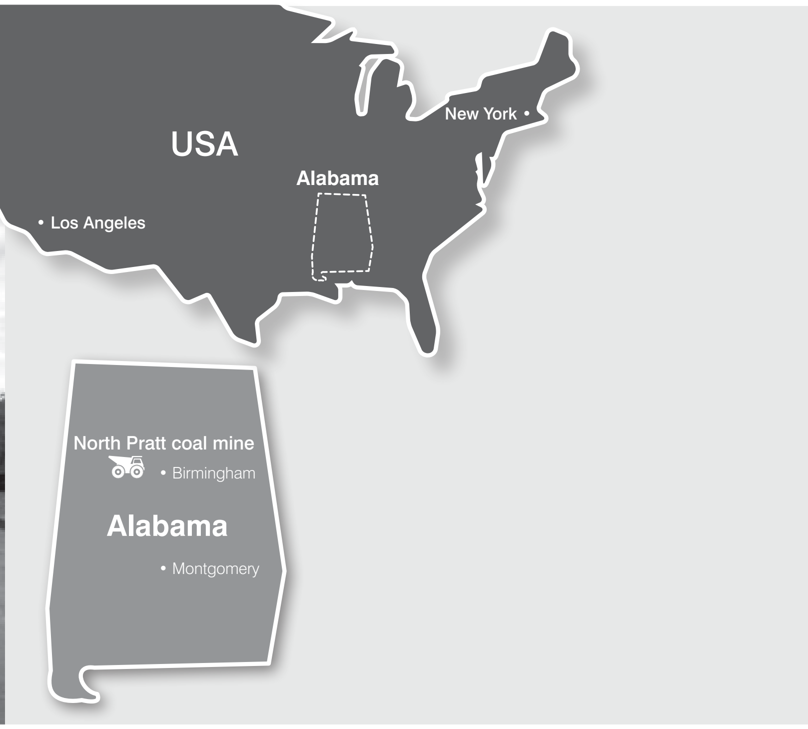
Corporate

Investment

In February this year the Company advised that the construction phase of its major investment in CHUSA (the North Pratt coal mine) had been completed. This included the reopening of the mine and associated development works including the wash plant. Coal production was planned to average approximately 25,000 tons per month and an initial contract to supply 100,000 short tons to a local buyer over the ensuing year had been put in place. By April it was becoming evident that the market for both metallurgical and thermal coal was dramatically weakening due to a number of global and local factors. These included a rapidly declining commodities market and China's slowing growth. This required an immediate change in North Pratt's original business plan pending a recovery in the demand for coal. Importantly it was decided not to mothball the plant, rather reduce production and meet demand on a month-to-month basis.

The continued global downturn in most commodity markets has been without precedent and completely unforeseen. The decision to keep the mine open and running appears, so far, to have been justified and production has been gradually increasing, where approximately 12,000 short tons will have been shipped by the end of August 2015. North Pratt management continues to negotiate new local contracts for 2016. It is not possible at this stage to forecast what volumes can be secured.

In light of the uncertainty, the Directors have taken a conservative position with the carrying value of the North Pratt investment. To comply with accounting standards, a write down of the investment by $5 million is required and is considered a prudent decision in the circumstances. It is supported by a base case financial model reflecting current volumes and prices. In the event that volumes and prices recover, the value of the investment can be reinstated. The write down is a non-cash adjustment to the carrying value of the investment and related loan balance.



Capital and Corporate Structure

During the financial year ended 30 June 2015, on 5 January 2015, the Company allotted and issued 55,128,359 new shares under the Share Purchase Plan (SPP) announced on 24 November 2014. The SPP raised $795,500.

Full details of movements in share capital for the year are detailed in Note 17 to the financial statements. There were no changes to the corporate structure of Avexa Limited during the financial year ended 30 June 2015.

Unissued Shares Under Option

During the year nil (2014: nil) options to acquire ordinary shares were issued to staff, nil (2014: nil) to Executive Officers, nil (2014: nil) to the Chief Scientific Officer and nil (2014: nil) to Directors. Nil (2014: nil) options were exercised during the financial year for total proceeds of nil (2014: nil). Nil (2014: 4,180,000) options lapsed during the financial year and nil (2014: 10,000) options were forfeited upon the departure of Directors or employees during the financial year.

At 30 June 2015 there were nil options (30 June 2014: nil) on issue to Directors, Executives and employees. There have been nil (2014: 4,190,000) options lapsed or forfeited, nil (2014: nil) approved to be issued and nil (2014: nil) exercised after the reporting date and up to the date of this report, such that at the date of this report there were no unissued ordinary shares of the Group under option.

Directors

The Directors of the Company at any time during the year or since the end of the financial year are as follows. Directors were in office for the entire period unless stated otherwise:

Mr Iain Kirkwood Executive Chairman (63)
Qualifications: MA (Hons) Oxon, FCPA, MAICD

Mr Kirkwood joined the Board on 9 August 2010 and was appointed as Non-Executive Chairman on 18 April 2011. He is Chairman of the Avexa Audit Committee and a member of the Avexa Remuneration and Nomination Committee. He has extensive operational, financial, general management and boardroom experience, particularly in the life sciences industry.

He is currently serving as Chairman of Bluechiip Limited (ASX.BCT) and as a Non-Executive Director of Vision Eye Institute Ltd (ASX.VEI).

During his career Mr Kirkwood has worked with a number of ASX listed companies in senior management roles, including Woodside Petroleum Ltd and Santos Ltd, and was previously the CFO of F.H. Faulding & Co. Ltd and CEO of EpiTan Ltd (now Clinuvel Pharmaceuticals Ltd).

Mr Bruce Hewett Independent Non-Executive Director (61)
Qualifications: BAppSc. (Pharmacy), GAICD

Mr Hewett joined the Board on 6 July 2010 as a Non-Executive Director of the Company and is a member of the Avexa Audit Committee and Chairman of the Avexa Remuneration and Nomination Committee. He brings more than 25 years' experience in the pharmaceutical and healthcare industries.

He is currently Managing Director of RxConnect International Pty Ltd, a pharmaceutical industry consulting firm.

Mr Hewett has held senior roles with Janssen-Cilag, Faulding Pharmaceutical and founded specialist pharmaceutical company Max Pharma.

Mr Allan Tan Independent Non-Executive Director (50)
Qualifications: LLB (Hons) University of Buckingham (UK), Barrister-at-Law (Gray's Inn), MA London-Guildhall University (UK)

Mr Tan joined the Board on 1 December 2010. He is a Non-Executive Director of the Company and is a member of both the Avexa Audit Committee and the Avexa Remuneration and Nomination Committee.

He is also an Independent Director of Singapore listed companies Adventus Holdings Limited, CNMC Goldmine Holdings Limited and Nico Steel Holdings Limited. Mr Tan is a partner in a Singapore law firm, Virtus Law LLP.

Company Secretary

Mr Lee Mitchell BA LLM

Mr Mitchell was appointed as Company Secretary of Avexa Limited on 1 December 2010. He is a qualified lawyer and has practised in corporate and commercial law since 1995.

Directors' Interests

The relevant interest of each Director in the share capital of the Company, as notified by the Company to the ASX in accordance with S205G (1) of the *Corporations Act 2001*, as at the date of this report is as follows:

Director	Number of Ordinary Shares	Number of Options to Acquire Ordinary Shares
Mr I Kirkwood	14,574,814	-
Mr B Hewett	3,500,348	-
Mr A Tan	1,115,731	-

Directors' Meetings and Committee Membership

Due to the small number of Non-Executive Directors on the Board, all Non-Executive Directors are members of the Audit Committee and the Avexa Remuneration and Nomination Committee. The role of the Audit Committee ordinarily is to give the Board of Directors assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report. The role of the Remuneration and Nomination Committee is to assume responsibility for the composition of the Board and nomination of new Directors and reviewing and monitoring the performance of the Performance Management and Development System for Director, Executive and staff remuneration. The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

	Board Meetings		Audit Committee Meetings		Remuneration and Nomination Committee Meetings	
Director	Attended	Held(i)	Attended	Held(i)	Attended	Held(i)
Mr I Kirkwood	11	11	5	5	-	-
Mr B Hewett	11	11	5	5	-	-
Mr A Tan	11	11	5	5	-	-

(i) Represents the number of meetings held during the time that the Director held office.

Dividends

The Directors do not recommend a dividend be paid or declared by the Company for the year. No dividend has been paid by the Company since its incorporation on 7 April 2004.

Significant Changes in the State of Affairs

Other than as detailed elsewhere in this financial report, there has been no significant change in the state of affairs of the Company.

Environmental Regulation

The Group’s operations are not subject to any significant environmental regulations under either Commonwealth or state legislation. The Directors believe that the Group has adequate systems in place for the management of its environmental requirements and are not aware of any breach of those environmental requirements as they apply to the Group.

Events Subsequent to Reporting Date

In the interval between the end of the financial year and the date of this report no item, transaction or event of a material and unusual nature has arisen that is likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Indemnification and Insurance of Officers

Indemnification

The Company has agreed to indemnify the Directors of the Company against liability arising as a result of a Director acting as a Director or other officer of the Company. The indemnity includes a right to require the Company to maintain Directors’ and Officers’ liability insurance that extends to former Directors. The indemnity provided by the Company is an unlimited and continuing indemnity irrespective of whether a Director ceases to hold any position in the Company.

Insurance Premiums

Since the end of the financial year, the Company has paid a premium of $27,830 for Directors’ and Officers’ liability insurance for current and former Directors and Officers, including Executive Officers of the Company. The Directors have not contributed to the payment of the policy premium.

The Directors’ and Officers’ liability insurance policy covers the Directors and Officers of the Company against loss arising from any claims made against them during the period of insurance (including Company reimbursement) by reason of any wrongful act committed or alleged to have been committed by them in their capacity as Directors or Officers of the Company and reported to the insurers during the policy period or if exercised, the extended reporting period.

Risk Management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Company’s objectives and activities are aligned with the risks and opportunities identified by the Board. The Company believes that it is crucial for all Board members to be a part of this process and, as such, the Board has not established a separate risk management committee. Instead sub-committees are convened as appropriate in response to issues and risks identified by the Board as a whole, and each respective sub-committee further examines the issue and reports back to the Board.

The Board has a number of mechanisms in place to ensure that management’s objectives and activities are aligned with the risks identified by the Board. These include the following:

- implementation of Board-approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of Key Performance Indicators (KPIs) of both a financial and non-financial nature; and
- the establishment of committees to report on specific business risks, including, for example, such matters as strategic investments.

The Audit Committee assists in discharging the Board’s responsibility to manage the organisation’s financial risks. The Committee advises the Board on such matters as the Group’s liquidity, currency, credit and interest rate exposures and monitors management’s actions to ensure they are in line with Group policy.

Rounding Off

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

Lead Auditor’s Independence Declaration Under Section 307C of the *Corporations Act 2001*

The lead Auditor’s Independence Declaration forms part of the Directors’ Report for the year ended 30 June 2015 and is set out on page 13.

