



AVEXA

Annual Report 2016



Alleviating & Assessing  
Childhood Attention Difficulties

A GROUND-BREAKING PROGRAM  
DESIGNED BY LEADING SCIENTISTS TO  
ALLEVIATE AND ASSESS CHILDHOOD  
ATTENTION DIFFICULTIES

# CONTENTS

Chairman's Report	01
Directors' Report	02
Remuneration Report	07
Lead Auditor's Independence Declaration	13
Statement of Profit or Loss and Other Comprehensive Income	14
Statement of Changes in Equity	15
Statement of Financial Position	16
Statement of Cash Flows	17
Notes to the Financial Statements	18
Directors' Declaration	39
Independent Auditor's Report	40
Corporate Governance Statement	42
Shareholder Information	43

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AVEXA LIMITED (ASX: AVX) IS AN AUSTRALIAN MEDICAL TECHNOLOGY COMPANY LISTED ON THE AUSTRALIAN SECURITIES EXCHANGE. AVEXA'S CORE FOCUS IS THE DEVELOPMENT OF TALI HEALTH AND THE TALI TECHNOLOGY. TALI HEALTH IS BASED IN MELBOURNE AND IS MADE UP OF A TEAM OF NEUROSCIENTISTS, ENGINEERS, GAME DEVELOPERS AND ALL-ROUND TALENTED INDIVIDUALS. OUR VISION IS TO BE A LEADER IN THE ASSESSMENT AND TREATMENT OF CHILDHOOD ATTENTION DIFFICULTIES.

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# CHAIRMAN'S REPORT

Dear Shareholder,

The successful acquisition of TALI Health (TALI), completed in February this year, is pivotal to the strategic repositioning of the company into the exciting 'med tech' sector of the healthcare market.

TALI's mission is to become a pioneer and leader in the assessment and treatment of childhood attention difficulties; this has significant commercial potential.

In the short period since acquiring TALI, management has been actively signing up multiple clinics and schools to trial the technology. In collaboration with our partners, Monash University, Grey Innovation and Torus Games, the first generation version of the TALI Technology will be released into those clinics very shortly. This is the precursor to developing a full 'commercial ready' version next year.

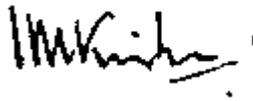
The Board thanks all shareholders who took up their entitlement in the recent Rights Issue and we welcome all new shareholders who participated in the associated capital raising. The funds raised are being applied to advance the TALI business.

The name change to Novita Healthcare being put to shareholders at the 2016 AGM is part of the board's broader plan to re-energise the company, grow strongly and create shareholder wealth.

There have been a number of board changes since the last AGM. We welcome Jefferson Harcourt founder of Grey Innovation and Mark Simari, Paragon Care's MD and CEO, to the Board. Both bring a wealth of technology, healthcare and business experience and will be a great asset in driving our growth strategy. Earlier this year Bruce Hewett resigned following his relocation to the UK to join the Clinigen Group as Global Commercial Director and shortly we farewell Singapore based, Allan Tan who is not seeking re-election. Bruce and Allan served most diligently since joining us in 2010. We thank them for their valuable contributions and wise counsel in the boardroom and wish them all the best in the future.

We also welcome Professor Kim Cornish who chairs our Scientific Advisory Board and Dr Hannah Kirk our Chief Research Officer. Significantly Kim has attracted four world experts to the SAB, all of whom are renowned in their respective field. Congratulations to Hannah on being awarded her PhD for her thesis which was rated 'exceptional' by a Cambridge University academic review – a rare achievement. We are delighted to have them both as part of the TALI team.

Finally and 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**  
Chairman

# DIRECTORS' REPORT

## FOR THE YEAR ENDED 30 JUNE 2016

The Directors present their report together with the financial statements of the consolidated entity (referred to hereafter as the Group) comprising of Avexa Limited (the Company), and its subsidiaries for the financial year ended 30 June 2016 and the auditor's report thereon.

### Principal Activities

The principal activity of the Group during the course of the financial year was health and medical including the research and development for commercialisation of medical technology having ceased all drug development activities. The core activity of the Group this year has been the acquisition and development of the TALI Technology. TALI is a tablet based software application that has been clinically proven to assess and treat childhood attention difficulties which are common in children with developmental delay.

Avexa 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, VIC 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 focussed on a critical review of its three drug development projects, completing the acquisition of TALI Healthcare Pty Ltd (TALI) and fast tracking the development of TALI Technology. As reported in January 2016 and foreshadowed to shareholders at the 2015 AGM, ATC's Early Access Programme did not attract any orders despite being available since January 2015 and extensive work by our partner LINK with HIV activist groups internationally. In light of this the Company has ceased all expenditures on this programme and all other drug development.

Regarding the North Pratt coal investment, the Directors have noted that oil prices continue to fall to levels completely unforeseen. The oil price flows through to natural gas prices in the USA that are now at record lows and which compete directly with large industrial consumers. In such unprecedented circumstances, it has been extremely difficult to attract a sufficient volume of orders to make the North Pratt coal mine viable and accordingly it has ceased operations indefinitely. Faced with such circumstances the Directors unanimously decided to concentrate the Company's strategy on developing and commercialising the TALI Technology. Avexa has the exclusive global license to the TALI Technology which provides a breakthrough in the way children with developmental delay, including autism spectrum disorder, are assessed and treated. More details are included later in this report.

The statement of profit or loss and other comprehensive income shows a loss of \$6,782,938 (2015: \$6,610,135) for the year. The Group has no bank debt. As at 30 June 2016 the Group had a cash position of \$388,374 (2015: \$1,024,568). Operating, financing and investing activities incurred a cash outflow for the year of \$635,440 (2015: \$2,331,329). The net loss of \$6,782,938 was largely a result of the decision by the Directors to write down the value of its shareholder loan to the North Pratt mine by \$5,741,559 (Refer to page 3 'Investment – CHUSA (North Pratt Coal Mine)').

### Likely Developments, Outlook and Risks

The Company's focus for the coming year will be to continue to develop and commercialise the TALI Technology, and to implement its strategy to become a leader in the assessment and treatment of children with developmental delay. Avexa's lead product, TALI Train™ is a computerised cognitive training program which is planned for an initial limited release in Q4 2016 and a wider commercial release in Q1-Q2 2017. The medical claims of this product are underpinned by completed clinical trials. These clinical trials demonstrated that the product was successful in promoting improvements in both attention (in particular the ability to focus on relevant information while ignoring distractions) and academic skills (specifically numeracy abilities) in young children with developmental delay, including those with autism spectrum disorder.

An independent market report conducted by Monash University indicated that currently there are no other products on the market that compare to the TALI Technology. Less than 1 per cent of current software applications have any evidence to substantiate their medical claims. Leveraging the unique position of the TALI Technology, Avexa will begin to penetrate high growth markets driven by the increased diagnosis of children with developmental delay and attention deficits.

The Company will continue to seek suitable investments that are complimentary to its existing operations and further enhance its product offering to the mental health and education markets. The company also understands the importance of strong scientific evidence and is dedicated to conducting and collaborating on further research trials to expand the market position of its products.

The ability of the Group 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 TALI commercialisation strategy and development opportunities. The TALI commercialisation strategy is dependent on a number of factors including, among others, assumptions relating to development and marketing expenditure, market demand, sales volume and pricing, working capital requirements and regulatory compliance.

### TALI Health Pty Ltd

#### Acquisition Details

On November 26th 2015 at the 2015 AGM, shareholders unanimously voted in favour of acquiring TALI Health Pty Ltd (TALI). On February 15th 2016, the Group announced that the acquisition of TALI was finalised. The acquisition was settled through the issue of 27,584,420 ordinary shares which were valued at \$1.1 million. There was no cash consideration.

TALI was incorporated on July 3rd 2014 with the specific goal of commercialising the TALI Process and Technology.

## The TALl Technology

TALl is a revolutionary platform, clinically proven to measure and improve childhood attention. Childhood attention difficulties have a lifelong impact on education, social skills, relationships, mental health and employment opportunities. In Australia alone, around 400,000 (10 per cent) of children have severe attention difficulties. Children with developmental disorders (DD) such as autism spectrum disorder (ASD) are particularly vulnerable to attention difficulties, which in turn place them at heightened risk of poor academic, social and behavioural outcomes.

The key to better outcomes for children with attention difficulties, particularly those with DD, is early identification and intervention. Currently, there is a significant lack of tools to provide effective assessment and treatment. Consequently, many children who have attention difficulties remain undetected and miss out on life-changing interventions.

TALl is an early identification and intervention program designed by Professor Kim Cornish, Head of the School of Psychological Sciences, and her team at Monash University, and developed by Melbourne based technology commercialisation company Grey Innovation, and professional game developers Torus Games. The computerised program continuously adapts to the child's performance to challenge and sharpen their attention skills. Children complete the 20 minute program five days a week over a five week training period. Data is collected each gameplay and sent to a secure server for analysis. TALl provides access to deeper analytics about the child's individual performance on each of the exercises allowing parents, educators and clinicians to identify areas of attentional strengths and weaknesses and so avoiding a 'one size fits all' approach.

Based on 20 years of peer reviewed research and scientifically validated in a 'gold standard' randomised control trial, TALl is proven to improve attention in childhood. Unlike existing pharmaceutical interventions such as Ritalin which focus on treating behavioural symptoms of attention difficulties, e.g. hyperactive behaviour, TALl focuses on strengthening underlying attentional processes at the brain level. Thus TALl has the potential to promote deeper and more stable improvements in attention as well as behavioural symptoms of attention (e.g. inattentive and hyperactive behaviour), without the negative side effects associated with psychostimulant medication. In addition, TALl provides logistical advantages over traditional face to face intervention methods as it uses the latest technology to deliver health care into the home and classroom providing significant cost savings and better outcomes for children.

## Drug Development Programmes

As noted earlier, during the year the Company suspended all expenditures on its drug development programmes pending the completion of a commercial and economic evaluation. Subsequently the Company has ceased all further development and will now focus solely on the remaining development and commercialisation of the TALl Technology.

## Investment – CHUSA (North Pratt Coal Mine)

For the six months to December 2015, Avexa continued to pursue its investment in the North Pratt coal mine, the proceeds from which were to be used to finance the development of Avexa's research programmes, in particular its late stage HIV drug ATC. As reported earlier, the coal mine has not realised the projected returns which would have funded the final development of ATC. Following a review of the forecast cash flows to be generated by the coal mine, the current financial performance and position of CHUSA and the continuing depressed state of the local coal market, the Directors unanimously decided to cease any future funding of the CHUSA interest, rather concentrating the Company's strategy on TALl's breakthrough technology in diagnosing intellectual disabilities. As a consequence Avexa's investment in and loan to CHUSA has been fully provided for.

## Capital and Corporate Structure

On January 29th 2016 and on March 20th 2016, the Company issued 12,250,000 new shares raised from professional and sophisticated investors and 11,583,735 new shares under the Share Purchase Plan (SPP) respectively. Contributed equity increased by a total of \$802,083 (net of costs).

On February 15th 2016, the Group announced that the acquisition of TALl was finalised. The acquisition was settled through the issue of 27,584,420 ordinary shares to the TALl shareholders which were valued at \$1.1 million. There was no cash consideration paid.

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 2016.

## Unissued Shares Under Option

During the year nil (2015: nil) options to acquire ordinary shares were issued to staff, nil (2015: nil) to Executive Officers, nil (2015: nil) to the Chief Scientific Officer and nil (2015: nil) to Directors. Nil (2015: nil) options were exercised during the financial year for total proceeds of nil (2015: nil). Nil (2015: nil) options lapsed during the financial year and nil (2015: nil) options were forfeited upon the departure of Directors or employees during the financial year.

At 30 June 2016 there were nil options (30 June 2015: nil) on issue to Directors, Executives and employees. There have been nil (2015: nil) options lapsed or forfeited, nil (2015: nil) approved to be issued and nil (2015: 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' REPORT continued

## FOR THE YEAR ENDED 30 JUNE 2016

### Directors' Qualifications, Experience and Responsibilities

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:

Name, Qualification and Independence Status	Experience, Special Responsibilities and Other Directorships
<b>Mr Iain Kirkwood</b> Executive Chairman <i>Qualifications: MA (Hons) Oxon, FCPA, MAICD</i>	Mr Kirkwood joined the Board on August 9, 2010 and was appointed as Non-Executive Chairman on April 18, 2011 and appointed Executive Chairman on March 1, 2015. 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 Bluechip Limited (ASX:BCT).  During his career Mr Kirkwood has worked with a number of ASX listed companies in senior management roles, including Woodside Petroleum Limited and Santos Limited and was previously the CFO of F.H. Faulding & Co. Limited and CEO of EpiTan Limited. (now Clinuvel Pharmaceuticals Limited).
<b>Mr Allan Tan</b> Independent Non-Executive Director <i>Qualifications: LLB (Hons) University of Buckingham (UK)                      Barrister-at-Law (Gray's Inn) MA                      London-Guildhall University (UK)</i>	Mr Tan joined the Board on December 1, 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 CNMC Goldmine Holdings Limited and Nico Steel Holdings Limited. Mr Tan is a partner in a Singapore law firm, Virtus Law LLP.
<b>Mr Jefferson Harcourt</b> Non-Executive Director <i>Qualifications: B.Eng (Hons) GAICD</i>	Mr Harcourt joined the Board on February 25, 2016. 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. Mr Harcourt oversees the development of TALI and his extensive product development and commercial expertise will assist the Company in commercialising the technology.  Mr Harcourt sits on a number of private technology company boards in the medical device and security markets.
<b>Mr Bruce Hewett</b> Independent Non-Executive Director (resigned July 11, 2016)	Mr Bruce Hewett was an Independent Non-Executive Director and Chairman of the Avexa Remuneration and Nomination Committee from July 6, 2010 until his resignation on July 11, 2016.
<b>Mr Benjamin Yeo</b> Independent Non-Executive Director (appointed 25 February 2016; resigned 26 July 2016)	Mr Benjamin Yeo was an Independent Non-Executive Director from February 25, 2016 until his resignation on July 26, 2016.

### Company Secretary

**Mr Lee Mitchell** BA LLM

Mr Mitchell was appointed as Company Secretary of Avexa Limited on December 1, 2010. He is a qualified lawyer and has practiced 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	2,033,563	–
Mr A Tan	555,787	–
Mr J Harcourt	18,107,602	–

## 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:

Director	Board Meetings		Audit Committee Meetings		Remuneration and Nomination Committee Meetings	
	Attended	Held <sup>(i)</sup>	Attended	Held <sup>(i)</sup>	Attended	Held <sup>(i)</sup>
Mr I Kirkwood	11	11	5	5	–	–
Mr B Hewett	10	11	5	5	–	–
Mr A Tan	11	11	5	5	–	–
Mr J Harcourt	4	4	1	1	–	–
Mr B Yeo	4	4	1	1	–	–

(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

As noted earlier in Capital and Corporate Structure, the Company announced the acquisition of TALI on February 15th 2016. The acquisition was settled through the issue of 27,584,420 ordinary shares to the TALI shareholders.

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

On July 27th 2016 the Group announced a one for one Non-Renounceable Rights Issue (Entitlement offer) to all eligible shareholders raising up to \$2.2 million (before costs). The Entitlement offer was supported by an underwriting commitment totalling \$1.8 million.

On August 23rd 2016 the Entitlement offer closed and the gross amount raised by the Company was \$2.2 million (before costs), through the issuance of 104,379,302 new shares including the shares issued to the underwriter.

In the interval between the end of the financial year and the date of this report no other 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.

# DIRECTORS' REPORT continued

## FOR THE YEAR ENDED 30 JUNE 2016

### Indemnification and Insurance of Officers (continued)

#### Insurance Premiums

Since the end of the financial year, the Company has paid a premium of \$24,200 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 KPIs of both a financial and non-financial nature.
- 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 Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC), relating to the rounding off of amounts in the consolidated financial statements. Amounts in the consolidated financial statements have been rounded off in accordance with that legislative instrument to the nearest dollar, unless specifically stated to be otherwise.

#### 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 2016 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	\$12,500
Total non-audit services	\$12,500

# REMUNERATION REPORT

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 pages 10 and 11. 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

	2016	2015	2014	2013	2012
Net profit/(loss) attributable to equity holders of the parent	<b>(\$6,782,938)</b>	(\$6,610,135)	(2,896,604)	(2,977,497)	(3,513,138)
Closing share price (\$)	<b>.025</b>	.007	.014	.014	.022

## Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises all three NEDs at the end of the year.