Non-audit Services

The following non-audit services were provided by the Group’s auditor KPMG during the financial year. The Directors are satisfied that the provision of non-audit services is compatible with the general standard for independence imposed by the *Corporations Act 2001* and with the Company’s own Auditor Independence Policy. The nature and scope of each of the non-audit services provided means that auditor independence was not compromised. KPMG received or is due to receive the following amounts for the provision of the following services:

Non-audit Services	
Tax compliance and other advisory services	$34,690
Other assurance services	-
Total non-audit services	$34,690

This report outlines the compensation arrangements in place for Directors and Senior Executives of the Company being the Key Management Personnel (KMP) of the Company – being those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director and includes all the Executives in the Company. For the purposes of this report, the term 'Executive' includes the CSO and Senior Executives but does not include the Non-Executive Directors or the secretary of the Company. All sections contained herein have been subject to audit as required by Section 308(3C) of the Corporations Act. Remuneration is referred to as compensation in this report.

Details of KMP including the top remunerated Executives of the Company are set out in the tables on page 10. Unless otherwise indicated, the individuals were KMP for the entire financial year. There have been no changes to KMP after the reporting date and before the date of this report.

Company Performance

	2015	2014	2013	2012	2011
Net profit/(loss) attributable to equity holders of the parent	**($6,610,135)**	(2,896,604)	(2,977,497)	(3,513,138)	(4,402,000)
Closing share price ($)	**.007**	.014	.014	.022	.042

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises all three Non-Executive Directors, each of whom is considered independent.

The Remuneration and Nomination Committee is responsible for making recommendations to the Board on the remuneration arrangements for Non-Executive Directors and Executives. The Board approves the remuneration arrangements for Executives having regard to the recommendations made by the Remuneration and Nomination Committee including any STI or LTI arrangements. The Board also sets the aggregate fee pool for Non-Executive Directors (which is subject to shareholder approval) and Non-Executive Director fee levels.

The Remuneration and Nomination Committee meets periodically during the year. Executives are not present at meetings of the Committee except by invitation.

The Remuneration and Nomination Committee has not engaged any external remuneration advisers during the financial year.

Further information on the Remuneration and Nomination Committee's role, responsibilities and membership is located at www.avexa.com.au/content/corporate-governance

Principles of Compensation and Strategy

The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of remuneration of Non-Executive Directors and Executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-performing Director and Executive team and aligning the interests of the Executives with those of the shareholders. The Remuneration and Nomination Committee comprises all of the Non-Executive Directors.

Avexa Limited's remuneration strategy is designed to attract, motivate and retain employees and Non-Executive Directors by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Group. To this end, key objectives of the Company's reward framework are to ensure that remuneration practices are aligned to the Group's business strategy, offer competitive remuneration benchmarked against the external market, provide strong linkage between individual and Group performance and rewards and align the interests of Executives with shareholders. Where relevant, the remuneration framework incorporates at-risk components through STI and LTI arrangements tailored to the particular Executive by reference to both financial and other metrics, which generate value for shareholders. In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive remuneration is separate and distinct. The Board assumes full responsibility for compensation policies and packages applicable to Directors and Senior Executives of the Company. The broad compensation policy is to ensure the compensation package appropriately reflects the person's duties and responsibilities, and that compensation levels are competitive in attracting, retaining and motivating people who possess the requisite level of skill and experience. Employees may receive at-risk incentive payments remunerated as cash or share options based on the achievement of specific goals related to the performance of the individual and the Company (as determined by the Directors). Incentives are provided to Senior Executives and employees for the achievement of individual and strategic objectives with the broader view of creating value for shareholders.

Fixed Compensation

Fixed compensation consists of a base salary package, which includes Fringe Benefits Tax calculated on any salary packaging arrangements and employer contributions to superannuation funds. Fixed compensation levels for KMP and senior members of staff are reviewed by the Remuneration and Nomination Committee and comprising the Company's KMP, through a process that considers the employee's personal development, achievement of key performance objectives for the year, industry benchmarks wherever possible and CPI data. The Board's policy is to ensure that fixed remuneration is market competitive having regard to industry peers and companies of similar financial size. Given the Company's size, it is not considered necessary to engage remuneration consultants for this purpose and accordingly the Company undertakes its own informal review, which it does on an ongoing basis.

KPIs are individually tailored by the Board, based on recommendations and input from the Remuneration and Nomination Committee in advance for each employee each year, and reflect an assessment of how that employee can fulfill his or her particular responsibilities in a way that best contributes to Company performance and shareholder wealth in that year with close alignment to the role and responsibility within the organisation and in conjunction with the strategic objectives of the Company.

Performance-linked Compensation

All employees are potentially eligible to receive at-risk incentive payments and/or securities (shares or options) based on the achievement of specific goals related to (i) performance against individual KPIs and/or (ii) the performance of the Company as a whole as determined by the Board based on a range of factors. These factors include traditional financial considerations such as operating performance, cash consumption and deals concluded and also industry-specific factors relating to the advancement of a project portfolio, introduction of new projects to the portfolio, collaborations and relationships with scientific institutions, third parties and internal employees. The purpose of these payments is to reward employees for their contribution to the Group.

Employment contracts for Executives do not formally provide for at-risk or short term incentive compensation arrangements having regard to the above factors, although the Board always retains the right to provide payments on a discretionary basis where individual performance merits a payment being made.

The Board at its sole discretion determines the total amount of performance-linked compensation payable as a percentage of the total annualised salaries for all employees employed as at the end of the financial year (with pro-rata reductions to the annualised salary made for any employee not employed for the entire financial year).

The Remuneration and Nomination Committee makes a recommendation to the Board in respect of incentive compensation for employees and Executives with the decision to award a performance incentive resting with the Board for decision.

An amount of $12,500 (2014: $12,500) has been accrued at the end of the 2015 financial year by way of an employee benefit provision in respect of performance incentives for the 2015 financial year.

An amount of nil (2014: nil) has been recognised in the 2015 financial year by way of shared-based payment expense in respect of performance incentives achieved in respect of KPIs set for the 2015 financial year.

The Directors have the discretion to recommend the offer of rights to acquire ordinary shares or the direct issue of shares to any member of staff in recognition of exemplary performance. Such securities may be fully vested upon issue given that they are issued as a reward for past performance rather than as a long term incentive. Any issue of options proposed as incentive compensation requires approval by the Board and is subject to any limitations imposed by the Corporations Act and the ASX Listing Rules. The Board considers that the performance-linked compensation structure is operating effectively.

At, or as soon as practicable after, the beginning of the financial year, individual and team performance for the previous year is assessed for every employee by their manager and new objectives set for the forthcoming year. These objectives include department and project-specific objectives together with individual stretch objectives, challenging, realistic and personal development objectives tailored to the employee's role within the organisation. Measurement, management support, target dates and training course requirements are all set. Progress against the objectives is reviewed during the year and percentage achievement concluded at the end of the year, whereupon the cycle recommences. The outputs of this process form the basis of the assessment of the individual's personal incentive compensation.

The Board has discretion to reduce, cancel or claw back any unvested performance-based remuneration in the event of serious misconduct or a material misstatement in the Group's financial statements.

Service Contracts

Remuneration arrangements for Executives are formalised in employment agreements. The following outlines the details of contracts with Executives.

	Notice Period	Payment in Lieu of Notice	Treatment of Short Term Incentives	Treatment of Long Term Incentives
Termination by Company (death, disablement, redundancy, etc)	3 months	3 months	Any STI payments are at Board discretion	There are currently no LTI incentives on issue
Termination for cause	None	None	Any STI payments are at Board discretion	There are currently no LTI incentives on issue
Resignation by employee	6 weeks	None	Any STI payments are at Board discretion	There are currently no LTI incentives on issue

The Company Secretary and the Chief Scientific Officer are engaged by the Company under a consultancy agreement. The agreement provides a fixed monthly fee for 'in scope' services with additional work charged at hourly rates. The consultancy agreement is a rolling contract and can be terminated by either party by giving one month's notice in writing to the other party.

Long Term Incentive

From time to time Board approval may be sought for the issue of options to acquire ordinary shares to staff and Executives as a means of providing a medium to long term incentive for performance and loyalty. Any such options are issued under the Employee Share Option Plan (ESOP) and/or the Performance Rights Plan.

Both the Performance Rights Plan and ESOP were established for the purpose of rewarding Executives for their contribution to the creation of shareholder value over the longer term. At the present time, the Company has not issued any options or rights under the Performance Rights Plan or ESOP to any of its Directors, Executives or employees and has no current plans to do so.

2015

No issues of options occurred in 2015.

2014

No issues of options occurred in 2014.

Other Benefits

In addition to the fixed and at-risk compensation, the Company provides salary continuance cover for its permanent employees engaged in more than 20 hours of work per week and pays the administration fees for employees participating in the Aon Master Trust superannuation fund.

Director Compensation

The Constitution and the ASX Listing Rules specify that the aggregate compensation of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount approved by shareholders is then divided between the Directors as agreed by the Board. An amount of $350,000 was approved at the Company's inaugural Annual General Meeting (AGM) held on 4 October 2005. The Board will not seek any increase for the Non-Executive Director maximum aggregate fee pool at the 2015 AGM.

The Board seeks to set Non-Executive Director fees at a level that provides the Group with the ability to attract and retain Non-Executive Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The maximum aggregate fee pool and the fee structure is reviewed annually against fees paid to Non-Executive Directors of comparable companies in similar industries.

Non-Executive Directors do not receive performance-related compensation and the structure of Non-Executive Director and senior management compensation is separate and distinct. Non-Executive Directors do not have contracts of employment, but are required to evidence their understanding and compliance with the Board policies of Avexa Limited. These Board policies do not prescribe how compensation levels for Non-Executive Directors are modified from year to year. Compensation levels are to be reviewed by the Board each year taking into account cost of living changes, changes to the scope of the roles of the Directors, and any changes required to meet the principles of the overall Board policies.

Directors' base fees of $50,000 and $100,000 for the Non-Executive Directors and the Chairman respectively have applied since 7 July 2010. The Chairman of the Audit and Risk Committee and the Remuneration and Nomination Committee have each received an additional $5,000 per annum in committee fees, inclusive of superannuation, in recognition of these additional duties. The Board has confirmed there will be no increases in Board or committee fees for FY16.

On and with effect from 1 May 2015, the Directors unanimously agreed to accept a temporary reduction in their respective base fees by 50 per cent until the Company's financial position improves sufficiently to justify reinstatement.

Non-Executive Directors may be reimbursed for expenses reasonably incurred in attending to the Group's affairs. Non-Executive Directors do not receive retirement benefits, nor do they participate in any incentive programs.

Remuneration Report at FY14 Annual General Meeting

The Remuneration Report was approved by shareholders at the 2014 AGM by a majority of 86.1 per cent.