The Remuneration and Nomination Committee is responsible for making recommendations to the Board on the remuneration arrangements for Non-Executive Directors (**NEDs**) 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 NEDs (which is subject to shareholder approval) and NED 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 <http://www.avexa.com.au/corporate-governance>.

## Principles of Compensation and Strategy

The Remuneration & Nomination Committee assesses the appropriateness of the nature and amount of remuneration of NEDs 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 & Nomination Committee comprises all of the NEDs.

Avexa Limited's remuneration strategy is designed to attract, motivate and retain employees and NEDs 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 NED 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 & Nomination Committee and comprising the Company's Key Management Personnel (**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

Key Performance Indicators (**KPIs**) are individually tailored by the Board, based on recommendations and input from the Remuneration & Nomination Committee in advance for each employee each year, and reflect an assessment of how that employee can fulfil 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.

# REMUNERATION REPORT continued

## 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 key performance indicators 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. The purpose of these payments is to reward employees for their contribution to the Group.

Employment contracts for Executives do not generally provide for at-risk or short term incentive compensation arrangements having regard to the above factors although the Board always retains the right to agree or otherwise provide payments on a discretionary basis in special circumstances or 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 & 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.

An amount of nil (2015: \$12,500) has been accrued at the end of the 2016 financial year by way of an employee benefit provision in respect of performance incentives for the 2016 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. As at the date of this report, no such rights have been issued.

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 clawback 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 is 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 Avexa 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.

**2016:**

No issues of options occurred in 2016.

**2015:**

No issues of options occurred in 2015.

**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 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 held on 4 October 2005. The Board does not intend to seek any increase for the NED maximum aggregate fee pool at the 2016 AGM.

The Board seeks to set NED fees at a level which provides the Group with the ability to attract and retain NEDs of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The maximum aggregate fee pool and the fee structure is reviewed annually against fees paid to NEDs 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.

Director's 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 each receive an additional \$5,000 per annum in committee fees, inclusive of superannuation, in recognition of these additional duties.

On and with effect from 1 May 2015, the Chair and each of 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. This arrangement continues to apply.

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

**Remuneration Report at FY15 Annual General Meeting**

The remuneration report was approved by shareholders at the 2015 AGM with more than 75 per cent of holders in favour of the resolution.

**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 2016 and 2015 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.

# REMUNERATION REPORT continued

## Directors' and Executive Officers' Compensation Tables (continued)

2016

	Short Term		Bonuses / Incentives	Post	Share-based	Termination Benefits	Total
	Base Compensation (Salary and Fees)	Consulting Fees		Employment	Payments		
	\$	\$	\$	Super- annuation Contributions	Shares and Options Issued	\$	\$
<b>Directors</b>							
<b>Non-Executive</b>							
Mr B Hewett <sup>(i)</sup>	27,500	–	–	–	–	–	27,500
Mr A Tan <sup>(ii)</sup>	25,000	–	–	–	–	–	25,000
Mr J Harcourt <sup>(iii)</sup>	8,333	–	–	–	–	–	8,333
Mr B Yeo <sup>(iv)</sup>	8,333	–	–	–	–	–	8,333
<b>Total compensation</b>	<b>69,166</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>69,166</b>
<b>Executives</b>							
<b>Key Management Personnel</b>							
Mr I Kirkwood <sup>(v)</sup>	47,941	–	–	4,554	–	–	52,495
Dr H Kirk <sup>(vi)</sup>	34,686	–	–	3,295	–	–	37,981
Ms M Klapakis <sup>(vii)</sup>	142,609	–	–	13,548	–	–	156,157
Dr J Coates <sup>(viii)</sup>	38,356	–	–	3,644	–	–	42,000
Dr S Cox <sup>(ix)</sup>	34,520	–	–	3,279	–	–	37,799
<b>Total compensation</b>	<b>298,112</b>	<b>–</b>	<b>–</b>	<b>28,320</b>	<b>–</b>	<b>–</b>	<b>326,432</b>

(i) Resigned on 11 July 2016.

(ii) Appointed on 1 December 2010.

(iii) Appointed on 25 February 2016.

(iv) Appointed on 25 February 2016. Resigned 26 July 2016.

(v) Appointed on 9 August 2010. Appointed Chairman on 18 April 2011.  
Appointed Executive Chairman 1 March 2015.

(vi) Appointed on 3 February 2016.

(vii) Appointed on 1 December 2010.

(viii) Ceased employment on 28 February 2016.

(ix) Ceased employment on 28 February 2016.

In addition to the above Directors' remuneration, during the financial year an amount of \$300,275 was paid to Grey Innovation Pty Ltd (a company associated with Mr Harcourt) for services in connection with the development of TALI. In addition \$50,000 was paid to Novus Capital and \$10,000 was paid to Anadem Pty Ltd (companies associated with Mr Yeo) by way of success fees on corporate advisory and capital raising activities associated with the acquisition of TALI.

2015

	Short Term		Post	Share-based	Termination	Total
	Base	Consulting	Employment	Payments		
	Compensation	Fees	Bonuses /	Super-	Shares and	Compensation
	(Salary and		Incentives	annuation	Options	
	Fees)			Contributions	Issued	Benefits
	\$	\$	\$	\$	\$	\$
<b>Directors</b>						
<b>Non-Executive</b>						
Mr B Hewett <sup>(i)</sup>	50,417	–	–	–	–	50,417
Mr A Tan <sup>(ii)</sup>	45,833	–	–	–	–	45,833
<b>Total compensation</b>	<b>96,250</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>96,250</b>
<b>Executives</b>						
<b>Key Management Personnel</b>						
Mr I Kirkwood <sup>(iii)</sup>	95,491	–	–	759	–	96,250
Ms M Klapakis <sup>(iv)</sup>	140,875	–	12,500 (7.5%)	13,383	–	166,758
Dr J Coates <sup>(v)</sup>	205,108	–	–	16,338	–	221,446
Dr S Cox <sup>(vi)</sup>	161,675	–	–	13,423	–	175,098
<b>Total compensation</b>	<b>603,149</b>	<b>–</b>	<b>12,500</b>	<b>43,903</b>	<b>–</b>	<b>659,552</b>

(i) Resigned on 11 July 2016.

(ii) Appointed on 1 December 2010.

(iii) Appointed on 9 August 2010. Appointed Chairman on 18 April 2011. Appointed Executive Chairman 1 March 2015.

(iv) Appointed on 1 December 2010.

(v) Ceased employment on 28 February 2016.

(vi) Ceased employment on 28 February 2016.

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

There were no options granted as compensation during the 2016 financial year or the 2015 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.

## Fair Value of Options

There were nil options issued during the 2016 financial year.

There were nil options issued during the 2015 financial year.

## Shares Issued on Exercise of Options

During the financial year the Company issued nil (2015: nil) ordinary shares upon the exercise of options for total proceeds of \$nil (2015: \$nil). Since the end of the financial year up to the date of this report the Company has issued nil (2015: nil) shares upon exercise of options for total proceeds of \$nil (2015: \$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.

### 2016:

No options were held or issued in the 2016 financial year.

### 2015:

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

## 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.

# REMUNERATION REPORT continued

## Number of Shares Held in Avexa Limited

	Holding of Ordinary Shares at 1 July 2015 (or Date of Appointment)	Shares Sold During the Financial Year	Shares Acquired During the Financial Year	Holding of Ordinary Shares at 30 June 2016
	Number	Number	Number	Number
<b>Directors</b>				
Mr B Hewett	175,013	–	–	175,013
Mr A Tan	55,787	–	–	55,787
Mr J Harcourt	9,553,801	–	–	9,553,801
Mr B Yeo	332,905	–	100,000	432,905
<b>Total Directors</b>	<b>10,117,506</b>	<b>–</b>	<b>100,000</b>	<b>10,217,506</b>
<b>Executives</b>				
Mr I Kirkwood	728,741	–	452,490	1,181,231
Dr H Kirk	–	–	110,000	110,000
Ms M Klapakis	6,952	–	–	6,952
Dr J Coates <sup>(a)</sup>	76,626	–	–	76,626
Dr S Cox <sup>(b)</sup>	56,498	–	–	56,498
<b>Total Executives</b>	<b>868,817</b>	<b>–</b>	<b>562,490</b>	<b>1,431,307</b>
<b>Total Management Personnel</b>	<b>10,986,323</b>	<b>–</b>	<b>662,490</b>	<b>11,648,813</b>

Number of shares after consolidation.

(a) Ceased employment on 28 February 2016.

(b) Ceased employment on 28 February 2016.

## 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 August, 2016.

This report is made with a resolution of the Directors.



**Iain Kirkwood**  
Chairman

# LEAD AUDITOR'S INDEPENDENCE DECLARATION

FOR THE YEAR ENDED 30 JUNE 2016



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

**To the directors of Avexa Limited**

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 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.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to be 'BS' with a long horizontal flourish extending to the right.

**Bernie Szentirmay**  
Partner

Melbourne  
30 August 2016

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (KPMG International), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Consolidated	
		2016 \$	2015 \$
Revenue from operating activities	4	303,374	289,450
Other revenue	4	–	30,420
Contract research and development expenses	5(a)	(421,436)	(397,841)
Employee expenses		(532,374)	(892,765)
Depreciation and amortisation expenses	5(b)	(68,661)	(8,347)
Consulting expenses		(39,390)	(84,332)
Occupancy expenses		(116,429)	(85,628)
Professional services expenses		(290,828)	(180,545)
Travel and accommodation expenses		(12,660)	(34,537)
Asset management expenses		(21,397)	(22,306)
Insurance expenses		(59,490)	(81,352)
Corporate administration expenses		(123,424)	(104,139)
Intellectual property expenses		(87,969)	(317,444)
Other expenses	5(c)	(45,880)	(86,423)
Share of net loss of equity accounted associate	12	–	(1,312,376)
Impairment of investment in equity accounted associate	12	(1,015)	(3,635,655)
Impairment of loan to equity accounted associate	10	(5,740,545)	(1,364,345)
<b>Results from operating activities</b>		<b>(7,258,124)</b>	<b>(8,288,165)</b>
Foreign exchange gains/(losses)		328,829	1,126,030
Net finance income/(expense)	31	146,357	552,000
Income tax expense	7	–	–
<b>Loss from operations for the period</b>		<b>(6,782,938)</b>	<b>(6,610,135)</b>
<b>Loss attributable to owners of the Company</b>	18	<b>(6,782,938)</b>	<b>(6,610,135)</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to the income statement</b>			
Foreign Currency Translation Reserve		(1,594)	763,210
<b>Total comprehensive (loss)/income for the period attributed to owners of the Company</b>		<b>(6,784,532)</b>	<b>(5,846,925)</b>
<b>Earnings per share</b>			
Basic earnings per share (cents per share)	21	(10.17)	(13.86)
Diluted earnings per share (cents per share)	21	(10.17)	(13.86)

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 38.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

Consolidated					
	Note	Issued Capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Total Equity \$
<b>For the year ended 30 June 2016</b>					
Opening balance as at 1 July 2015		184,232,523	(178,397,684)	538,722	6,373,561
<b>Comprehensive (loss)/income for the period</b>					
Profit/(Loss)	18	-	(6,782,938)	-	(6,782,938)
Total other comprehensive income		-	-	(1,594)	(1,594)
<b>Total comprehensive income for the period</b>		-	(6,782,938)	(1,594)	(6,784,532)
<b>Transactions with owners, recorded directly in equity</b>					
Issue of ordinary shares upon a business acquisition		1,103,376	-	-	1,103,376
Issue of ordinary shares pursuant to private placement		490,000	-	-	490,000
Issue of ordinary shares pursuant to share purchase plan		384,014	-	-	384,014
Transaction costs relating to issue of ordinary shares		(71,931)	-	-	(71,931)
Equity settled share-based payment transactions		-	-	-	-
<b>Total transactions with owners</b>		1,905,459	-	-	1,905,459
<b>Closing balance as at 30 June 2016</b>	17,18	186,137,982	(185,180,622)	537,128	1,494,488

Consolidated					
	Note	Issued Capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Total Equity \$
<b>For the year ended 30 June 2015</b>					
Opening balance as at 1 July 2014		183,482,691	(171,787,549)	(224,488)	11,470,654
<b>Comprehensive (loss)/income for the period</b>					
Profit/(Loss)	18	-	(6,610,135)	-	(6,610,135)
Total other comprehensive income		-	-	763,210	763,210
<b>Total comprehensive income for the period</b>		-	(6,610,135)	763,210	(5,846,925)
<b>Transactions with owners, recorded directly in equity</b>					
Issue of ordinary shares pursuant to share purchase plan		795,640	-	-	795,640
Transaction costs relating to issue of ordinary shares		(45,808)	-	-	(45,808)
Equity settled share-based payment transactions		-	-	-	-
<b>Total transactions with owners</b>		749,832	-	-	749,832
<b>Closing balance as at 30 June 2015</b>	17,18	184,232,523	(178,397,684)	538,722	6,373,561

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 38.

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	Consolidated	
		2016 \$	2015 \$
<b>Current assets</b>			
Cash and cash equivalents	9	388,374	1,024,568
Receivables	10	322,264	408,029
Investments	11	52,800	110,400
Other assets	13	15,946	40,490
<b>Total current assets</b>		<b>779,384</b>	<b>1,583,487</b>
<b>Non-current assets</b>			
Equity accounted investments	12	–	1,000
Receivables	10	–	5,049,078
Intangible assets	14	1,035,518	–
Plant and equipment	15	10,384	16,938
<b>Total non-current assets</b>		<b>1,045,902</b>	<b>5,067,016</b>
<b>Total assets</b>		<b>1,825,286</b>	<b>6,650,503</b>
<b>Current liabilities</b>			
Trade and other payables	16	253,323	198,834
Employee benefit provisions	25	77,475	78,108
<b>Total current liabilities</b>		<b>330,798</b>	<b>276,942</b>
<b>Non-current liabilities</b>			
Employee benefit provisions	25	–	–
<b>Total non-current liabilities</b>		<b>–</b>	<b>–</b>
<b>Total liabilities</b>		<b>330,798</b>	<b>276,942</b>
<b>Net assets</b>		<b>1,494,488</b>	<b>6,373,561</b>
<b>Equity</b>			
Share capital	17	186,137,982	184,232,523
Fair value reserve		–	–
Foreign Currency Translation Reserve		537,128	538,722
Accumulated losses	18	(185,180,622)	(178,397,684)
<b>Total equity</b>		<b>1,494,488</b>	<b>6,373,561</b>

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 18 to 38.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

		Consolidated	
	Note	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		–	30,420
Cash payments in the course of operations		<b>(1,687,040)</b>	(2,420,357)
R&D incentive		<b>289,473</b>	295,429
Interest received		<b>10,948</b>	59,983
Net cash used in operating activities	20	<b>(1,386,619)</b>	(2,034,525)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		<b>(1,552)</b>	(2,342)
Proceeds from acquisition of TALI Health		<b>20,239</b>	–
Proceeds from disposal of listed equity instruments		–	231,701
Working capital loan to Coal Holdings USA, LLC		<b>(69,591)</b>	(1,275,995)
Proceeds from disposal of assets		–	–
Net cash used in investing activities		<b>(50,904)</b>	(1,046,636)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares pursuant to placement with private and sophisticated investors		<b>490,000</b>	–
Proceeds from issue of shares pursuant to share purchase plan		<b>384,014</b>	795,640
Share issue costs		<b>(71,931)</b>	(45,808)
Net cash used in financing activities		<b>802,083</b>	749,832
<b>Net (decrease)/increase in cash held</b>			
Cash at the beginning of the financial year		<b>1,024,568</b>	3,361,977
Effect of exchange rate fluctuations on cash held		<b>(754)</b>	(6,080)
Cash and cash equivalents at the end of the financial year	9	<b>388,374</b>	1,024,568

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 18 to 38.

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 1. Reporting Entity

Avexa Limited (the Company) is a company domiciled in Australia. The consolidated financial statements of the Company as at 30 June 2016 comprise the Company and its subsidiary entities (together referred to as the 'Group' and individually as 'Group entities'). The Group primarily is involved in research and development, for commercialisation, of pharmaceutical programs and medical technology 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, VIC 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 which have been prepared in accordance with Australian Accounting Standards (AASBs) (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 Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC), relating to the rounding off of amounts in the consolidated financial statements. Amounts in the consolidated financial statements have been rounded off in accordance with that legislative instrument to the nearest dollar, unless specifically stated to be otherwise.