Directors' and Executive Officers' Compensation Tables

Details of the nature and amount of each major element of the compensation of each Director of the Company and each of the three named Officers of the Company receiving the highest compensation for the period that the Director or Officer held that position during the current and prior financial years are disclosed in accordance with Accounting Standard AASB 124 *Related Party Disclosures* and with the *Corporations Act 2001* in the following tables.

No options held by persons in the following compensation tables were exercised during the 2015 and 2014 financial years.

Details of the Company's policy in relation to the proportion of compensation that is performance-related are provided earlier in this report. For the individuals named in the Directors' and Executive Officers' compensation tables, details of their service contracts are provided under the heading of 'Service contracts' earlier in this report. Figures in brackets represent the value of bonuses/incentives and options respectively as a percentage of total compensation.

In the following tables, the fair value of the options granted to Executive Officers has been calculated based on the value at the date of grant using a valuation model that takes into account the performance hurdles and vesting period related to those options. The value as disclosed is the portion of the fair value of the options allocated to this reporting period. Refer to the next sections of this report for full details of the option valuations.

Performance Incentive Compensation Tables

2015

	Short Term						
	Base Compensation (Salary and Fees) $	Consulting Fees $	Bonuses/ Incentives $	Post Employment: Superannuation Contributions $	Share-based Payments: Shares and Options Issued $	Termination Benefits $	Total Compensation $
Directors							
Non-Executive							
Mr I Kirkwood(i)	95,491	-	-	759	-	-	96,250
Mr B Hewett(ii)	50,417	-	-	-	-	-	50,417
Mr A Tan(iii)	45,833	-	-	-	-	-	45,833
Total compensation	**191,741**	**-**	**-**	**759**	**-**	**-**	**192,500**
Executives							
Key Management Personnel							
Dr J Coates(iv)	205,108	-	-	16,338	-	-	221,446
Ms M Klapakis(v)	140,875	-	12,500 (7.5%)	13,383	-	-	166,758
Dr S Cox(vi)	161,675	-	-	13,423	-	-	175,098
Total compensation	**507,658**	**-**	**12,500**	**43,144**	**-**	**-**	**563,302**

(i) Appointed on 9 August 2010. Appointed Chairman on 18 April 2011.
(ii) Appointed on 6 July 2010.
(iii) Appointed on 1 December 2010.
(iv) Resigned as Interim CEO on 31 March 2015, but continues as CSO.
(v) Appointed on 1 December 2010.
(vi) Appointed on 7 February 2013.

2014

	Short Term						
	Base Compensation (Salary and Fees) $	Consulting Fees $	Bonuses/ Incentives $	Post Employment: Superannuation Contributions $	Share-based Payments: Shares and Options Issued $	Termination Benefits $	Total Compensation $
Directors							
Non-Executive							
Mr I Kirkwood(i)	105,000	16,500	-	-	-	-	121,500
Mr B Hewett(ii)	55,000	-	-	-	-	-	55,000
Mr A Tan(iii)	50,000	12,000	-	-	-	-	62,000
Total compensation	**210,000**	**28,500**	**-**	**-**	**-**	**-**	**238,500**
Executives							
Key Management Personnel							
Dr J Coates(iv)	202,553	-	-	18,736	-	-	221,289
Ms M Klapakis(v)	139,543	-	12,500 (7.6%)	12,908	-	-	164,951
Dr S Cox(vi)	166,277	-	-	15,381	-	-	181,658
Total compensation	**508,373**	**-**	**12,500**	**47,025**	**-**	**-**	**567,898**

(i) Appointed on 9 August 2010. Appointed Chairman on 18 April 2011.
(ii) Appointed on 6 July 2010.
(iii) Appointed on 1 December 2010.
(iv) Resigned as Interim CEO on 31 March 2015, but continues as CSO.
(v) Appointed on 1 December 2010.
(vi) Appointed on 7 February 2013.

Grants, Modifications and Exercise of Options and Rights Over Equity Instruments Granted as Compensation

There were no options granted as compensation during the financial year. There were no options exercised during the financial year by any of these persons nor were there any alterations or modifications to existing terms and conditions.

2015

No options were granted during the 2015 financial year.

2014

No options were granted during the 2014 financial year.

Fair Value of Options

There were nil options issued during the 2015 financial year.

There were nil options issued during the 2014 financial year.

Shares Issued on Exercise of Options

During the financial year the Company issued nil (2014: nil) ordinary shares upon the exercise of options for total proceeds of $nil (2014: $nil). Since the end of the financial year up to the date of this report the Company has issued nil (2014: nil) shares upon exercise of options for total proceeds of $nil (2014: $nil).

Key Management Personnel (KMP)

The numbers of options issued, vested and exercisable and forfeited or lapsed during the financial year and prior financial year for KMP are shown in the following tables.

2015

No options were held or issued in the 2015 financial year.

2014

	Number of Options Held at 1 July 2013	Number of options Issued During Year	Number of Options Lapsed During Year	Number of Options Held at 30 June 2014	Number of Options Vested at 1 July 2013	Number of Options During the Year	Number of Vested Options Lapsed During Year	Number of Options Vested at 30 June 2014
Directors								
Mr I Kirkwood	2,000,000	-	(2,000,000)	-	2,000,000	-	(2,000,000)	-
Mr B Hewett	1,000,000	-	(1,000,000)	-	1,000,000	-	(1,000,000)	-
Mr A Tan	1,000,000	-	(1,000,000)	-	1,000,000	-	(1,000,000)	-
Executives								
Dr J Coates	150,000	-	(150,000)	-	150,000	-	(150,000)	-
Ms M Klapakis	15,000	-	(15,000)		15,000	-	(15,000)	-
Dr S Cox	-	-	-	-	-	-	-	
Total Executives	**4,165,000**	**-**	**(4,165,000)**	**-**	**4,165,000**	**-**	**(4,165,000)**	**-**

Equity Holdings and Transactions

The movements during the reporting period and prior reporting period in the number of ordinary shares in Avexa Limited held, directly or indirectly or beneficially, by each specified Director and specified Executive, including their personally related entities are shown in the following tables.
For persons who commenced or ceased as a Director during a period, figures reported are for the period of appointment only.

2015 Directors

	Holding of Ordinary Shares at 1 July 2014 (or Date of Appointment)	Shares Sold on Market During the Financial Year	Shares Acquired on Market During the Financial Year	Holding of Ordinary Shares at 30 June 2015 (or Date of Resignation)
Directors	**Number**	**Number**	**Number**	**Number**
Mr I Kirkwood	11,842,311	-	2,732,503	14,574,814
Mr B Hewett	3,153,847	-	346,501	3,500,348
Mr A Tan	769,230	-	346,501	1,115,731
Total Directors	**15,765,388**	**-**	**3,425,505**	**19,190,893**

Equity Holdings and Transactions continued

2014 Directors

	Holding of Ordinary Shares at 1 July 2013 (or Date of Appointment)	Shares Sold on Market During the Financial Year	Shares Acquired on Market During the Financial Year	Holding of Ordinary Shares at 30 June 2014 (or Date of Resignation)
Directors	**Number**	**Number**	**Number**	**Number**
Mr I Kirkwood	9,150,000	-	2,692,311	11,842,311
Mr B Hewett	2,000,000	-	1,153,847	3,153,847
Mr A Tan	-	-	769,230	769,230
Total Directors	**11,150,000**	**-**	**4,615,388**	**15,765,388**

2015 Executives

	Holding of Ordinary Shares at 1 July 2014	Shares Sold on Market During the Financial Year	Shares Acquired on Market During the Financial Year	Holding of Ordinary Shares at 30 June 2015
Executives	**Number**	**Number**	**Number**	**Number**
Dr J Coates	1,532,519	-	-	1,532,519
Dr S Cox	1,129,951	-	-	1,129,951
Ms M Klapakis	139,029	-	-	139,029
Total Executives	**2,801,499**	**-**	**-**	**2,801,499**

2014 Executives

	Holding of Ordinary Shares at 1 July 2013	Shares Sold on Market During the Financial Year	Shares Acquired on Market During the Financial Year	Holding of Ordinary Shares at 30 June 2014
Executives	**Number**	**Number**	**Number**	**Number**
Dr J Coates	1,532,519	-	-	1,532,519
Dr S Cox	1,129,951	-	-	1,129,951
Ms M Klapakis	139,029	-	-	139,029
Total Executives	**2,801,499**	**-**	**-**	**2,801,499**

Alteration to Option Terms

Other than in accordance with ASX Listing Rule adjustments to option exercise prices following pro-rata issues of securities, there has been no alteration to option terms and conditions during or since the end of the financial year up to the date of this report.

Consequences of Performance on Shareholder Wealth

In considering the Group's performance and how best to generate shareholder value, the Board has regard to a broad range of factors, some of which are financial and others of which relate to the scientific progress on the Company's projects when applicable, relationship building with research institutions, projects introduced, staff development, etc. The Board has some, but not absolute, regard to the Group's result and cash consumption for the year. It does not utilise earnings per share as a performance measure and does not contemplate consideration of any dividends in the short to medium term given that all efforts are currently being devoted to obtaining value for the Group's assets and, where possible, building the business and partnerships to establish self-sustaining revenue streams. The Company is of the view that any adverse movement in the Company's share price should not be taken into account in assessing the performance of employees.

Dated at Melbourne this 30th day of September, 2015.

This report is made with a resolution of the Directors.

Iain Kirkwood
Chairman

Lead Auditor's Independence Declaration

Under Section 307C of the *Corporations Act 2001*

KPMG

To the Directors of Avexa Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015, there have been:

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

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

KPMG

KPMG

BW Szentirmay
Partner

Melbourne
30 September 2015

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2015

	Note	Consolidated 2015 $'000	2014 $'000
Revenue from operating activities	4	**289**	295
Other revenue	4	**30**	-
Contract research and development expenses	5(a)	**(398)**	(493)
Employee expenses		**(893)**	(1,097)
Share-based payment expense	18	**-**	37
Depreciation expense	5(b)	**(8)**	(15)
Consulting expenses		**(84)**	(104)
Occupancy expenses		**(86)**	(66)
Professional services expenses		**(181)**	(374)
Travel and accommodation expenses		**(35)**	(28)
Asset management expenses		**(22)**	(20)
Insurance expenses		**(81)**	(95)
Corporate administration expenses		**(104)**	(98)
Intellectual property expenses		**(317)**	(392)
Other expenses	5(c)	**(86)**	(140)
Share of net loss of equity accounted associate	12	**(1,312)**	(104)
Impairment of investment in equity accounted associate	12	**(3,636)**	-
Impairment of loan to equity accounted associate	10	**(1,364)**	-
Results from operating activities		**(8,288)**	(2,694)
Foreign exchange gains/(losses)*	31	**1,126**	128
Net finance income/(expense)		**552**	(331)
Income tax expense	7	**-**	-
Loss from operations for the period		**(6,610)**	(2,897)
Loss attributable to owners of the Company	18	**(6,610)**	(2,897)
Other comprehensive income			
Items that may be reclassified subsequently to the income statement			
Foreign currency translation reserve		**763**	(225)
Total comprehensive (loss)/income for the period attributed to owners of the Company		**(5,847)**	(3,122)

* During the year the Group reclassified its FX gain/(losses) from other expenditure to FX gain/(losses). The classification better reflects the nature of the expenditure. Prior year amounts have been reclassified for consistency.