### (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 Group 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 2017 financial year and beyond, until such time as self-sustaining revenue streams are realised.

The ability of the Group 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 TALI Health which is dependent on a number of factors that may or may not occur as expected including assumptions relating to development and marketing expenditure, market demand, sales volumes and pricing, working capital requirements, and regulatory compliance. In addition, in order to meet 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 raised \$2.2m in additional share capital through the issuance of 104,379,302 shares pursuant to a non-renounceable rights issue as announced on 27 July 2016. Refer to Note 26 for further details.

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 Group 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.

The key estimates and judgments made in preparing the financial statements are:

- assessing the carrying amount and estimated useful life of identifiable intangible assets (refer to Note 14); and
- assessing the carrying amount of investments in and loans to associates (refer to notes 10 and 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 standards and interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to the Group that have been adopted for the current year end are:

AASB 2014-4	Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012 – 2014 Cycle
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

None of these standards have had a material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

#### (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 de-recognised 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 de-recognised 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 de-recognised, 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.

# NOTES TO FINANCIAL STATEMENTS continued

## FOR THE YEAR ENDED 30 JUNE 2016

### 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 which 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 which 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 which 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. The estimated useful life of acquired intellectual property is 5-20 years (2015: 5-20 years).

### **(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 Employee Share Option Plan allows eligible employees to acquire shares in the Company. The grant date fair value of options granted 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.

# NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2016

## 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 research and development and investments. 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 de-recognised 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 2016 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.

### (u) Business Combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Refer to Note 32.

## 4. Revenue

	Consolidated	
	2016	2015
	\$	\$
Research and Development incentive	303,374	289,450
Total revenue from operating activities	303,374	289,450
Other revenue	–	30,420
Total other revenue	–	30,420

## 5. Profit Before Related Income Tax Expense

	Consolidated	
	2016	2015
	\$	\$
<b>(a) Items included in profit before related income tax expense:</b>		
Contract research and development expenditure	421,436	397,841
Direct research and development expenditure	298,833	679,848
Research and Development	720,269	1,077,689
<b>(b) Profit before related income tax expense has been arrived at after charging the following items:</b>		
Depreciation of plant and equipment	8,106	8,347
Amortisation of intangible assets	60,555	–
Amounts recognised in provisions for employee entitlements (Note 25)	25,622	39,146
Superannuation payments to defined contribution plans	68,391	105,850
<b>(c) Other expenses</b>		
Advertising and promotion	25,832	45,642
Workplace administration	16,908	22,456
Other expenses	3,140	18,325
Total other expenses	45,880	86,423

## 6. Auditors' Remuneration

	2016	2015
	\$	\$
<b>Audit services:</b>		
Auditors of the Company – KPMG <sup>1</sup>	128,500	80,000
Total audit services	128,500	80,000
<b>Other services:</b>		
Tax compliance and advisory services – KPMG	12,500	34,690
Total other services	12,500	34,690

1 Includes additional audit related services in relation to CHUSA investment.

# NOTES TO FINANCIAL STATEMENTS continued

## FOR THE YEAR ENDED 30 JUNE 2016

### 7. Income Tax

	2016	2015
	\$	\$
Current tax expense (benefit) – current year	–	–
Deferred tax expense – continuing operations	–	–
<b>Total income tax expense (benefit) in income statement attributable to continuing operations</b>	<b>–</b>	<b>–</b>

#### Numerical reconciliation between tax expense and pre-tax net loss:

Loss before tax – continuing operations	<b>(6,782,938)</b>	(6,610,135)
Income tax using domestic tax rate of 30% (2015: 30%)	<b>(2,034,881)</b>	(1,983,040)
Change in unrecognised temporary differences	<b>18,134</b>	(27,061)
Increase in income tax expense due to:		
Non-deductible expenses	<b>1,963,346</b>	1,207,229
Share of net loss of equity accounted investment	<b>21,671</b>	393,713
Deferred tax assets not brought to account	–	308,983
Use of tax losses not previously recognised	<b>(69,228)</b>	–
Research and development allowance	<b>111,229</b>	106,132
Sundry	–	–
Decrease in income tax expense due to:		
Items deductible for tax purposes	<b>(10,271)</b>	(5,956)
Research and development allowance	–	–
<b>Income tax expense on pre-tax net loss</b>	<b>–</b>	<b>–</b>
Unused tax losses for which no deferred tax asset has been recognised	<b>146,057,927</b>	146,077,060
<b>Potential tax benefit at 30%</b>	<b>43,817,378</b>	43,823,118

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	
	2016	2015
	\$	\$
Cash at bank and on hand	<b>95,690</b>	387,338
Bank short term deposits	<b>292,684</b>	637,230
Total cash assets	<b>388,374</b>	1,024,568

### 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 (2015: 1.5 per cent).

## 10. Receivables

	Consolidated	
	2016	2015
	\$	\$
<b>Current</b>		
Trade and other receivables	18,913	118,579
R&D Incentives and other tax receivables	303,351	289,450
Total Current Receivables	322,264	408,029
<b>Non-current</b>		
Working capital loan – Coal Holdings USA, LLC	6,993,749	6,413,423
Non-current receivables	111,141	–
Less impairment provision	(7,104,890)	(1,364,345)
Total Non-current Receivables	–	5,049,078

An impairment charge of \$5,740,545 has been recorded against the loan to CHUSA and other receivables payable by CHUSA following a review of future cash flows at 31 December and more recently the decision by the CHUSA board to cease operations at the coal mine in light of the continued depressed state of the coal market.

## 11. Investments

	2016	2015
	\$	\$
<b>Current</b>		
Financial assets classified as available for sale	52,800	110,400
	52,800	110,400

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.

# NOTES TO FINANCIAL STATEMENTS continued

## FOR THE YEAR ENDED 30 JUNE 2016

### 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:

Name of entity	Principal Activities	Country	Reporting Date	Percentage of Ownership Interest at End of Financial Year		Contribution to Net Loss	
				2016 %	2015 %	2016 \$AUD	2015 \$AUD
Coal Holding USA LLC	Coal Mining Operations	U.S.A.	31 December	30.0	30.0	-	(1,312,376)
						<b>2016 \$AUD</b>	<b>2015 \$AUD</b>
Results of associates							
Share of associate's profit before income tax						-	(1,312,376)
Share of associate's income tax expense						-	-
<b>Share of net profit of associate accounted for using the equity method</b>						-	(1,312,376)
Movements in carrying amounts of investments							
Balance at 1 July						1,000	4,157,639
Investments in associates acquired during the year						-	-
Share of net profit/(loss) of associate accounted for using the equity method						-	(1,312,376)
Movement in foreign currency translation						15	791,392
Less distributions from associate						-	-
Impairment of investment						(1,015)	(3,635,655)
<b>Balance at 30 June</b>						-	1,000

Avexa has ceased equity accounting of its notional share of current year associate losses, as the carrying amount has been written down to nil and there is no legal or constructive obligation to provide any further funding to the company.

#### Impairment of Investment in and loan to CHUSA

A further impairment charge of \$5,741,559 (2015: \$5,000,000) has been recorded against the loan to and investment in CHUSA following a review of the forecast future cash flows to be generated by the North Pratt coal mine, the current financial performance and the position of CHUSA, the continuing depressed state of the local coal market and uncertainties over the extent and timing of any future loan repayments.

### 13. Other assets

Current	Consolidated	
	2016 \$	2015 \$
Prepayments	15,946	40,490

## 14. Intangible Assets

	Consolidated	
	2016	2015
	\$	\$
TALI Health license – at cost	375,000	–
Less: accumulated amortisation	(6,967)	–
<b>Total TALI Health license</b>	<b>368,033</b>	<b>–</b>
Intellectual property: TALI technology	721,074	–
Less: accumulated amortisation	(53,589)	–
<b>Total intellectual property – TALI</b>	<b>667,485</b>	<b>–</b>

On the acquisition of TALI Health Pty Ltd announced on February 15th 2016, Avexa recognised intellectual property (including licenses) at a fair value of \$1,096,074. Intangibles are initially recognised at cost and amortised on a straight line basis over the period of expected benefit, less any adjustments for impairment losses. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period (refer Note 32 for further information on the acquisition of TALI Health Pty Ltd).