	Note	2015	2014
Earnings per share			
Basic earnings per share (cents per share)	21	**(0.69)**	(0.33)
Diluted earnings per share (cents per share)	21	**(0.69)**	(0.33)

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 18 to 35.

Statement of Changes in Equity

For the Year Ended 30 June 2015

	Note	Consolidated Issued Capital $'000	Accumulated Losses $'000	Fair Value Reserve $'000	Foreign Currency Translation Reserve $'000	Total Equity $'000
Opening balance as at 1 July 2014		183,483	(171,787)	-	(225)	11,471
Comprehensive (loss)/income for the period						
Loss	18	-	(6,610)	-	-	(6,610)
Total other comprehensive income		-	-	-	763	763
Total comprehensive income for the period		**-**	**(6,610)**	**-**	**763**	**(5,847)**
Transactions with owners, recorded directly in equity						
Transfer from fair value reserve		-	-	-	-	-
Issue of ordinary shares pursuant to Share Purchase Plan		796	-	-	-	796
Transaction costs relating to issue of ordinary shares		(46)	-	-	-	(46)
Equity settled share-based payment transactions		-	-	-	-	-
Total transactions with owners		**750**	**-**	**-**	**-**	**750**
Closing balance as at 30 June 2015	17,18	**184,233**	**(178,397)**	**-**	**538**	**6,374**

	Note	Consolidated Issued Capital $'000	Accumulated Losses $'000	Fair Value Reserve $'000	Foreign Currency Translation Reserve $'000	Total Equity $'000
Opening balance as at 1 July 2013		182,523	(168,853)	(131)	-	13,539
Comprehensive (loss)/income for the period						
Loss	18	-	(2,897)	-	-	(2,897)
Total other comprehensive income		-	-	-	(225)	(225)
Total comprehensive income for the period		**-**	**(2,897)**	**-**	**(225)**	**(3,122)**
Transactions with owners, recorded directly in equity						
Transfer from fair value reserve		-	-	131	-	131
Issue of ordinary shares pursuant to Share Purchase Plan		1,014	-	-	-	1,014
Transaction costs relating to issue of ordinary shares		(54)	-	-	-	(54)
Equity settled share-based payment transactions		-	(37)	-	-	(37)
Total transactions with owners		**960**	**(37)**	**131**	**-**	**1,054**
Closing balance as at 30 June 2014	17,18	**183,483**	**(171,787)**	**-**	**(225)**	**11,471**

Amounts disclosed in the statement of changes in equity are stated net of tax.

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 18 to 35.

Statement of Financial Position

As at 30 June 2015

	Note	Consolidated 2015 $'000	2014 $'000
Current assets			
Cash and cash equivalents	9	**1,025**	3,362
Receivables	10	**408**	1,828
Investments	11	**110**	154
Other assets	13	**41**	46
Total current assets		**1,584**	5,390
Non-current assets			
Equity accounted Investments	12	**1**	4,158
Receivables	10	**5,049**	2,352
Intangible assets	14	**-**	-
Plant and equipment	15	**17**	23
Total non-current assets		**5,067**	6,533
Total assets		**6,651**	11,923
Current liabilities			
Trade and other payables	16	**199**	254
Employee benefit provisions	25	**78**	185
Total current liabilities		**277**	439
Non-current liabilities			
Employee benefit provisions	25	**-**	13
Total non-current liabilities		**-**	13
Total liabilities		**277**	452
Net assets		**6,374**	11,471
Equity			
Share capital	17	**184,233**	183,483
Fair value reserve		**-**	-
Foreign currency translation reserve		**538**	(225)
Accumulated losses	18	**(178,397)**	(171,787)
Total equity		**6,374**	11,471

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 18 to 35.

Statement of Cash Flows
For the Year Ended 30 June 2015

	Note	Consolidated 2015 $'000	2014 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		**30**	15
Cash payments in the course of operations		**(2,420)**	(2,667)
Research and development incentive		**295**	617
Interest received		**60**	347
Net cash used in operating activities	20	**(2,035)**	(1,688)
Cash flows from investing activities			
Payments for property, plant and equipment		**(2)**	(20)
Payments for equity investments		**-**	232
Proceeds from disposal of listed equity instruments		**(4,470)**	-
Working capital loan to Coal Holdings USA, LLC		**(1,277)**	(3,159)
Proceeds from disposal of assets		**-**	2
Net cash used in investing activities		**(1,047)**	(7,647)
Cash flows from financing activities			
Proceeds from issue of shares pursuant to Share Purchase Plan		**796**	1,014
Share issue costs		**(46)**	(54)
Net cash used in financing activities		**750**	960
Net (decrease)/increase in cash held		**(2,332)**	(8,375)
Cash at the beginning of the financial year		**3,362**	11,869
Effect of exchange rate fluctuations on cash held		**(5)**	(132)
Cash and cash equivalents at the end of the financial year	9	**1,025**	3,362

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 18 to 35.

Notes to the Financial Statements

For the Year Ended 30 June 2015

1. Reporting Entity

Avexa Limited (the 'Company') is a company domiciled in Australia. The consolidated financial statements of the Company as at 30 June 2015 comprise the Company and its subsidiary entities (together referred to as the 'Group' and individually as 'Group entities'). There have been two principal activities for the Group during the course of the financial year. Firstly, the pursuit of the Company's drug development programs with the establishment and support of an Early Access Program (EAP) for apricitabine (ATC). Secondly, the active monitoring of the performance of the Company's investments, most particularly the North Pratt coal mine in Alabama, USA, which commenced production during the year. The North Pratt coal mine investment is expected to be the primary source of funds for the remaining clinical development of ATC and its other preclinical research projects. The Company is a public company listed on the ASX, incorporated and domiciled in Australia, and with a registered office and principal place of business located at Suite 8, Level 1, 61–63 Camberwell Road, Hawthorn East, Victoria 3123. Except as disclosed elsewhere in this report, there have been no significant changes in the nature of these activities during the year.

2. Basis of Preparation

(a) Statement of Compliance

The consolidated financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (AASs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board.

The consolidated financial statements were approved by the Board of Directors on 30 September 2015. The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded off to the nearest thousand dollars, unless otherwise stated.

(b) Basis of Measurement and Presentation Currency

The consolidated financial statements are presented in Australian dollars and have been prepared on the historical cost basis unless otherwise stated.

Going Concern Basis of Accounting

In preparing the financial statements, the Directors have made an assessment of the ability of the consolidated entity to continue as a going concern, which contemplates the continuity of normal operations, realisation of assets and settlement of liabilities in the ordinary course of business and at the amounts stated in the financial report. The Company's strategy in this regard is to maintain sufficient working capital to continue with its operations in the 2016 financial year and beyond, until such time as self-sustaining revenue streams are realised.

Following an investment in and loan to Coal Holdings USA, LLC (CHUSA) in February 2014 and subsequent provision of additional loan funding, the Company's cash reserves have been significantly reduced. The ability of the consolidated entity to meet operating cash requirements for the next 12 months and beyond is dependent on cash flows being generated from the successful execution of the business plan of CHUSA, which is dependent on a number of factors that may or may not occur as expected, including assumptions relating to sales volumes, coal prices, working capital requirements, debt repayment obligations and regulatory compliance. In addition, in order to meet the forecast operating cash requirements, the Company may need to raise funds from other sources, which may include the completion of corporate transactions, raising capital, securing debt facilities or monetising the Group's existing portfolio of intangible assets. In this respect, since the end of the financial year the Company has actively explored a number of business development opportunities capable of extending the Company's operations and restoring shareholder value pending a recovery in commodities. This has led to the signing of a non-binding agreement on 14 September 2015 to pursue a corporate transaction with a third party, which would provide Avexa with rights to certain technology and access to additional funding. The transaction is subject to the finalisation of a formal Implementation Deed and certain conditions precedent including shareholder approval, and therefore there is no certainty that it will be undertaken. In the event that it does not eventuate, the Company will continue to pursue other options.

As a result of these factors, there exists a material uncertainty regarding the ability of the consolidated entity to continue as a going concern. However, after making enquiries and considering the uncertainties described, the Directors have a reasonable expectation that the consolidated entity will have adequate resources to continue to meet its obligations as and when they fall due. For these reasons, they continue to adopt the going concern basis in preparing the consolidated financial statements.

(c) Use of Estimates and Judgements

The preparation of consolidated financial statements conforms with Australian Accounting Standards, which requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There have been significant judgements made during the current financial year in the application of Australian Accounting Standards that have had or are expected to have a significant effect on the consolidated financial statements as detailed below and also in Note 2(b). Based on the information available at the time of signing the financial report, the Company is still of the view that a full provision for impairment is still required, as the recoverable amount of the intangible asset, following decisions taken by the Board leading up to 30 June 2010, cannot reasonably be estimated. Should future decisions and actions in regard to ATC result in the Directors of the Company having the opinion that some value has been restored to this intangible asset, the existing provision for impairment may be reversed to the extent that the Directors believe to be prudent and that value will be reflected in the Company's balance sheet. Refer to Note 14 for further detail.

The Group reviews the carrying amounts of its equity accounted investments and loans to associates to determine whether there is any indication that those assets are impaired (refer Note 12). In making the assessment for impairment, the recoverable amount is measured as either the higher of their fair value less costs to sell or value in use. The determination of recoverable amount requires the estimation and judgement including, amongst other things, the current status of the market in which the market operates, the ability to raise additional finance should it be required, and the long term projected cash flows from the project. Following a review of the forecast future cash flows to be generated by the North Pratt coal mine having regard to the current state of the market in which the mine operates, the Directors have impaired the investment in/loan to CHUSA (refer Note 12).

3. Significant Accounting Policies

The accounting policies as set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

The new and revised standards and interpretations issued by the AASB that are relevant to the Group that have been adopted for the current year end are:

AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Liabilities*

AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*

AASB 1031 *Materiality*

AASB 2013-9 *Amendments to Australia Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*

The Group has elected not to early adopt any standards and the new and revised standards have not had a material impact on the disclosures or on the amounts recognised in the consolidated financial statements (refer to Note 3(t)).

(a) Revenue Recognition

Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction as at reporting date.

Government Grants

Conditional government grants are recognised initially as deferred income when there is a reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

An unconditional grant is recognised in profit or loss as other income when the grant becomes receivable.

(b) Financial Instruments

Non-derivative financial instruments comprise receivables, cash and cash equivalents, trade and other payables and financial assets at fair value through profit and loss and available-for-sale assets. Non-derivative financial instruments are recognised initially at fair value and, subsequent to initial recognition, are measured as described below.

A financial instrument is recognised if the Group becomes a contractual party to the contractual provisions of the instrument. Financial instruments are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or are transferred to another party without retaining control or substantially all the risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at a trade date, i.e. the date the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

The Group has the following non-derivative financial assets: available-for-sale assets.

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories of financial assets. Subsequent to initial recognition they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit and loss. Available-for-sale financial assets comprise equity securities.

Cash and cash equivalents comprise cash balances and call or term deposits. Accounting for finance income and costs are discussed in Note 3(c).

(c) Finance Income and Costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, gains on hedging instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income.

3. Significant Accounting Policies continued

(d) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST excluded. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Foreign Currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian dollars at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are retranslated to Australian dollars using the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Australian dollars at the exchange rate at the date that the fair value was determined.

The assets and liabilities of foreign Group entities are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in other comprehensive income.

(f) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(g) Property, Plant and Equipment

(i) Owned Assets

The Group holds no property. Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The costs of day-to-day servicing of plant and equipment are recognised in profit or loss as incurred. The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the asset if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably.

(ii) Leased Assets

Leases on terms by which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. The Group has no finance leases. Leases other than finance leases are classified as operating leases.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

- Plant and equipment 2.5 – 10 years.

Depreciation methods, useful lives and residual values are reassessed annually at the reporting date.

(h) Intangible Assets

Intangible assets acquired by the Group that satisfy the asset recognition criteria set out in AASB 138 *Intangible Assets*, are measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets that are considered to have a finite life are amortised over their estimated useful life. In respect of acquired licences/marketing rights, amortisation commences upon the asset becoming available for use, based on commercialisation of the licensed or marketed product.

(i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and short term deposits with an original maturity of three months or less.

(j) Impairment

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The carrying amounts of the Group's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

An impairment loss in respect of an asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the effective original interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Aside from impairment of goodwill, an impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

The carrying amounts for non-financial assets are reviewed each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated and an impairment loss recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is determined as the greater of its value in use and its fair value less costs to sell. Value in use is assessed using discounted cash flow analysis. When determining fair value less costs to sell, Avexa takes into account information from recent market transactions and other available market-based information.

(k) Employee Benefits

(i) Long Term Service Benefits

The Company's net obligation in respect of long term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods, plus related on-costs. That benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed using the projected unit credit method.

(ii) Share-based Payment Transactions

The Avexa ESOP allows eligible employees to acquire shares in the Company. The grant date for fair value of options to employees is recognised as an employee expense with a corresponding increase in equity over the period in which the employees become unconditionally entitled to the options. The amount recognised is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met. The fair value of the options granted is calculated using a binomial model taking into account the terms and conditions upon which the options were granted.

(iii) Wages, Salaries, Annual Leave and At-risk Performance Incentives

Liabilities for employee benefits for wages, salaries, annual leave and performance incentives represent present obligations resulting from employees' services provided up to reporting date and are calculated at undiscounted amounts based on compensation wage and salary rates that the Company expects to pay as at reporting date, including related on-costs such as workers' compensation insurance and payroll tax.

(iv) Superannuation

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due. The Company has no defined benefit pension fund obligations.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(m) Lease Payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

(n) Research and Development

Research expenditure undertaken with the prospect of gaining new scientific or technical knowledge or understanding is expensed in profit or loss as incurred. Development expenditure is capitalised only if development costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and completion of development is intended.

3. Significant Accounting Policies continued

(o) Segment Reporting

A segment is a distinguishable component of a company engaged in providing products or services within a particular business sector or geographical environment. The Group determines and presents operating segments based on information that internally is provided to and used by the Executive Chairman, who is the Group's chief operating decision-maker. The Group operates within two business segments comprising anti-infective research and development and investments. Although the Group's clinical trials are conducted in a number of countries, there is no meaningful way of presenting geographically segmented results, particularly given these operations do not currently generate revenue. Discrete financial information about each of these operating businesses is reported to the Board on at least a monthly basis.

(p) Earnings Per Share

The Group presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding for the period. Diluted EPS is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, including share options granted to employees and to third parties.

(q) Share Capital

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any associated tax benefit.

(r) Fair Value Reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

(s) Equity Accounted Investments

Associates are those entities where the Group has significant influence, but not control or joint control, over the financial and operating policies. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes any goodwill identified on acquisition, net of any accumulated impairment losses.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of profit or loss and other comprehensive income, and its share of post-acquisition movements in reserves is recognised in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable reduce the carrying amount of the investment.

(t) New Standards and Interpretations Not Yet Adopted

A number of new standards, amendments to standards and interpretations effective for annual periods beginning on or after 1 July 2015 have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

4. Revenue

	Consolidated	
	2015 $'000	**2014 $'000**
Research and development incentive	**289**	295
Total revenue from operating activities	**289**	295
Other income	**30**	-
Total other revenue	**30**	-

5. Profit Before Related Income Tax Expense

	Consolidated	
	2015 $'000	**2014 $'000**
(a) Items Included in Profit Before Related Income Tax Expense		
Contract research and development expenditure	**398**	493
Direct research and development expenditure	**680**	880
Research and development	**1,078**	1,373
(b) Profit Before Related Income Tax Expense Has Been Arrived at After Charging the Following Items		
Depreciation of plant and equipment	**8**	15
Amounts recognised in provisions for employee entitlements (Note 25)	**39**	99
Superannuation payments to defined contribution plans	**106**	79
(c) Other Expenses		
Advertising and promotion	**46**	103
Workplace administration	**22**	28
Other expenses	**18**	9
Total other expenses	**86**	140

6. Auditors' Remuneration

	2015 $	**2014 $**
Audit services:		
Auditors of the Company – KPMG	**80,000**	88,500
Total audit services	**80,000**	88,500
Other services:		
Tax compliance and advisory services – KPMG	**34,690**	17,210
Other assurance services – overseas KPMG firm[1]	**-**	57,037
Total other services	**34,690**	74,247

1. Other assurance services include fixed asset verification procedures.

7. Income Tax

	2015 $'000	**2014 $'000**
Current tax expense (benefit) – current year	**-**	-
Deferred tax expense – continuing operations	**-**	-
Total income tax expense (benefit) in income statement attributable to continuing operations	**-**	-
Numerical reconciliation between tax expense and pre-tax net loss:		
Loss before tax – continuing operations	**(6,610)**	(2,897)
Income tax using domestic tax rate of 30% (2014: 30%)	**(1,983)**	(869)
Change in unrecognised temporary differences	**(27)**	55
Increase in income tax expense due to:		
Non-deductible expenses	**1,207**	157
Share of net loss of equity accounted investment	**394**	31
Deferred tax assets not brought to account	**309**	575
Research and development allowance	**106**	108
Sundry	**-**	-
Decrease in income tax expense due to:		
Items deductible for tax purposes	**(6)**	(57)
Research and development allowance	**-**	-
Income tax expense on pre-tax net loss	**-**	-
Unused tax losses for which no deferred tax asset has been recognised	**146,077**	145,181
Potential tax benefit at 30%	**43,823**	43,554

7. Income Tax continued

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available from which the Company can utilise the benefits. There was no deferred tax recognised directly in equity.

8. Dividend Franking Account

The Company has no franking credits at reporting date.

9. Cash and Cash Equivalents

	Consolidated	
	2015 $'000	**2014 $'000**
Cash at bank and on hand	**388**	694
Bank short term deposits	**637**	2,668
Total cash assets	**1,025**	3,362

Financing Arrangements

A security bond of $30,822 was provided on a Bank Guarantee on the Company's new premises. Interest on cash at bank is credited at prevailing market rates. The weighted average interest rate at reporting date was 1.5 per cent (2014: 2.8 per cent).

10. Receivables

	2015 $'000	**2014 $'000**
Current		
Trade and other receivables	**119**	133
Research and development incentives and other tax receivables	**289**	295
Working capital loan – Coal Holdings USA, LLC[1]	**-**	1,400
Total current receivables	**408**	1,828
Non-Current		
Working Capital loan – Coal Holdings USA, LLC[1]	**6,413**	2,352
Less impairment provision	**(1,364)**	-
Total non-current receivables	**5,049**	2,352

The provision for impairment against the working capital loan has been estimated based on an assessment of future cash flows to be generated by the Company's investment in the North Pratt coal mine. Refer to Note 12 for further comment.

1. The working capital loan to Coal Holdings USA, LLC (CHUSA) is secured by a fixed and floating charge over the assets of CHUSA and its subsidiary company, North Pratt Coal Holdings LLC.

11. Investments

	2015 $'000	**2014 $'000**
Current		
Financial assets classified as available-for-sale	**110**	154
	110	154

Investments in equity instruments are categorised as Level 1 within the fair value hierarchy and are valued using market observable rates, being quoted ASX stock prices.

12. Investments Accounted for Using the Equity Method

Investments in Associates and Joint Ventures

The Group accounts for investments in associates and joint venture entities using the equity method and has the following investment:

				Percentage of Ownership Interest Held at End of the Financial Year		Contribution to Net Loss	
Name of entity	**Principal Activities**	**Country**	**Reporting Date**	**2015 %**	**2014 %**	**2015 $'000**	**2014 $'000**
Coal Holding USA LLC	Coal Mining Operations	USA	31 December	**30.0**	30.0	**(1,312)**	(104)

	2015 $'000	2014 $'000
Results of associates		
Shares of associate's profit before income tax	**(1,312)**	(104)
Share of associate's income tax expense	**-**	-
Share of net profit of associate accounted for using the equity method	**(1,312)**	(104)
Movements in carrying amounts of investments		
Balance at 1 July	**4,158**	-
Investments in associates acquired during the year	**-**	4,262
Share of net profit/(loss) of associate accounted for using the equity method	**(1,312)**	(104)
Movement in foreign currency translation	**791**	-
Less distributions from associate	**-**	-
Impairment of investment	**(3,636)**	-
Balance at 30 June	**1**	4,158

	Consolidated	
	2015 $'000	**2014 $'000**
Summary of profits and loss of the associate on a 100% basis		
Revenue	**1,593**	-
Other comprehensive income	**-**	-
Total comprehensive income	**(4,375)**	(347)
Net profit/(loss) after tax	**(4,375)**	(347)
Summary of balance sheet of the associate on a 100% basis		
The assets and liabilities of the associate is:		
Current assets	**905**	3,349
Non-current assets	**31,660**	16,371
Total assets	**32,565**	19,720
Current liabilities	**8,566**	1,133
Non-current liabilities	**12,819**	5,492
Total liabilities	**21,385**	6,625
Net assets	**11,180**	13,095

Impairment Testing

The cash flows from the successful execution of the business plans of CHUSA are dependent on a number of factors that may or may not occur as expected, including assumptions relating to sales volumes, coal prices, working capital requirements, debt repayment obligations and regulatory compliance.