## 15. Plant and Equipment

	2016	2015
	\$	\$
Plant and equipment – at cost	439,735	438,183
Less: accumulated depreciation	(429,351)	(421,245)
<b>Total plant and equipment</b>	<b>10,384</b>	<b>16,938</b>

### Reconciliation – plant and equipment

Carrying amount at the beginning of the financial year	16,938	22,943
Additions	1,552	2,342
Disposals	–	–
Depreciation	(8,106)	(8,347)
<b>Carrying amount at the end of the financial year</b>	<b>10,384</b>	<b>16,938</b>

## 16. Trade and Other Payables

	2016	2015
	\$	\$
Trade creditors and accruals	253,323	198,834

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

# NOTES TO FINANCIAL STATEMENTS continued

## FOR THE YEAR ENDED 30 JUNE 2016

### 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 (2015: nil) options were issued to employees under the Avexa Employee Share Option Plan, nil (2015: nil) options were issued to Directors. Nil (2015: nil) options held by employees or Directors lapsed or were forfeited and nil (2015: nil) were exercised. Movements in options for the current and prior year are provided in the following tables.

Shares	2016		2015	
	\$	Number	\$	Number
100,459,128 (2015: 49,040,973) ordinary shares, fully paid	<b>186,137,982</b>	<b>100,459,128</b>	184,232,523	49,040,973

Movements in issued capital during the year were as follows:

Balance at the beginning of the financial year	<b>184,232,523</b>	<b>49,040,973</b>	183,482,691	46,284,441
Issue of share capital upon a business combination	<b>1,103,376</b>	<b>27,584,420</b>	–	–
Issue of shares pursuant to Share Purchase Plan	<b>384,014</b>	<b>11,583,735</b>	795,640	2,756,532
Issue of shares pursuant to a placement	<b>490,000</b>	<b>12,250,000</b>	–	–
Transaction costs relating to Rights Issue and placements	<b>(71,931)</b>	–	(45,808)	–
Issued capital at the end of the financial year	<b>186,137,982</b>	<b>100,459,128</b>	184,232,523	49,040,973

The Group completed its one for twenty share consolidation in December 2015 following approval by shareholders in November 2015. The share consolidation involved the conversion of every 20 fully paid ordinary shares on issue into one fully paid ordinary share. Where the share consolidation resulted in a shareholder having a fractional entitlement to a share, the entitlement was rounded up to the next whole number of shares. Upon the completion of the share consolidation in December 2015, the number of Avexa Limited shares on issue reduced from 980,778,925 shares to 49,040,973 as at that date.

The issued and paid up capital for 2015 has been restated for the one for twenty share consolidation.

### 18. Accumulated Losses

	Consolidated	
	2016	2015
	\$	\$
Accumulated losses at the beginning of the financial year	<b>(178,397,684)</b>	(171,787,549)
Net loss attributable to owners of the Company	<b>(6,782,938)</b>	(6,610,135)
Accumulated losses at the end of the financial year	<b>(185,180,622)</b>	(178,397,684)

## 19. Commitments

### (a) Non-cancellable Operating Lease Expense Commitments

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

	Consolidated	
	2016	2015
	\$	\$
– Within one year	16,769	99,786
– One year or later and no later than five years	–	34,397
– Greater than five years	–	–
	<b>16,769</b>	134,183

The principal operating lease commitment other than immaterial office equipment leases was the Company's premises lease agreement which represents a commitment of \$15,512.

	2016	2015
	\$	\$
<b>(b) Cancellable research and development commitments</b>		
– Within one year	60,257	62,763
– One year or later and no later than five years	–	–
	<b>60,257</b>	62,763

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:

	2016	2015
	\$	\$
Cash at bank and on hand	95,690	387,338
Bank short term deposits	292,684	637,230
Cash assets (Note 9)	<b>388,374</b>	1,024,568
Loss after income tax	<b>(6,782,938)</b>	(6,610,135)
Add non-cash and non-operating items:		
– Depreciation, amortisation and loss on disposal of plant and equipment	68,661	8,347
– Foreign exchange (gains)/losses	<b>(328,829)</b>	(1,126,030)
– Investment (gain)/loss on revaluation	57,600	(188,350)
– Accrued interest	<b>(316,899)</b>	(281,324)
– Impairment of equity accounted investment and loan to associate	<b>5,741,560</b>	5,000,000
– Impairment charge on available for sale investment	–	–
– Share of net loss of investment in associate	–	1,312,376
Change in working capital and provisions		
– (Increase)/decrease in receivables	95,826	20,745
– (Increase)/decrease in other assets	24,544	5,175
– Increase/(decrease) in employee benefits	<b>(633)</b>	(119,805)
– Increase/(decrease) in deferred income	–	–
– Increase/(decrease) in payables	<b>54,489</b>	(55,524)
– Increase/(decrease) in other liabilities	–	–
Net cash used in operating activities	<b>(1,386,619)</b>	(2,034,525)

### Non-cash Financing and Investing Activities

There have been no non-cash financing and investing transactions during the 2016 financial year (2015: nil) which have had a material effect on assets and liabilities of the Group, other than the acquisition of TALI Health for consideration in the form of Avexa issued shares (refer Note 17).

# NOTES TO FINANCIAL STATEMENTS continued

## FOR THE YEAR ENDED 30 JUNE 2016

### 21. Earnings Per Share

	Consolidated	
	2016	2015
	\$	\$
Basic earnings per share (cents per share)	(10.17)	(13.86)
Diluted earnings per share (cents per share)	(10.17)	(13.86)

#### (a) Earnings Reconciliation

Net loss:		
Basic earnings	(6,782,938)	(6,610,135)
Diluted earnings	(6,782,938)	(6,610,135)

#### (b) Weighted Average Number of Shares

	Number	Number
Number for basic earnings per share:		
Ordinary shares	66,665,808	47,611,578
Number for diluted earnings per share:		
Ordinary shares	66,665,808	47,611,578
Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted)	66,665,808	47,611,578

The weighted average number of shares for 30 June 2015 has been restated for the one for twenty share consolidation. Refer to Note 17 for further details regarding the share consolidation undertaken by the consolidated entity during the financial period.

### 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 \$2.7m 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 (2015: nil).

At reporting date the Company had the following exposures to foreign currency:

	2016				2015			
	GBP	USD	SGD	EURO	GBP	USD	SGD	EURO
Bank accounts	3,186	43,538	-	-	24,091	319,631	-	-
Receivables	-	-	-	-	-	5,162,807	-	-
Payables	(1,171)	(56,527)	(997)	(31,139)	-	(36,194)	-	(6,481)
Gross balance sheet exposure	2,015	(12,989)	(997)	(31,139)	24,091	5,446,244	-	(6,481)

### 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 2016 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 2015. There is no impact on equity.

2016 Exposure	Equity		Profit and loss	
	Strengthening	Weakening	Strengthening	Weakening
Gross balance sheet exposure	2,744	(3,353)	3,919	(4,790)

2015 Exposure	Equity		Profit and loss	
	Strengthening	Weakening	Strengthening	Weakening
Gross balance sheet exposure	(347,700)	424,967	(496,714)	607,095

The following significant exchange rates applied during the financial year:

Currency	Average Rate		Reporting Date Spot Rate	
	2016	2015	2016	2015
GBP	0.49	0.53	0.55	0.49
USD	0.73	0.84	0.74	0.77
EURO	0.66	0.70	0.67	0.69

### (ii) Interest Rate Risk

The effective weighted average interest rate used to discount the Long Service Leave provision is 2.6 per cent (2015: 2.7 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 \$	Non-interest Bearing \$	Total \$
<b>Financial assets:</b>						
Cash assets – at 30 June 2016	9	1.5	335,525	-	52,849	388,374
Cash assets – at 30 June 2015	9	1.5	122,817	550,000	351,751	1,024,568

# NOTES TO FINANCIAL STATEMENTS continued

## FOR THE YEAR ENDED 30 JUNE 2016

### 22. Financial Instruments Disclosure and Financial Risk Management (continued)

#### (a) Market Risk (continued)

##### (ii) Interest Rate Risk (continued)

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 \$1,942 (2015: \$5,092), assuming that all other variables, including foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

	2016 Profit and Loss		2015 Profit and Loss	
	Strengthening	Weakening	Strengthening	Weakening
Cash at bank – variable interest rate:				
\$AUD	1,942	(1,942)	5,092	(5,092)

#### (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 Coal Holdings USA, LLC (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 \$	Greater than 3 months \$	Greater than 1 year \$	Total \$
<b>Financial assets:</b>					
Receivables – at 30 June 2016	10	322,264	–	–	322,264
Receivables – at 30 June 2015	10	408,029	–	5,049,078	5,457,107

#### (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 having regard to forecast cash inflows and outflows, which in turn may be impacted by planned corporate transactions. Refer to Note 2(b) Going Concern for further detail.