Following a review of the forecast future cash flows to be generated by the North Pratt coal mine having regard to the current state of the market in which the mine operates, the Directors have impaired the investment in/loan to CHUSA in the aggregate amount of $5.0 million. In estimating the impairment charge, a value in use discounted cash flow approach was taken, the key assumptions being:

- a post-tax discount rate of 15 per cent;
- coal prices continuing at levels that approximate currently contracted pricing; and
- production volumes consistent with reserve estimates previously provided by the Company's independent adviser on the investments.

13. Other Assets

	Consolidated	
	2015 $'000	**2014 $'000**
Current		
Prepayments	**41**	46

14. Intangible Assets

	2015 $'000	**2014 $'000**
North American marketing licence for ATC – at cost	**25,762**	25,762
Less: provision for impairment	**(25,762)**	(25,762)
Total marketing licence and intangibles	**-**	-
Intellectual property (at cost)	**12,000**	12,000
Less: accumulated amortisation	**(12,000)**	(12,000)
Total intangible assets	**-**	-

Following a general meeting of shareholders in July 2010, the new Directors of the Company initiated an independent review of the Company's assets including ATC, to which the internally generated, indefinite life intangible asset relates. Should future decisions and actions in regard to ATC result in the Directors of the Company having the opinion that some value has been restored to this intangible asset, the existing provision for impairment may be reversed to the extent that the Directors believe to be prudent and that value will be reflected in the Company's balance sheet.

For the financial year 2015, the Directors still consider the intangible assets nil valuation is appropriate.

15. Plant and Equipment

	2015 $'000	**2014 $'000**
Plant and equipment (at cost)	**438**	436
Less: accumulated depreciation	**(421)**	(413)
Total plant and equipment	**17**	23

Reconciliation – Plant and Equipment

Carrying amount at the beginning of the financial year	**23**	20
Additions	**2**	20
Disposals	**-**	(2)
Depreciation	**(8)**	(15)
Carrying amount at the end of the financial year	**17**	23

16. Trade and Other Payables

	2015 $'000	**2014 $'000**
Trade creditors and accruals	**199**	254

The Group's exposure to currency and liquidity risk related to trade creditors and accruals is disclosed in Note 22.

17. Issued Capital

Terms and Conditions of Ordinary Shares

Holders of ordinary shares are entitled to one vote per share at shareholders' meetings and to receive any dividends as may be declared. In the event of winding up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation. Ordinary shares have no par value.

Options to Acquire Ordinary Shares

During the financial year nil (2014: nil) options were issued to employees under the Avexa ESOP; nil (2014: nil) options were issued to Directors. Nil (2014: 4,190,000) options held by employees or Directors lapsed or were forfeited and nil (2014: nil) were exercised. Movements in options for the current and prior year are provided in the following tables.

2015 Options

No options were held or issued for the year ended 2015.

2014 Options

	Number of Options at Beginning of Year	Options Granted	Options Lapsed/Forfeited	Options Exercised	Number of Options at End of Year
Total employee options (Note 25)	190,000	-	(190,000)	-	-
Total Directors options	4,000,000	-	(4,000,000)	-	-
Total options	**4,190,000**	**-**	**(4,190,000)**	**-**	**-**

Shares

	2015		2014	
	$'000	**Number**	**$'000**	**Number**
980,778,925 (2014: 925,650,566) ordinary shares, fully paid	**184,233**	**980,778,925**	183,483	925,650,566
Movements in issued capital during the year were as follows:				
Balance at the beginning of the financial year	**183,483**	**925,650,566**	182,523	847,688,779
Issue of shares pursuant to Share Purchase Plan	**796**	**55,128,359**	1,014	77,961,787
Issue of shares pursuant to placement	**-**	**-**	-	-
Transaction costs relating to rights issue and placements	**(46)**	**-**	(54)	-
Issued capital at the end of the financial year	**184,233**	**980,778,925**	183,483	925,650,566

18. Accumulated Losses

	Consolidated	
	2015 $'000	**2014 $'000**
Accumulated losses at the beginning of the financial year	**(171,787)**	(168,853)
Share-based payment expense	**-**	(37)
Net loss attributable to owners of the Company	**(6,610)**	(2,897)
Accumulated losses at the end of the financial year	**(178,397)**	(171,787)

19. Commitments

(a) Non-cancellable Operating Lease Expense Commitments

Future operating lease commitments not provided for in the financial statements and payable:

	2015 $'000	2014 $'000
– Within one year	**100**	98
– One year or later and no later than five years	**34**	135
– Greater than five years	**-**	-
	134	233

The principal operating lease commitment other than immaterial office equipment leases was the Company's new premises lease agreement, which for the 2015 financial year represents a commitment of $83,312.

(b) Cancellable Research and Development Commitments

	2015 $'000	2014 $'000
– Within one year	**63**	334
– One year or later and no later than five years	**-**	-
	63	334

Amounts reflected in the above table represent contracted commitments to undertake various scientific studies as part of the development of the Company's project portfolio. Each commitment is cancellable without penalty subject to notice periods of up to three months.

20. Notes to the Statement of Cash Flows

Cash as at the end of the financial year in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	Consolidated	
	2015 $'000	**2014 $'000**
Cash at bank and on hand	**388**	694
Bank short term deposits	**637**	2,668
Cash assets (Note 9)	**1,025**	3,362
Loss after income tax	**(6,610)**	(2,897)
Add non-cash and non-operating items:		
– Depreciation and loss on disposal of plant and equipment	**8**	15
– Share-based payment expense	**-**	(37)
– Foreign exchange (gains)/losses	**(1,127)**	82
– Investment gain on revaluation	**(188)**	-
– Accrued interest	**(281)**	-
– Impairment of equity accounted investment and loan to associate	**5,000**	-
– Impairment charge on available-for-sale investment	**-**	637
– Share of net loss of investment in associate	**1,312**	104
Change in working capital and provisions		
– (Increase)/decrease in receivables	**20**	429
– (Increase)/decrease in other assets	**5**	1
– Increase/(decrease) in employee benefits	**(119)**	3
– Increase/(decrease) in deferred income	**-**	-
– Increase/(decrease) in payables	**(55)**	(25)
– Increase/(decrease) in other liabilities	**-**	-
Net cash used in operating activities	**(2,035)**	(1,688)

Non-cash Financing and Investing Activities

There have been no non-cash financing and investing transactions during the 2015 financial year (2014: nil) that have had a material effect on assets and liabilities of the Group.

21. Earnings Per Share

	2015 $'000	**2014 $'000**
Basic earnings per share (cents per share)	**(0.69)**	(0.33)
Diluted earnings per share (cents per share)	**(0.69)**	(0.33)

(a) Earnings Reconciliation

Net loss:		
Basic earnings	**(6,610)**	(2,897)
Diluted earnings	**(6,610)**	(2,897)

(b) Weighted Average Number of Shares

	Number	Number
Number for basic earnings per share:		
Ordinary shares	**952,233,008**	888,058,033
Number for diluted earnings per share:		
Ordinary shares	**952,233,008**	888,058,033
Effect of share options on issue	**-**	-
Weighted average number of ordinary shares (diluted)	**952,233,008**	888,058,033

22. Financial Instruments Disclosure and Financial Risk Management

The Group has exposure to market, credit and liquidity risks from the use of financial instruments. This note presents information about the Group's exposure to each of these risks, its objectives, policies and processes for measuring and managing risk. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Group has adopted a Strategic Risk Management Framework through which it manages risks and aims to develop a disciplined and constructive control environment and action plans for risks that cannot be effectively managed through the use of controls. The Audit Committee oversees how management monitors compliance with the Company's Strategic Risk Management Framework in relation to the changing risks faced by the Group.

(a) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the financial return. No more than $2.7 million of the Group's cash resources is permitted to be invested in securities or investments other than bank and term deposits without approval by the shareholders at an AGM. In respect of listed company investments, the holding is reviewed by the Audit Committee if the market price falls by more than 10 per cent below the initial acquisition cost.

(i) Foreign Currency Risk

The Company has contracts denominated in foreign currencies, predominantly in US dollars and Great Britain Pounds Sterling, and may enter into forward exchange contracts where appropriate in light of anticipated future purchases and sales, conditions in foreign markets, commitments from customers and past experience and in accordance with Board-approved limits. Note 3(e) sets out the accounting treatments for such contracts. There were no hedged amounts payable or receivable in foreign currencies at reporting date (2014: nil).

In relation to the investment in CHUSA the Company has invested US$4 million in CHUSA and loaned US$4.6 million as at 30 June 2015 prior to any impairment. These amounts are unhedged.

At reporting date the Company had the following exposures to foreign currency, converted to thousands of Australian dollars:

		2015			**2014**	
	GBP $'000	**USD $'000**	**Euros $'000**	**GBP $'000**	**USD $'000**	**Euros $'000**
Bank accounts	24	**319**	-	23	642	-
Receivables	-	**5,163**	-	-	3,706	-
Payables	-	**(36)**	(6)	-	20	-
Gross balance sheet exposure	24	**5,446**	(6)	23	4,368	-

Foreign Currency Sensitivity Analysis

A 10 per cent strengthening or weakening of the Australian dollar applied against the gross balance sheet exposure in the above table in respect of the above currencies at 30 June 2015 would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. A sensitivity of 10 per cent has been selected as this is considered reasonable taking in to account the current level of exchange rates and the volatility observed both on a historical basis and on market expectations for future movements. The analysis is performed on the same basis for 2014. There is no impact on equity.

2015	**Equity**		**Profit and Loss**	
Exposure	**Strengthening $'000**	**Weakening $'000**	**Strengthening $'000**	**Weakening $'000**
Gross balance sheet exposure	**(348)**	**425**	**(497)**	**607**

2014	**Equity**		**Profit and Loss**	
Exposure	**Strengthening $'000**	**Weakening $'000**	**Strengthening $'000**	**Weakening $'000**
Gross balance sheet exposure	(279)	342	(399)	488

The following significant exchange rates applied during the financial year:

	Average Rate		**Reporting Date Spot Rate**	
Currency	**2015**	**2014**	**2015**	**2014**
GBP	**0.53**	0.57	**0.49**	0.55
USD	**0.84**	0.92	**0.77**	0.94
Euro	**0.70**	0.68	**0.69**	0.69

22. Financial Instruments Disclosure and Financial Risk Management continued

(a) Market Risk continued

(ii) Interest Rate Risk

The effective weighted average interest rate used to discount the long service leave provision is 2.7 per cent (2014: 3.2 per cent). Interest earned on cash at bank is determined in accordance with published bank interest rates. The Company's exposure to interest rate risk is confined to cash assets, the effective weighted average interest rate for which is set out below.

	Note	Effective Interest Rate %	Floating Interest Rate %	3 Months or Less $'000	Non-interest Bearing $'000	Total $'000
Financial assets:						
Cash assets – at 30 June 2015	**9**	**1.5**	**123**	**550**	**352**	**1,025**
Cash assets – at 30 June 2014	9	2.8	316	2,381	665	3,362

An increase or decrease of 0.50 per cent in interest rates applied for 12 months to the cash balances at reporting date would have increased or decreased profit or loss by $5,092 (2014: $16,778), assuming that all other variables, including foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

	2015 Profit and Loss		2014 Profit and Loss	
	Strengthening $'000	Weakening $'000	Strengthening $'000	Weakening $'000
Cash at bank – variable interest rate:				
AUD	**5**	**(5)**	17	(17)

(b) Credit Risk

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted. For financial assets, the credit risk exposure of the Group is the carrying amount of the asset net of any provision for doubtful debts. For the Group, credit risk arises from the working capital loan to CHUSA which is secured by the assets of CHUSA, and from interest and capital on deposits with financial institutions.

(i) Investments (Including Cash)

The Group's Cash Management and Treasury Policy limits the maximum proportion of Avexa's aggregate gross cash resources that can be placed with or invested in any one counterparty, having regard to the credit risk assigned to that counterparty unless the Board determines otherwise. No more than $2.7 million of the Group's cash resources is permitted to be invested in securities or investments other than bank and term deposits without approval by the shareholders at an AGM. In respect of listed company investments, the holding is reviewed by the Audit Committee if the market price falls by more than 10 per cent below the initial acquisition cost.

(ii) Receivables

The Group undertakes due diligence prior to entering into any collaboration, co-development or licensing agreement with a counterparty that exposes the Group to credit risk. The Group's exposure to credit risk from receivables is shown below. No amounts are past due and/or impaired at balance date.

	Note	3 Months or Less $'000	Greater than 3 Months $'000	Greater than 1 Year $'000	Total $'000
Financial assets:					
Receivables – at 30 June 2015	**10**	**408**	**-**	**5,049**	**5,457**
Receivables – at 30 June 2014	10	428	1,400	2,352	4,180

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity is to ensure that it will maintain sufficient liquidity to meet its liabilities when due.

The liquidity risk profile is impacted by the Company's decision to make a strategic investment in CHUSA. Refer to Note 2(b) 'Going Concern Basis of Accounting' and the ability of CHUSA to generate sufficient cash to repay Avexa's working capital loan after meeting its other obligations.

The Company has no lines of credit other than a Bank Guarantee of $30,822. The Company manages its liquidity risk using existing cash reserves managed in accordance with a Cash Management and Treasury Policy. Under this policy, sufficient liquidity to meet day-to-day operating requirements is maintained in interest-bearing operating, 'at-call' and term bank accounts. Cash balances are prepared daily and cash requirements monitored on weekly, month end reporting and annual budget/forecast cycles.

At reporting date, the Group had the following financial liability exposures.

	Note	3 Months or Less $'000	Greater than 3 Months $'000	Total $'000
Financial liabilities:				
Creditors and other accruals – at 30 June 2015	16	**199**	**-**	**199**
Creditors and other accruals – at 30 June 2014	16	254	-	254

(d) Net Fair Values of Financial Assets and Liabilities

Net fair values of financial assets and liabilities are determined by the Group on the following bases:

(i) for monetary financial assets and financial liabilities not readily traded in an organised financial market, values are determined by valuing them at the value of contractual cash flow amounts due from customers and payable to suppliers discounted as appropriate for settlements beyond 12 months;

(ii) the carrying amounts of bank balances and deposits, trade debtors and accounts payable expected to be payable within 12 months of reporting date approximate the net fair value.

At reporting date there were no material differences between carrying values and fair values.

(e) Capital Management

The Board's policy is to maintain a sufficient capital base so as to sustain investor, creditor and market confidence and to facilitate the future development of the business. As noted in Note 2(b), in order to meet forecast operating cash requirements, the Company may need to raise funds from other sources, which may include raising capital or securing debt facilities.

23. Related Parties

Disclosures of compensation policies, service contracts and details of individual Directors' and Executives' compensation are included in the Remuneration Report section of the Directors' Report on pages 08 to 12.

Directors' and KMP Compensation

The Directors' and KMP compensation included in 'employee expenses' are as follows:

Nature of Compensation	2015 $'000	2014 $'000
Short term employee benefits	**699**	718
Performance benefits	**13**	13
Other short term benefits	**-**	-
Post-employment benefits	**44**	47
Termination benefits	**-**	-
Share-based payments	**-**	-
Consulting fees	**-**	29
Total compensation	**756**	807

Transactions and Commitments with Other Related Parties

	Consolidated	
	2015 $'000	2014 $'000
Working capital loan – Coal Holdings USA, LLC	**6,413**	3,752
Less impairment provision	**(1,364)**	-
Loans to associates and related interest	**5,049**	3,752

As described in Note 10, the working capital loan to Coal Holdings USA, LLC (CHUSA) is secured by a fixed and floating charge over the assets of CHUSA and its subsidiary company, North Pratt Coal Holdings LLC.

Outstanding Balances with Other Related Parties

The following balances are outstanding at the reporting date in relation to transactions with related parties other than KMPs:

	2015 $'000	2014 $'000
Other receivables	**106**	86
Loans to associates	**5,049**	3,752

No provision for doubtful debts has been raised against amounts receivable from other related parties.

23. Related Parties continued

Options and Rights Over Equity Instruments Granted as Compensation

No options over ordinary shares were granted as compensation during the financial year. There were no options exercised during the financial year, nor were there any alterations or modifications to existing terms. The factors and assumptions used in determining the fair value on grant date of options issued in the previous financial year are detailed in the Remuneration Report.

Loans and Other Transactions with KMP

There were no loans made to Directors or Executives or other loan movements during the 2015 financial year.

Other KMP Transactions with the Group

No KMP member has entered into a material contract with the Group during either the 2015 or 2014 financial years and there were no material contracts with, amounts receivable from or payable to interests involving Directors or Executives at period end. The value of transactions during the year with entities related to Directors included in the financial statements was nil.

Other Related Party Transactions

Other than the transactions disclosed above, there were no transactions with other related parties during either the 2015 or 2014 financial years.

24. Contingent Liabilities

The Group is not aware of any contingent liabilities or contingent assets capable of having a material impact on the Group, other than service contracts with KMP.

25. Employee Benefits

Aggregate liability for employee benefits, including on-costs:

	Consolidated	
	2015 $'000	**2014 $'000**
Current – employee benefits provision:		
Annual leave and long service leave entitlements	**66**	136
Performance incentive entitlements	**12**	49
Non-current – employee benefits provision:		
Long service leave entitlement	**-**	13
Total employee benefits	**78**	198

At-risk Incentive Performance Payments

Compensation for all employees other than Non-Executive Directors includes an at-risk performance component. Provision has been made at reporting date for the amount payable in respect of performance for the financial year as measured against agreed criteria set on an employee-by-employee basis.

A reconciliation of movement for the year for all employee provisions is provided in the following table.

	Annual Leave $'000	**Long Service Leave $'000**	**Performance Incentive $'000**	**Total $'000**
Balance at the beginning of the year	102	46	50	198
Provision utilised	(103)	(5)	(50)	(158)
Charges raised	39	(13)	12	38
Balance at the end of the year	**38**	**28**	**12**	**78**

The present values of employee entitlements not expected to be settled within 12 months of reporting date have been calculated using the following weighted averages:

	2015	**2014**
Assumed rate of annual increase in salary and wages	**2.0%**	5.0%
Average discount rate	**2.7%**	3.2%
Settlement term (years)	**7**	7
Number of employees at year end (excluding Non-Executive Directors)	**5**	5

Equity Based Plan: Avexa Employee Share Option Plan

The Company has a share option plan for employees (ESOP), and during the financial year ended 30 June 2015 issued nil (2014: nil) options over unissued shares under the rules of the ESOP. Nil (2014: 190,000) of these options were forfeited or lapsed during the financial year, and nil (2014: nil) options issued in a prior year were exercised during the financial year for total proceeds of $nil (2014: $nil), at a weighted average exercise price of $nil (2014: $nil).

The ESOP rules include the following terms and conditions:

- the Board has absolute discretion in terms of eligibility subject to the 5 per cent limit of the Company's share capital that can be issued to employees for the ESOP;
- the options to acquire ordinary shares will be issued for no consideration;
- the options have a maximum five-year life subject to death, permanent disablement or termination of employment in circumstances the Board deems to involve serious misconduct;
- each option is convertible into one ordinary share; and
- there are no voting rights attached to the options or the unissued ordinary shares.

2015
There were no movements during the financial year.

Movements in employee options during the previous financial year are detailed in the following table.

2014

Grant Date	Expiry Date	Exercise Price#	Number of Options at Beginning of Year	Options Granted	Options Forfeited/ Lapsed	Number of Options at End of Year
18 June 2009	18 June 2014	$0.13	190,000	-	190,000	-
Total employee options on issue			**190,000**	**-**	**190,000**	**-**

The exercise price of employee options is reduced whenever there is a pro-rata issue (except a bonus issue) to the holders of the Company's shares in accordance with the formula outlined in ASX Listing Rule 6.21.

26. Events Subsequent to Balance Date

In the interval between the end of the financial year and the date of this report no item, transaction or event of a material and unusual nature has arisen that is likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

27. Dividends

No dividends were paid or proposed in the current or prior financial years.

28. Segment Reporting

Information About Reportable Segments

The Group comprises the following two distinct business segments:

(1) Research and Development – the operation of conducting anti-infective research and development.

(2) Investments – investing in a USA coal mine and Australian equities.

	Research and Development		Investments		Total	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
External revenues	**319**	295	**-**	-	**319**	295
Inter-segment revenue	**-**	-	**-**	-	**-**	-
Interest revenue	**48**	196	**316**	110	**364**	306
Finance expense	**-**	-	**-**	-	**-**	-
Impairment of equity accounted investment and loan to associate	**-**	-	**5,000**	-	**5,000**	-
Impairment charge	**-**	-	**-**	637	**-**	637
Share of net profit/(loss) of associate accounted for using the equity method	**-**	-	**(1,312)**	(104)	**(1,312)**	(104)
Depreciation and loss on disposal	**8**	15	**-**	-	**8**	15
Reportable segment profit/(loss) before tax	**(1,903)**	(2,982)	**(4,707)**	85	**(6,610)**	(2,897)
Reportable segment total assets	**1,490**	3,763	**5,161**	8,160	**6,651**	11,923
Investment accounted for using the equity method	**-**	-	**1**	4,158	**1**	4,158
Reportable segment total liabilities	**256**	432	**21**	20	**277**	452

The aggregate of the assets, liabilities and profits for each segment is the Group total.