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 \$	Greater than 3 months \$	Total \$
<b>Financial liabilities:</b>				
Creditors and other accruals – at 30 June 2016	16	220,815	32,508	253,323
Creditors and other accruals – at 30 June 2015	16	198,834	–	198,834

#### (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 7 to 12.

#### Directors and Key Management Personnel Compensation

The Directors and Key Management Personnel compensation included in 'employee expenses' are as follows:

Nature of Compensation	2016 \$	2015 \$
Short term employee benefits	367,278	699,399
Performance benefits	–	12,500
Other short term benefits	–	–
Post-employment benefits	28,320	43,903
Termination benefits	–	–
Share-based payments	–	–
Consulting fees	–	–
Total compensation	395,598	755,802

#### Key Management Personnel Transactions

Directors of the Company control 12 per cent of the voting shares of the Company. A company associated with a Director has 8 per cent share in the Company at balance date.

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Group during the year. The terms and conditions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

The aggregate value of transaction related to key management personnel and entities over which they have control or influence were as follows:

	Consolidated	
	2016 \$	2015 \$
Product development and software engineering services *	300,275	–
Corporate and advisory services **	15,000	–
Sponsoring broker and lead management services**	35,000	–
Brokerage services**	10,000	–

\* In March 2016, the Group entered into a three month contract with Grey Innovation Pty Ltd, a company controlled by a Director to buy product development, software engineering, and regulatory compliance services for the development and commercialisation of the TALI Technology. The total contracted value was \$300,275. The contract terms are based on market rates for these types of services and amounts were paid monthly for the duration of the contract once key deliverables had been achieved and reviewed.

\*\* The Group used the corporate advisory services of Novus Capital and Anadem Pty Ltd, companies associated with one of the Directors, in relation to advice on capital raising activities and the acquisition of TALI Health Pty Ltd. Amounts were billed based on normal market rates for such services.

# NOTES TO FINANCIAL STATEMENTS continued

## FOR THE YEAR ENDED 30 JUNE 2016

### 23. Related parties (continued)

#### Other Key Management Personnel Transactions with the Group

No Key Management Personnel member has entered into a material contract with the Group during either the 2016 or 2015 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 \$360,275.

#### Transactions and Commitments with Other Related Parties

	2016 \$	2015 \$
Working capital loan – Coal Holdings USA, LLC	7,104,890	6,413,423
Less impairment provision	(7,104,890)	(1,364,345)
Loans to associates and related interest	–	5,049,078

#### Outstanding Balances with Other Related Parties

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

	2016 \$	2015 \$
Other receivables	–	105,729
Loans to associates	–	5,049,078

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

#### 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 Key Management Personnel

There were no loans made to Directors or Executives or other loan movements during the 2016 financial year.

#### Other Related Party Transactions

Other than the transactions disclosed above, there were no transactions with other related parties during either the 2016 or 2015 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 Key Management Personnel.

## 25. Employee Benefits

Aggregate liability for employee benefits, including on-costs:

	Consolidated	
	2016	2015
	\$	\$
Current – employee benefits provision:		
Annual leave and long service leave entitlements	77,475	65,608
Performance incentive entitlements	–	12,500
Non-current – employee benefits provision:		
Long service leave entitlement	–	–
<b>Total employee benefits</b>	<b>77,475</b>	<b>78,108</b>

### 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 \$	Long Service Leave \$	Performance Incentive \$	Total \$
Balance at the beginning of the year	37,897	27,711	12,500	78,108
Provision utilised	(13,755)	–	(12,500)	(26,255)
Charges raised	18,017	7,605	–	25,622
<b>Balance at the end of the year</b>	<b>42,159</b>	<b>35,316</b>	<b>–</b>	<b>77,475</b>

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:

	2016	2015
Assumed rate of annual increase in salary and wages	2.0%	2.0%
Average discount rate	2.6%	2.7%
Settlement term (years)	7	7
Number of employees at year end (excluding Non-Executive Directors)	5	5

## 26. Events Subsequent to Balance Date

On July 27th 2016 the Group announced a one for one Non-Renounceable Rights Issue (Entitlement offer) to all eligible shareholders raising up to \$2.2 million (before costs). The Entitlement offer was supported by an underwriting commitment totalling \$1.8 million.

On August 23rd 2016 the Entitlement offer closed and the gross amount raised by the Company was \$2.2 million (before costs), through the issuance of 104,379,302 new shares including the shares issued to the underwriter.

In the interval between the end of the financial year and the date of this report no other 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.

# NOTES TO FINANCIAL STATEMENTS continued

## FOR THE YEAR ENDED 30 JUNE 2016

### 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 health and medical research and development for commercialisation.
2. Investments – investing of excess funds in approved instruments including US coal mine and Australian equities.

	Research and Development		Investments		Total	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
External revenues	303,374	319,870	–	–	303,374	319,870
Inter-segment revenue	–	–	–	–	–	–
Interest revenue	11,590	47,866	192,367	315,784	203,957	363,650
Finance expense	–	–	–	–	–	–
Impairment of equity accounted investment and loan to associate	–	–	(5,741,560)	(5,000,000)	(5,741,560)	(5,000,000)
Share of net profit/(loss) of associate accounted for using the equity method	–	–	–	(1,312,376)	–	(1,312,376)
Depreciation and amortisation	68,661	8,347	–	–	68,661	8,347
Reportable segment profit/(loss) before tax	(1,500,508)	(1,902,911)	(5,282,430)	(4,707,224)	(6,782,938)	(6,610,135)
Reportable segment total assets	1,746,004	1,490,025	79,282	5,160,478	1,825,286	6,650,503
Investment accounted for using the equity method	–	–	–	1,000	–	1,000
Reportable segment total liabilities	309,525	256,373	21,273	20,569	330,798	276,942

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

#### Reconciliations of Information on Reportable Segments to IFRS Measure

	2016 \$	2015 \$
<b>Revenues</b>		
Total revenue for reportable segments	303,374	319,870
Revenue for other segments	–	–
Consolidated revenue	303,374	319,870
<b>Profit before Tax</b>		
Total profit before tax for reportable segments	(6,782,938)	(6,610,135)
Profit before tax for other segments	–	–
Consolidated profit before tax from continuing operations	(6,782,938)	(6,610,135)
<b>Assets</b>		
Total assets for reportable segments	1,825,286	6,649,503
Assets for other segments	–	–
Equity accounted investees	–	1,000
Other unallocated amounts	–	–
Consolidated total assets	1,825,286	6,650,503
<b>Liabilities</b>		
Total liabilities for reportable segments	330,798	276,942
Liabilities for other segments	–	–
Other unallocated amounts	–	–
Consolidated total liabilities	330,798	276,942

## 29. Group Entities

Significant subsidiaries for the year ended:

	Country of Incorporation	Ownership interest %	
		2016	2015
Avexa Inc	USA	100	100
Avexa Ltd	UK	100	100
AVI Capital Inc	USA	100	100
AVI Capital Pty Ltd	Australia	100	100
TALI Health Pty Ltd	Australia	100	–

## 30. Parent Entity Disclosures

As at, and throughout, the financial year ended 30 June 2016 the parent entity of the Group was Avexa Limited.