28. Segment Reporting continued

Reconciliations of Information on Reportable Segments to IFRS Measure

	2015 $'000	2014 $'000
Revenues		
Total revenue for reportable segments	**319**	295
Revenue for other segments	**-**	-
Consolidated revenue	**319**	295
Profit before tax		
Total profit before tax for reportable segments	**(6,610)**	(2,897)
Profit before tax for other segments	**-**	-
Consolidated profit before tax from continuing operations	**(6,610)**	(2,897)
Assets		
Total assets for reportable segments	**6,650**	7,765
Assets for other segments	**-**	-
Equity accounted investees	**1**	4,158
Other unallocated amounts	**-**	-
Consolidated total assets	**6,651**	11,923
Liabilities		
Total liabilities for reportable segments	**277**	452
Liabilities for other segments	**-**	-
Other unallocated amounts	**-**	-
Consolidated total liabilities	**277**	452

29. Group Entities

Significant subsidiaries for the year ended:

		Ownership Interest %	
	Country of Incorporation	**2015**	**2014**
AVI Capital Pty Ltd	Australia	**100**	100
Avexa Inc	USA	**100**	100
Avexa Ltd	UK	**100**	100
AVI Capital Inc	USA	**100**	100

30. Parent Entity Disclosures

As at, and throughout, the financial year ended 30 June 2015 the parent entity of the Group was Avexa Limited.

	2015 $'000	2014 $'000
Results of parent entity		
Profit/(loss) for the period	**(6,229)**	(1,890)
Other comprehensive income	**-**	-
Total comprehensive income for the period	**(6,229)**	(1,890)
Financial position of parent entity at year end		
Current assets	**1,282**	9,629
Total assets	**6,348**	12,005
Current liabilities	**252**	417
Total liabilities	**252**	430
Total equity of the parent entity		
Share capital	**184,233**	183,483
Revaluation reserve	**-**	-
Retained earnings	**(178,137)**	(171,908)
Total equity	**6,096**	11,575

31. Finance income and Finance Costs

	Consolidated	
	2015 $'000	2014 $'000
Recognised in profit or loss		
Interest income on cash and cash equivalents	**48**	196
Interest income on loan receivable	**316**	110
Net gain on disposal of available-for-sale financial assets transferred from equity	**176**	-
Finance income	**540**	306
Net change in fair value of financial assets at fair value through profit or loss		
Available-for-sale	**12**	-
Impairment charge	**-**	(506)
Impairment charge – transfer from fair value reserve	**-**	(131)
Finance income (costs)	**12**	(637)
Net finance income/(costs) recognised in profit or loss	**552**	(331)

The impairment charges in 2014 were recognised due to a significant decline in the share price of the listed equity instruments.

The Group's investment in equity interests are shares listed on the ASX and are currently actively traded on that market. The fair value of investments in equity instruments is based on the market price quotation at 30 June 2015.

As such, these financial assets are considered to be Level 1 financial assets in the fair value hierarchy.

Directors' Declaration

For the Year Ended 30 June 2015

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

(a) the consolidated financial statements and notes and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, set out on pages 07 to 35, are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a); and

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

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Interim Chief Executive Officer and Financial Controller for the financial year ended 30 June 2015.

Dated at Melbourne this 30th day of September, 2015.

This report is made with a resolution of the Directors.

Iain Kirkwood
Chairman

KPMG

Independent Auditor's Report to the Members of Avexa Limited

Report on the Financial Report

We have audited the accompanying financial report of Avexa Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2015, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, Notes 1 to 31 comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In Note 2(a), the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

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 whether the financial report is free from 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Avexa Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

KPMG

Emphasis of Matter Relating to Going Concern and Loan to Associate.

Without qualifying our opinion, we draw attention to the following matters:

(i) As described in Note 2(b) to the consolidated financial statements, the Company is dependent on cash flows expected to be generated from its investment in and loan to an associated company, Coal Holdings USA LLC (CHUSA), and on securing additional sources of funding in order to meet operating expenditure requirements. The ability to obtain additional sources of funding may also be dependent upon the successful completion of a planned corporate transaction, which remains subject to formal agreement and certain conditions precedent including respective shareholder approval. These matters indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern, and therefore the Company and the Group may be unable to realise their assets and discharge their liabilities in the normal course of business.

(ii) As described in Note 12 to the consolidated financial statements, the ability of the Company to recover its loan to CHUSA is dependent on the successful execution of CHUSA's business plan and a number of other factors detailed in Note 12 that may or may not occur as planned. As a result there is material uncertainty as to whether the carrying amount of the loan will be recovered at the amounts stated in the consolidated financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 07 to 12 of the Directors' report for the year ended 30 June 2015. 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 auditing standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Avexa Limited for the year ended 30 June 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

BW Szentirmay
Partner

Melbourne
30 September 2015

Corporate Governance Statement
30 June 2015

The Board of Directors of Avexa Limited is responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council published guidelines (3rd edition) as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of Avexa Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

An overview of the Company's corporate governance structures and practices is presented in the 2015 Corporate Governance Statement which is published on the Company's website at www.avexa.com.au

Shareholder Information

Share Capital

As at 29 September 2015 the share capital of the Company was:

Issued and paid up capital: 980,778,925 ordinary shares.

	Number
Number of shares quoted on the Australian Securities Exchange Limited	980,778,925

Avexa Limited ordinary shares have been traded on ASX Limited since 23 September 2004 and trade under the ASX code AVX. Melbourne is the Home Exchange. The Company's securities are not quoted on any other stock exchange.

Twenty Largest Shareholders as at 29 September 2015

Name	Ordinary Shares Held	Percentage of Total Shareholding
Mr Jonathan Keng Hock Lim	144,045,564	14.687
HSBC Custody Nominees (Australia) Limited	51,269,789	5.227
UOB Kay Hian Private Limited <Clients A/C>	48,653,750	4.961
Citicorp Nominees Pty Limited	32,010,810	3.264
Mrs Lauraine Elizabeth Worthington	16,382,925	1.670
Mr Paul Andrew George Dickson <Johannes Y Lin A/C>	13,303,782	1.356
HSBC Custody Nominees (Australia) Limited – A/C 2	13,029,552	1.328
Mr Jerzy Plaga	12,225,028	1.246
Ms Aiping Zhang	12,075,958	1.231
National Nominees Limited	11,809,474	1.204
Link Healthcare Pte Ltd	10,000,000	1.020
Reefgrove Pty Ltd <IJ Miller A/C>	8,593,905	0.876
Mr Jack Budiman	8,000,000	0.816
Mrs Oanh Thi Phuong Tran	7,987,582	0.814
Edward St Consulting Pty Ltd <Kirkwood Family S/Fund A/C>	7,596,848	0.775
Pt Dragon Capital Management	7,295,000	0.744
Paul Hammans Pty Ltd <Hammans Family S/F A/C>	7,200,000	0.734
Mr David Kevin Cooper & Mrs Natalie Cooper <D & N Cooper Family A/C>	6,893,969	0.703
Mr John Mitchell & Ms Pauline Mitchell <Mitchell Super Fund A/C>	6,740,000	0.687
Mr Murray Shaw & Mr Benjamin Shaw & Ms Lee Anne Shaw <Uri Park Pastoral A/C>	6,142,246	0.626
Totals for top 20	**431,256,182**	**43.971**
Total issued capital	**980,778,925**	

Substantial Shareholders

The following information is extracted from substantial shareholding notices given to the Company up to 29 September 2015 by shareholders who hold relevant interests in more than 5 per cent of the Company's voting shares.

Name	Ordinary Shares Held	Percentage of Total Shareholding
Mr Jonathan Keng Hock Lim	144,045,564	14.69
HSBC Custody Nominees (Australia) Limited	51,269,789	5.22

Distribution of Shareholders as at 29 September 2015

Range	Holders	Ordinary Shares Held	Percentage of Total Shareholding
1 – 1,000	1,204	645,257	0.07
1,001 – 5,000	1,953	5,245,025	0.53
5,001 – 10,000	940	7,331,505	0.75
10,001 – 100,000	2,581	100,977,399	10.30
100,001 and over	995	866,579,739	88.35
Total shareholders	**7,673**	**980,778,925**	**100.00**

The number of shareholders as at 29 September 2015 with less than a marketable parcel of $500 worth of shares, based on the market price as at the above date, was 6,192.

Shares and Voting Rights

As at 29 September 2015, there were 7,673 holders of ordinary shares of the Company.

The voting rights attached to ordinary shares are set out in Rules 5(f) and 40 of the Company's Constitution. In broad summary, but without prejudice to the provisions of those Rules, each shareholder present at a general meeting in person or by a duly appointed representative, proxy or attorney:

(a) on a show of hands, has one vote except if a shareholder has appointed more than one person as a representative, proxy or attorney, in which case none of those persons is entitled to vote or if a person is entitled to vote in more than one capacity, that person is entitled to only one vote; and

(b) on a poll, has one vote for each fully paid share held and for each other share held, has a vote in respect of the share equivalent to the proportion that the amount paid on that share is of the total amounts paid and payable on that share at the time a poll is taken but no amount paid on a share in advance of calls shall be treated as paid on that share.

As at 29 September 2015, there were no options over nil unissued ordinary shares granted to employees under the ESOP and nil issued to Directors. There are no voting rights attached to either the options or the underlying unissued ordinary shares.

Officers

Executive Chairman: Iain Kirkwood
Company Secretary: Mr Lee Mitchell

Registered Office

Avexa Limited
Suite 8, Level 1
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Telephone +61 3 8888 1040
Facsimile +61 3 8888 1049

Share Registry

Boardroom Pty Limited
Level 12
225 George Street
Sydney, New South Wales 2000 Australia
Telephone 1300 737 760
Website www.boardroomlimited.com.au
Email enquiries@boardroomlimited.com.au

Facsimile for receipt of 26 November 2015 Annual General Meeting correspondence only: +61 2 9279 0664.

Securityholder Information

You can gain access to your securityholding information in a number of ways. The details are managed via the Company's Registrar, Boardroom Pty Limited, and can be accessed as outlined below. Please note your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) is required for access.

Investor Phone Access

Provides telephone access, call 1300 737 760 to speak to an operator.

Internet Account Access

Securityholders can access their details via the internet. Boardroom provides access via its InvestorServe online service.
Go to www.investorserve.com.au to view your information.

Changing Shareholder Details

Changes to your name or address must be advised in writing to Boardroom Pty Limited. If you are sponsored by a broker, your notice in writing must be sent to your sponsoring broker.

Avexa Publications Mailing List

The Annual Report is a major source of information about the Company. Shareholders who do not wish to receive this publication can assist the Company to reduce costs by advising Boardroom Pty Limited in writing or doing so online using InvestorServe (www.investorserve.com.au).
Shareholders will continue to receive all other shareholder information, including the Notice of Annual General Meeting and Proxy Form.
The Annual Report, other releases and general Company information are also available on the Company's website at www.avexa.com.au

Annual General Meeting

Monday 26 November 2015
KPMG House
Theatrette Ground Floor
147 Collins Street
Melbourne Victoria 3000 Australia

Investor Relations

If you have any questions or issues regarding your shareholding, please contact Boardroom Pty Limited on 1300 737 760.

Design: MDM Investor Connect.

AVEXA

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