	2016	2015
	\$	\$
<b>Results of parent entity</b>		
Profit/(loss) for the period	(6,585,625)	(6,229,084)
Other comprehensive income	–	–
Total comprehensive income for the period	(6,585,625)	(6,229,084)
<b>Financial position of parent entity at year end</b>		
Current assets	642,696	1,282,049
Total assets	1,702,869	6,348,066
Current liabilities	287,468	252,500
Total liabilities	287,468	252,500
<b>Total equity of the parent entity</b>		
Share capital	186,137,982	184,232,523
Retained earnings	(184,722,581)	(178,137,958)
<b>Total equity</b>	<b>1,415,401</b>	<b>6,095,565</b>

## 31. Finance Income and Finance Costs

	2016	2015
	\$	\$
<b>Recognised in profit or loss</b>		
Interest income on cash and cash equivalents	11,590	47,866
Interest income on loan receivable	192,367	315,784
Net gain on disposal of available-for-sale financial assets transferred from equity	–	176,350
<b>Finance income</b>	<b>203,957</b>	<b>540,000</b>
<b>Net change in fair value of financial assets at fair value through profit or loss:</b>		
Available for sale	(57,600)	12,000
Impairment charge	–	–
<b>Finance income (costs)</b>	<b>(57,600)</b>	<b>12,000</b>
<b>Net finance income/(costs) recognised in profit or loss</b>	<b>146,357</b>	<b>552,000</b>

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 2016.

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

# NOTES TO FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2016

## 32. Acquisition of Subsidiary

As announced to the market on February 15th 2016 the Group acquired 100 per cent of the shares and voting interests in TALI Health Pty Ltd (TALI). TALI's technology is a tablet based software application clinically proven to assess and treat childhood attention difficulties which are common in children with developmental delay. The Directors have unanimously decided to concentrate the Company's strategy on the acquisition, development and commercialisation of TALI's technology.

The acquisition was settled through the issue of 27,584,420 ordinary shares in Avexa which as at February 15th 2016 was valued at \$1.1 million. There was no cash or other consideration. The group incurred additional acquisition-related costs of \$47,000 on legal fees and due diligence costs. These costs have been included in 'professional services expenses' (refer Statement of Profit or Loss and Other Comprehensive Income).

### Identifiable Assets Acquired and Liabilities Assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	2016 \$
Cash and cash equivalents	6,450
Receivables	53,275
Intangible assets – licenses	375,000
Trade and other payables	(52,423)
Total identifiable net assets acquired	382,302

### TALI Intellectual Property

Intellectual property was acquired relating to licensing, development and marketing rights as follows:

	2016 \$
Purchase consideration	1,103,376
Identifiable net assets acquired	(382,302)
TALI intellectual property	721,074

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that exists at the date of acquisition, then the accounting for the acquisition will be revised.

# DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2016

- 1 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 7 to 38, 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 2016 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.
- 2 The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Executive Chairman and Financial Controller for the financial year ended 30 June 2016.

Dated at Melbourne this 30th day of August, 2016.

This report is made with a resolution of the Directors.



**Iain Kirkwood**  
Chairman

# INDEPENDENT AUDIT REPORT

FOR THE YEAR ENDED 30 JUNE 2016



## 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 2016, 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 32 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 the Group 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 2016 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, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (KPMG International), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



### Emphasis of matter relating to going concern

Without qualifying our opinion we draw attention to Note 2(b) to the consolidated financial statements. The group recorded an operating loss after tax of \$6,782,938 for the year. The Group is dependent on the successful development and commercialisation of the TAL1 technology in order to generate revenue and secure additional funding to meet working capital and operating expenditure requirements. This matter indicates the existence of a 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 assets and discharge liabilities in the normal course of business.

### Report on the remuneration report

We have audited the Remuneration Report included in pages 7 to 12 of the directors' report for the year ended 30 June 2016. 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 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

**Bernie Szentirmay**  
Partner

Melbourne  
30 August 2016

# CORPORATE GOVERNANCE STATEMENT

30 JUNE 2016

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 2016 Corporate Governance Statement which is published on the Company's website at [www.avexa.com.au](http://www.avexa.com.au)

# SHAREHOLDER INFORMATION

## Share Capital

As at 18 October 2016 the share capital of the Company was:

Issued and paid up capital: 204,838,430 ordinary shares.

	Number
Number of shares quoted on the Australian Securities Exchange Limited	204,838,430

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 18 October 2016

Name	Ordinary Shares Held	Percentage of Total Shareholding
Megabay Holdings Pty Ltd	19,028,265	9.289
Grey Innovation Holdings Pty Ltd	13,065,275	6.378
J P Morgan Nominees Australia Limited	8,848,654	4.320
Mr Jonathan Keng Hock Lim	8,355,663	4.079
HSBC Custody Nominees (Australia) Limited	6,073,178	2.965
Moonah Capital Pty Ltd	5,808,182	2.835
Boltweg Pty Ltd <Boltweg Super Fund A/C>	5,225,000	2.551
EGEA Pty Ltd	4,600,000	2.246
Mr John Nathan Kettle <Clive T A/C>	3,863,636	1.886
Unrandom Pty Ltd <Unrandom A/C>	3,000,000	1.465
Interprac Financial Planning Pty Ltd	2,920,175	1.426
Mr Garry Crole	2,854,941	1.394
Sceeta Healthcare Pty Ltd <Sceeta Discretionary A/C>	2,707,328	1.322
Redmont Resources Pty Ltd <Cuthbert Investment A/C>	2,429,862	1.186
Mr Robert Veitch & Mrs Elaine Veitch <Veitch Super Fund A/C>	2,233,423	1.090
Pethol (Vic) Pty Ltd <Macy No 5 Super Fund A/C>	2,000,000	0.976
Hydroneemes Pty Ltd <Hydro-Chem Super Fund A/C>	2,000,000	0.976
Whotif Pty Ltd	1,929,564	0.942
Posse Investment Holdings Pty Limited	1,929,564	0.942
Mrs Yvonne El-Bayeh	1,907,020	0.931
<b>Totals for top 20</b>	<b>100,779,730</b>	<b>49.200</b>
<b>Total issued capital</b>	<b>204,838,430</b>	

## Substantial Shareholders

The following information is extracted from substantial shareholding notices given to the Company up to 18 October 2016 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
Megabay Holdings Pty Ltd	19,028,265	9.289
Grey Innovation Holdings Pty Ltd	13,065,275	6.378

## Distribution of Shareholders as at 18 October 2016

Range	Holders	Ordinary Shares Held	Percentage of Total Shareholding
1 – 1,000	4,742	1,255,826	0.61
1,001 – 5,000	1,561	3,945,986	1.93
5,001 – 10,000	398	2,936,201	1.43
10,001 – 100,000	586	18,784,019	9.17
100,001 and over	206	177,916,398	86.86
<b>Total shareholders</b>	<b>7,493</b>	<b>204,838,430</b>	<b>100.00</b>

The number of shareholders as at 18 October 2016 with less than a marketable parcel of \$500 worth of shares, based on the market price as at the above date, was 6,883.

# SHAREHOLDER INFORMATION continued

## Shares and Voting Rights

As at 18 October 2016, there were 7,493 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 18 October 2016, 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 – Resigned 10 October 2016

Mr John Osborne – Appointed 10 October 2016

## Registered Office

Avexa Limited  
Suite 8, Level 1  
61–63 Camberwell Road  
Hawthorn East, Victoria 3123 Australia  
Telephone +61 3 8888 1040  
Facsimile +61 3 8888 1049

## Share Registry

Automic Registry Services  
Suite 310, Level 3  
50 Holt Street  
Surry Hills, New South Wales 2010 Australia  
Telephone 1300 288 664  
Website [www.automic.com.au](http://www.automic.com.au)  
Email [hello@automic.com.au](mailto:hello@automic.com.au)

Facsimile for receipt of 29 November 2016 Annual General Meeting correspondence only: +61 2 8583 3040.

## Securityholder Information

You can gain access to your securityholding information in a number of ways. The details are managed via the Company's Registrar, Automic Registry Services, 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 288 664 to speak to an operator.

## Internet Account Access

Securityholders can access their details via the internet. Automic provides access via its InvestorServe online service. Go to <https://investor.automic.com.au/#/home> to view your information.

## Changing Shareholder Details

Changes to your name or address must be advised in writing to Automic Registry Services. 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 Automic Registry Services in writing or doing so online using <https://investor.automic.com.au/#/home>. 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](http://www.avexa.com.au)

## Annual General Meeting

Tuesday 29 November 2016  
Governance Institute of Australia  
Level 7, 500 Collins Street  
Melbourne Victoria 3000 Australia

## Investor Relations

If you have any questions or issues regarding your shareholding, please contact Automic Registry Services on 1300 288 664.





**A V E X A**

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